



## Management Report for Third Fiscal Quarter 2021

Hsinchu, Taiwan, November 10<sup>th</sup>, 2021 – eMemory Technology Inc. (TPE: 3529) reported financial results for its fiscal quarter, which ended 30<sup>th</sup> September 2021.

### Executive Summary

- Q3 2021 revenue was NT\$ 594.28million, up 9.8% sequentially, and 34.7% year-over-year. Operating income increased 12.0% sequentially, and 60.5% year-over-year. EPS was NT\$ 3.72, and ROE at 53.2%.
- Licensing revenue will grow due to the continued strong demand for NeoFuse, NeoBit, PUF-based solutions, and MTP related IPs.
- Royalty revenue will continue its growth momentum for 8-inch and 12-inch as demand and content increase for various applications in 5G, Automotive, and IoT-related applications, especially from the 28/22nm process node and below.

### Financial Results

(Amounts in thousands of NT\$)

	Q3 2021	Q2 2021	Change (QoQ)	Q3 2020	Change (YoY)	Q1-Q3 2021	Q1-Q3 2020	Change (YoY)
Revenue	594,277	541,415	9.8%	441,259	34.7%	1,732,426	1,279,971	35.3%
Gross Margin	100%	100%	-	100%	-	100%	100%	-
Operating Expenses	277,611	258,701	7.3%	243,913	13.8%	795,335	692,740	14.8%
Operating Income	316,666	282,714	12.0%	197,346	60.5%	937,091	587,231	59.6%
Operating Margin	53.3%	52.2%	1.1ppts	44.7%	8.6ppts	54.1%	45.9%	8.2ppts
*Net Income	277,181	243,731	13.7%	168,581	64.4%	813,894	514,656	58.1%
Net Margin	46.3%	44.7%	1.6ppts	38.2%	8.1ppts	46.7%	40.2%	6.5ppts
EPS (NT\$)	3.72	3.27	13.8%	2.26	64.6%	10.92	6.92	57.8%
ROE	53.2%	50.2%	3.0ppts	38.8%	14.4ppts	52.1%	39.5%	12.6ppts

\*Net income attributable to shareholders of the company

### Revenue Analysis

(Amounts in thousands of NT\$)

	Q3 2021	Q2 2021	QoQ	Q3 2020	YoY	Q1-Q3 2021	Q1-Q3 2020	YoY
Licensing	188,667	174,559	8.1%	111,125	69.8%	540,219	335,633	61.0%
Royalty	405,610	366,856	10.6%	330,134	22.9%	1,192,207	944,338	26.2%
Total	594,277	541,415	9.8%	441,259	34.7%	1,732,426	1,279,971	35.3%



(Amounts in thousands of US\$)

	Q3 2021	Q2 2021	QoQ	Q3 2020	YoY	Q1-Q3 2021	Q1-Q3 2020	YoY
Licensing	6,778	6,218	9.0%	3,765	80.0%	19,237	11,260	70.8%
Royalty	14,584	13,013	12.1%	11,195	30.3%	42,385	31,727	33.6%
Total	21,362	19,231	11.1%	14,960	42.8%	61,622	42,987	43.4%

## Revenue analysis by technology

Technology	Q3 2021								
	Total Revenue			Licensing Revenue			Royalty Revenue		
	% of Q3 Revenue	Change (QoQ)	Change (YoY)	% of Q3 Licensing	Change (QoQ)	Change (YoY)	% of Q3 Royalty	Change (QoQ)	Change (YoY)
NeoBit	38.8%	3.7%	-2.6%	20.7%	-22.0%	56.5%	47.3%	11.2%	-9.5%
NeoFuse	49.7%	3.9%	68.2%	49.5%	-8.7%	36.2%	49.7%	10.9%	88.7%
PUF-Based	0.5%	34.7%	-54.9%	1.5%	34.2%	-55.1%	0.0%	100.0%	100.0%
MTP	11.0%	101.0%	187.8%	28.3%	164.6%	367.6%	3.0%	-2.7%	6.3%

\*Royalty of NeoBit decreased YoY due to some PMIC and DDI products migrating into 12-inch using NeoFuse instead. We expect growth momentum to be back once new products (legacy PMIC, automotive and IoT related 8-inch applications) ramps up production.

\*Licensing revenue of MTP increased 164.6% QoQ and 367.6% YoY due to emerging memory MRAM licensing from Chinese customers.

Technology	Q1-Q3 2021					
	Total Revenue		Licensing Revenue		Royalty Revenue	
	% of Q1-Q3 Revenue	Change (YoY)	% of Q1-Q3 Licensing	Change (YoY)	% of Q1-Q3 Royalty	Change (YoY)
NeoBit	40.0%	1.9%	21.6%	67.7%	48.5%	-5.5%
NeoFuse	50.0%	64.0%	53.0%	26.2%	48.6%	92.5%
PUF-Based	0.6%	8.0%	1.9%	8.0%	0.0%	100.0%
MTP	9.4%	164.0%	23.5%	328.7%	2.9%	10.2%

- NeoBit : OTP technology covers from 0.25um to 55nm.
- NeoFuse : OTP technology covers mainly from 0.18um to 5nm.
- PUF-Based : OTP technology covers mainly from 65nm to 5nm.
- MTP : MTP technology covers from 0.18um to 22nm, offering high-density memory and allowing up to 100K rewritable times with zero additional masking layers.



## Royalty revenue analysis by wafer size (8-inch vs 12-inch)

Wafer Size	Q3 2021			Q1-Q3 2021	
	% of Q3	Change (QoQ)	Change (YoY)	% of Q1-Q3	Change (YoY)
8-inch	52.3%	9.0%	6.7%	53.4%	7.5%
12-inch	47.7%	12.3%	47.4%	46.6%	57.9%

\*8-inch revenue increased mainly due applications expanding into automotive and IoT related applications.

\*12-inch revenue also increased due to continuous production from WiFi 6/6E, OLED, ISP, DTV, DRAM, and more.

## Key Business Developments

### Licensing

- Technology License
  - ✓ 10 licensing contracts were signed during this quarter.
  - ✓ As of September 30<sup>th</sup>, 2021, we have technologies under development for the adoption of 108 different process platforms, ranging from 0.25um to 5nm.

### Development of Key Technologies

	5/6nm	7/10nm	12/16nm	22/28nm	40nm	55/65nm	80/90nm	0.11/0.13um	0.18um	0.25um	Total
Qualified	2	2	5	37	17	29	21	18	1	0	132
Developing	2	1	5	12	4	20	12	23	28	1	108

- Design License
  - ✓ A total of 149 product tape-outs occurred in the third quarter of 2021, remaining at a high level.
    - 1 tape-out at 7nm for security applications
    - 1 tape-out at 14nm/16nm for SSD Controller.
    - 15 tape-outs at 22nm/28nm for PMIC, DLP, OLED Driver, Ethernet, AI SoC, Wifi, DTV, STB, and others.
    - 18 tape-outs at 40nm for CIS, MCU, OLED Driver, and TDDI.
    - 16 tape-outs at 55nm/63nm/65nm for CIS, MCU, OLED Driver, LCD Driver, TDDI, RF-2.4GHz, Oscillator.
    - 11 tape-outs at 80nm/90nm for PMIC, CIS, OLED Driver, LCD Driver, TDDI.
    - 10 tape-outs at 0.13um for PMIC, Ambient Light Sensor, and LCD Driver.
    - 76 tape-outs at 0.18um for PMIC, Wireless Charger, Accelerometer, Ambient Light Sensor, Controller, Magentics, Temp, Fingerprint, MCU, LCD Driver, and LED Driver.
    - 1 tape-out at 0.25um for PMIC.



- ✓ As of September 30<sup>th</sup>, 2021, eMemory's cumulative number of design licenses has increased to 5,726—a direct result of our ongoing effort in expanding and diversifying our technologies for adoption in a wide range of applications.

## **Future Growth Drivers**

### License

- Strong demand from NeoFuse, NeoBit, PUF-based solutions, and MTP-related will drive licensing revenue growth for Q4 and beyond.

### Royalty

- 8-inch royalties will continue their momentum due to the demand and content increase for PMIC, MCU, Fingerprint, and Sensor-related in 5G, Automotive, and IoT-related applications.
- 12-inch royalties will have strong growth as customers are ramping up production for TDDI, OLED, ISP, DTV, STB, WiFi 6/6E, Bluetooth, Ethernet, Switch, TWS, DRAM, and others.
- Royalty contribution from 16nm and 7nm started to kick in in Q4.
- Several major foundries have expanded 28/22nm production capacity and we have accumulated more than 155 new tape-outs at this process node, driving momentum for the growth of royalties in the future.

### New Business Development

- NeoFuse and NeoPUF in advanced processes, are being adopted for AI, HPC and Automotive applications, especially in 7nm and 6nm nodes.
- Business activities for PUF-based security solutions are in progress in IoT, industrial IoT, AI, Blockchain, FPGA, Data Processor Unit (DPU), Mobile Storage (UFS), and Automotive applications. PUFrt and PUFcc have also been adopted by several customers across various applications.
- Our collaboration with ARM expands from the IoT platform into CPU security architecture.
- eMemory has received the TSMC OIP Partner of the Year Award for the twelfth year in a row, demonstrating the trust our partners have in us.

### New IP Technology Development

- NeoFuse has been qualified on TSMC's N6 process. This security-enhanced OTP combines NeoFuse with NeoPUF to protect data, targeting mobile, consumer, AI, networking, 5G infrastructure, GPU, and high-performance computing.
- ReRAM IP has been qualified on the UMC 40nm process. eMemory is one of the world's first companies to provide this emerging memory and offer more comprehensive solutions for Automotive, edge computing, AI and AIoT markets. We will extend the ReRAM technology to more advanced process nodes and speciality processes such as BCD and high voltage.
- PUF-based solutions are under development for implementation in WiFi 6/6E for AIoT edge devices and AI image processors.



## Financial Review

### Gross margin

The gross margin remained at 100%.

### Operating expenses

- The total operating expenses in Q3 2021 were NT\$ 277.61 million and represented 46.7% of the total revenue, which increased 13.8% from the prior year. The annual increase was mainly attributable to expenditure increases such as salary and other related human resource expenses such as bonuses and rewards.

### Non-operating items and income tax expense

- Non-operating items for the quarter were NT\$ 6.4 million, which increased 1,375.9% sequentially and 295.3% year-over-year. The increases were due to exchange benefits caused by the depreciation of the Taiwan dollar.
- Q1-Q3 2021 effective tax rate was 14.9%.

### Net Income and EPS

- Net income attributable to shareholders of the company for the quarter was NT\$ 277.18 million, an increase of 13.7% sequentially, and an increase of 64.4% year-over-year.
- Earnings per share were NT\$ 3.72 in Q3 2021. ROE was 53.2%.

### Current assets and current liabilities

- As of September 30<sup>th</sup>, 2021, cash increased by NT\$ 465.83 million from September 30<sup>th</sup>, 2020 to NT\$ 1,900.46 million.
- Total current assets including cash were NT\$ 2,170.19 million, with an increase of NT\$ 532.23 million from September 30<sup>th</sup>, 2020. The increase was due to revenue and profit growth.
- Total current liabilities increased by NT\$ 120.45 million from September 30<sup>th</sup>, 2020 to NT\$ 525.31 million.
- The net working capital was NT\$ 1,644.89 million and the current ratio was 4.13x.

### Cash flows

- As of September 30<sup>th</sup>, 2021, net cash generated from operating activities totaled NT\$ 808.84 million, including NT\$ 950.59 million from income before income tax, NT\$ 44.41 million from depreciation and amortization, and NT\$ 186.16 million used in other operating activities, which included tax payment of NT\$ 121.78 million.
- Net cash generated from investing activities was NT\$ 0.1 million at the end of September 30<sup>th</sup>, 2021, primarily related to the decrease in capital outlays of the first three quarters, resulting in more investment activities compared to the previous year.
- Net cash used in financing activities was NT\$ 661.44 million at the end of September 30<sup>th</sup>, 2021, mainly attributable to the increase in cash dividends paid and the decrease in employees executing stock options.



- As a result, cash increased from NT\$ 1,434.64 million to NT\$1,900.46 million from September 30<sup>th</sup>, 2020 to September 30<sup>th</sup>, 2021.

#### Employee

- As of September 30<sup>th</sup>, 2021, eMemory has 264 full-time employees, including 179 R&D engineers. Our subsidiary, PUFsecurity has 28 full-time employees, including 17 R&D engineers.

#### **Cautionary Statement**

This report contains forward-looking statements, which are subject to risk factors associated with the semiconductor and intellectual property business. We believe that the expectations reflected in these statements are reasonable. However, they may be affected by a variety of variables, many of which are beyond our control. These variables could cause actual results or trends to differ materially which include, but are not limited to: wafer price fluctuation, actual demand, rapid technology change, delays or failures in customers' tape-outs into wafer production, our ability to negotiate, monitor and enforce agreements for the determination and payment of royalties, any bug or fault in our technology which leads to significant damage to our technology and reputation, actual or potential litigation, semiconductor industry cycle and general economic conditions. Unless as required by law, eMemory undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

#### **Contact**

Millie Wang

Investor Relations

eMemory Technology Inc.

+886-3-5601168

[ir@ememory.com.tw](mailto:ir@ememory.com.tw)

**-Financial Statements To Follow-**

# eMemory Technology Inc. and Subsidiary

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)			September 30, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>ASSETS</b>							<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash	\$1,900,464	70	\$1,754,111	71	\$1,434,636	65	Short-term bank loans	\$ -	-	\$ -	-	\$ 20,000	1
Accounts receivable - net	222,133	8	117,449	5	149,105	7	Contract liabilities - current	77,222	3	50,802	2	56,002	2
Other receivables	3,729	-	105	-	156	-	Other payables	104,781	4	136,590	5	89,622	4
Other receivables - related parties	379	-	277	-	427	-	Other payables - related parties	55	-	-	-	-	-
Prepayments	39,402	2	23,711	1	50,037	2	Bonuses payable to employees and directors	227,910	8	164,397	7	147,565	7
Other current assets	4,087	-	3,262	-	3,608	-	Payables on equipment	4,118	-	5,134	-	3,755	-
Total current assets	<u>2,170,194</u>	<u>80</u>	<u>1,898,915</u>	<u>77</u>	<u>1,637,969</u>	<u>74</u>	Current tax liabilities	107,103	4	87,696	4	79,059	4
							Lease liabilities - current						
							1,911						
							-						
							1,340						
							-						
							1,800						
							-						
							2,207						
							-						
							2,134						
							-						
							7,050						
							-						
							525,307						
							19						
							448,093						
							18						
							404,853						
							18						
<b>NON-CURRENT ASSETS</b>							<b>NON-CURRENT LIABILITIES</b>						
Financial assets at fair value through other comprehensive income - noncurrent	13,104	-	21,037	1	17,100	1	Lease liabilities - noncurrent	3,517	-	2,073	-	2,327	-
Financial assets at amortized cost - noncurrent	114	-	114	-	113	-	Net defined benefit liabilities - noncurrent	20,641	1	21,233	1	20,915	1
Investment accounted for using the equity method	3,637	-	5,517	-	2,681	-	Guarantee deposits received	530	-	530	-	530	-
Property, plant and equipment	451,413	17	467,393	19	472,984	21	Total non-current liabilities	<u>24,688</u>	<u>1</u>	<u>23,836</u>	<u>1</u>	<u>23,772</u>	<u>1</u>
Right-of-use assets	5,363	-	3,352	-	4,059	-	Total liabilities	<u>549,995</u>	<u>20</u>	<u>471,929</u>	<u>19</u>	<u>428,625</u>	<u>19</u>
Intangible assets	74,399	3	76,814	3	75,116	4							
Deferred tax assets	3,118	-	4,022	-	3,702	-	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>						
Prepayments for equipment	3,300	-	50	-	-	-	Ordinary shares	<u>760,876</u>	<u>28</u>	<u>760,592</u>	<u>31</u>	<u>760,562</u>	<u>34</u>
Refundable deposits	461	-	358	-	358	-	Capital surplus	<u>289,500</u>	<u>11</u>	<u>391,907</u>	<u>16</u>	<u>362,825</u>	<u>17</u>
Total non-current assets	<u>554,909</u>	<u>20</u>	<u>578,657</u>	<u>23</u>	<u>576,113</u>	<u>26</u>	Retained earnings						
							Legal reserve						
							526,270						
							19						
							455,518						
							18						
							455,518						
							20						
							Special reserve						
							60,101						
							2						
							65,586						
							3						
							65,586						
							3						
							Unappropriated earnings						
							971,297						
							36						
							787,007						
							32						
							594,142						
							27						
							Total retained earnings						
							1,557,668						
							57						
							1,308,111						
							53						
							1,115,246						
							50						
							Other equity						
							Exchange differences on the translation of the financial statements of foreign operations						
							( 95)						
							-						
							( 26)						
							-						
							5						
							-						
							Unrealized gain (loss) on financial assets at fair value through other comprehensive income						
							( 33,900)						
							( 1)						
							( 60,075)						
							( 3)						
							( 64,012)						
							( 3)						
							Total other equity						
							( 33,995)						
							( 1)						
							( 60,101)						
							( 3)						
							( 64,007)						
							( 3)						
							Treasury shares						
							( 404,238)						
							( 15)						
							( 404,238)						
							( 16)						
							( 404,238)						
							( 18)						
							Total equity attributable to shareholders of the Company						
							2,169,811						
							80						
							1,996,271						
							81						
							1,770,388						
							80						
							<b>NON-CONTROLLING INTERESTS</b>						
							5,297						
							-						
							9,372						
							-						
							15,069						
							1						
							Total equity						
							2,175,108						
							80						
							2,005,643						
							81						
							1,785,457						
							81						
<b>TOTAL</b>	<u>\$2,725,103</u>	<u>100</u>	<u>\$2,477,572</u>	<u>100</u>	<u>\$2,214,082</u>	<u>100</u>	<b>TOTAL</b>	<u>\$2,725,103</u>	<u>100</u>	<u>\$2,477,572</u>	<u>100</u>	<u>\$2,214,082</u>	<u>100</u>

# eMemory Technology Inc. and Subsidiary

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE	\$594,277	100	\$441,259	100	\$1,732,426	100	\$1,279,971	100
OPERATING COSTS	-	-	-	-	-	-	-	-
GROSS PROFIT	<u>594,277</u>	<u>100</u>	<u>441,259</u>	<u>100</u>	<u>1,732,426</u>	<u>100</u>	<u>1,279,971</u>	<u>100</u>
OPERATING EXPENSES								
Selling and marketing expenses	39,622	7	34,062	8	114,161	7	94,444	7
General and administrative expenses	66,174	11	51,477	12	188,826	11	147,740	12
Research and development expenses	171,252	29	147,140	33	502,598	29	436,818	34
Expected credit loss (gain)	<u>563</u>	<u>-</u>	<u>11,234</u>	<u>2</u>	<u>(10,250)</u>	<u>(1)</u>	<u>13,738</u>	<u>1</u>
Total operating expenses	<u>277,611</u>	<u>47</u>	<u>243,913</u>	<u>55</u>	<u>795,335</u>	<u>46</u>	<u>692,740</u>	<u>54</u>
OPERATING INCOME	<u>316,666</u>	<u>53</u>	<u>197,346</u>	<u>45</u>	<u>937,091</u>	<u>54</u>	<u>587,231</u>	<u>46</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	1,570	-	1,385	-	5,447	-	6,064	1
Other income	1,117	-	2,374	-	3,566	-	4,753	-
Other gains and losses	4,428	1	(1,219)	-	6,563	1	4,839	-
Finance costs	(20)	-	(58)	-	(69)	-	(122)	-
Share of loss of associates	<u>(660)</u>	<u>-</u>	<u>(854)</u>	<u>-</u>	<u>(2,006)</u>	<u>-</u>	<u>(2,703)</u>	<u>-</u>
Total non-operating income and expenses	<u>6,435</u>	<u>1</u>	<u>1,628</u>	<u>-</u>	<u>13,501</u>	<u>1</u>	<u>12,831</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	323,101	54	198,974	45	950,592	55	600,062	47
INCOME TAX EXPENSE	<u>47,948</u>	<u>8</u>	<u>30,393</u>	<u>7</u>	<u>142,095</u>	<u>8</u>	<u>85,406</u>	<u>7</u>
NET PROFIT	<u>275,153</u>	<u>46</u>	<u>168,581</u>	<u>38</u>	<u>808,497</u>	<u>47</u>	<u>514,656</u>	<u>40</u>

(Continued)



# eMemory Technology Inc. and Subsidiary

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	\$ 600	-	\$ 198	-	\$ 20,630	1	\$ 1,570	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on the translation of the financial statements of foreign operations	( 2)	-	10	-	( 76)	-	10	-
Share of the other comprehensive loss of associates accounted for using the equity method	-	-	1	-	-	-	( 1)	-
Other comprehensive income	598	-	209	-	20,554	1	1,579	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$275,751</u>	<u>46</u>	<u>\$168,790</u>	<u>38</u>	<u>\$829,051</u>	<u>48</u>	<u>\$516,235</u>	<u>40</u>
NET PROFIT (LOSS)								
ATTRIBUTABLE TO:								
Shareholders of the Company	\$277,181	47	\$168,581	38	\$813,894	47	\$514,656	40
Non-controlling interests	( 2,028)	( 1)	-	-	( 5,397)	-	-	-
	<u>\$275,153</u>	<u>46</u>	<u>\$168,581</u>	<u>38</u>	<u>\$808,497</u>	<u>47</u>	<u>\$514,656</u>	<u>40</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Shareholders of the Company	\$277,780	47	\$168,790	38	\$834,455	48	\$516,235	40
Non-controlling interests	( 2,029)	( 1)	-	-	( 5,404)	-	-	-
	<u>\$275,751</u>	<u>46</u>	<u>\$168,790</u>	<u>38</u>	<u>\$829,051</u>	<u>48</u>	<u>\$516,235</u>	<u>40</u>
EARNINGS PER SHARE								
Basic	<u>\$ 3.72</u>		<u>\$ 2.26</u>		<u>\$ 10.92</u>		<u>\$ 6.92</u>	
Diluted	<u>\$ 3.71</u>		<u>\$ 2.26</u>		<u>\$ 10.89</u>		<u>\$ 6.90</u>	

(Concluded)

# eMemory Technology Inc. and Subsidiary

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Company							Other Equity			Non-controlling Interests	Total Equity	
	Ordinary Shares		Capital Surplus	Legal Reserve	Retained Earnings			Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares			Total
	Number of Shares (In Thousands)	Amount			Special Reserve	Unappropriated Earnings	Total						
BALANCE, JANUARY 1, 2020	75,834	\$ 758,336	\$ 404,446	\$ 401,471	\$ 61,932	\$ 545,653	\$ 1,009,056	(\$ 4)	(\$ 65,582)	(\$ 404,238)	\$ 1,702,014	\$ -	\$ 1,702,014
Appropriation of 2019 earnings													
Legal reserve	-	-	-	54,047	-	( 54,047 )	-	-	-	-	-	-	-
Special reserve	-	-	-	-	3,654	( 3,654 )	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	( 408,466 )	( 408,466 )	-	-	-	( 408,466 )	-	( 408,466 )
Changes in percentage of ownership interests in subsidiaries	-	-	49	-	-	-	-	-	-	-	49	( 49 )	-
Change in capital surplus from investments in associates accounted for by using the equity method	-	-	3	-	-	-	-	-	-	-	3	-	3
Issuance of cash dividends from capital surplus	-	-	( 111,400 )	-	-	-	-	-	-	-	( 111,400 )	-	( 111,400 )
Net profit for the nine months ended September 30, 2020	-	-	-	-	-	514,656	514,656	-	-	-	514,656	-	514,656
Other comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	-	-	9	1,570	-	1,579	-	1,579
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	514,656	514,656	9	1,570	-	516,235	-	516,235
Issuance of ordinary shares under employee share options	223	2,226	68,642	-	-	-	-	-	-	-	70,868	-	70,868
Share-based payments	-	-	1,085	-	-	-	-	-	-	-	1,085	118	1,203
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	15,000	15,000
BALANCE, SEPTEMBER 30, 2020	<u>76,057</u>	<u>\$ 760,562</u>	<u>\$ 362,825</u>	<u>\$ 455,518</u>	<u>\$ 65,586</u>	<u>\$ 594,142</u>	<u>\$ 1,115,246</u>	<u>\$ 5</u>	<u>(\$ 64,012)</u>	<u>(\$ 404,238)</u>	<u>\$ 1,770,388</u>	<u>\$ 15,069</u>	<u>\$ 1,785,457</u>
BALANCE, JANUARY 1, 2021	76,060	\$ 760,592	\$ 391,907	\$ 455,518	\$ 65,586	\$ 787,007	\$ 1,308,111	(\$ 26)	(\$ 60,075)	(\$ 404,238)	\$ 1,996,271	\$ 9,372	\$ 2,005,643
Appropriation of 2020 earnings													
Legal reserve	-	-	-	70,752	-	( 70,752 )	-	-	-	-	-	-	-
Special reserve	-	-	-	-	( 5,485 )	5,485	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	( 558,792 )	( 558,792 )	-	-	-	( 558,792 )	-	( 558,792 )
Changes in percentage of ownership interests in subsidiaries	-	-	475	-	-	-	-	-	-	-	475	( 475 )	-
Change in capital surplus from investments in associates accounted for by using the equity method	-	-	126	-	-	-	-	-	-	-	126	-	126
Issuance of cash dividends from capital surplus	-	-	( 111,759 )	-	-	-	-	-	-	-	( 111,759 )	-	( 111,759 )
Net profit for the nine months ended September 30, 2021	-	-	-	-	-	813,894	813,894	-	-	-	813,894	( 5,397 )	808,497
Other comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	-	-	( 69 )	20,630	-	20,561	( 7 )	20,554
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	813,894	813,894	( 69 )	20,630	-	834,455	( 5,404 )	829,051
Issuance of ordinary shares under employee share options	28	284	8,751	-	-	-	-	-	-	-	9,035	1,759	10,794
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	45	45

Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	( 5,545 )	( 5,545 )	-	5,545	-	-	-	-
BALANCE, SEPTEMBER 30, 2021	<u>76,088</u>	<u>\$ 760,876</u>	<u>\$ 289,500</u>	<u>\$ 526,270</u>	<u>\$ 60,101</u>	<u>\$ 971,297</u>	<u>\$ 1,557,668</u>	<u>( \$ 95 )</u>	<u>( \$ 33,900 )</u>	<u>( \$ 404,238 )</u>	<u>\$ 2,169,811</u>	<u>\$ 5,297</u>	<u>\$ 2,175,108</u>

## eMemory Technology Inc. and Subsidiary

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 950,592	\$ 600,062
Adjustments for:		
Depreciation expenses	30,520	31,908
Amortization expenses	13,885	11,961
Expected credit (gain) loss	( 10,250)	13,738
Finance costs	69	122
Interest income	( 5,447)	( 6,064)
Dividend income	( 226)	( 1,210)
Share-based payments	45	1,203
Share of loss of associates	2,006	2,703
Loss on disposal of property, plant and equipment	26	35
Gain on disposal of investments	( 85)	( 48)
Net loss on foreign currency exchange	2,600	7,111
Intangible assets reclassified as operating expenses	-	110
Lease modification benefit	-	( 12)
Changes in operating assets and liabilities		
Accounts receivable	( 95,959)	( 39,149)
Other receivables	( 3,604)	1,650
Other receivables - related parties	( 102)	( 17)
Prepayments	( 15,691)	( 14,148)
Other current assets	( 825)	667
Contract liabilities	26,420	23,165
Other payables	( 31,829)	8,710
Other payables- related parties	55	-
Other current liabilities	73	5,319
Net defined benefit liabilities	( 592)	( 469)
Bonuses payable to employees and directors	63,513	22,445
Cash generated from operations	925,194	669,792
Interest received	5,427	6,187
Income tax paid	( 121,784)	( 79,608)
Net cash generated from operating activities	<u>808,837</u>	<u>596,371</u>

(Continued)

## eMemory Technology Inc. and Subsidiary

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ 28,563	\$ -
Proceeds from disposal of financial assets at amortized cost	-	33,500
Acquisition of financial assets at fair value through profit or loss	( 671,000)	( 626,000)
Proceeds from disposal of financial assets at fair value through profit or loss	671,085	626,048
Acquisition of property, plant and equipment	( 13,946)	( 26,534)
Increase in refundable deposits	( 103)	( 9)
Acquisition of intangible assets	( 11,470)	( 13,382)
Increase in prepayments for equipment	( 3,250)	-
Dividends received	226	1,210
Net cash generated from (used in) investing activities	<u>105</u>	<u>( 5,167)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term bank loans	-	20,000
Repayment of the principal portion of lease liabilities	( 1,632)	( 2,321)
Dividends paid	( 670,536)	( 519,866)
Exercise of employee share options	9,035	70,868
Increase in non-controlling interests	1,759	15,000
Interest paid	( 69)	( 116)
Net cash used in financing activities	<u>( 661,443)</u>	<u>( 416,435)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>( 1,146)</u>	<u>( 3,991)</u>
<b>NET INCREASE IN CASH</b>	146,353	170,778
<b>CASH AT THE BEGINNING OF THE PERIOD</b>	<u>1,754,111</u>	<u>1,263,858</u>
<b>CASH AT THE END OF THE PERIOD</b>	<u>\$ 1,900,464</u>	<u>\$ 1,434,636</u>

(Concluded)