

# **2017 Annual Report**

**HIWIN TECHNOLOGIES CORP.**

2018.6.8

# Table of Contents

<b>I. Letter to Shareholders .....</b>	<b>1</b>
i. 2017 Business Report .....	2
ii. 2018 Business Plan Outline .....	3
<b>II. Company Profile .....</b>	<b>5</b>
<b>III. Corporate Governance Report</b>	
i. Organization Chart.....	11
ii. Information of Directors and Leading Managers.....	12
iii. Operation of Corporate Governance .....	23
iv. Information on Accountant .....	45
v. Information on Change of Accountant.....	46
vi. If the Company's Chairman, General Manager and Managers Responsible for Financial and Accounting Affairs Have Held Office in the CPA Firm or Any of Its Affiliated Companies Within a Year, Their Names, Job Titles and the Periods During Which They Have Held Such Office Should Be Disclosed .....	46
vii. Transfer and Pledge of Shares by the Chairman, Supervisors, Managers and Shareholders Holding more than 10% of the Company's Shares within the Latest Year and up till the Publication Date of This Annual Report.....	47
viii. Information of the 10 Largest Shareholders Who Are Related as Stated in Statement of Financial Accounting Standards No. 6, or Couples or Relatives Within the Second Degree of Kinship .....	48
ix. The Shareholdings and Joint Shareholding Held by the Company, its Directors, its Supervisors, its Managers and Affiliates Controlled Directly or Indirectly by the Company in the Same Invested Businesses .....	49
<b>IV. Capital Overview</b>	
i. Capital and Shares.....	50
ii. Issuance of Corporate Bonds .....	53
iii. Issuance of Preferred Stocks .....	53
iv. Issuance of Global Depositary Receipts (GDR) .....	53
v. Exercise of Employee Stock Option Plan (ESOP).....	53
vi. Acquisition of New Restricted Stock.....	53
vii. Mergers and Acquisitions of New Shares Issued by Other Companies .....	53
viii. Execution of Capital Utilization Plan .....	53
<b>V. Business Overview</b>	
i. Business Content.....	54
ii. Market, Production and Sales Status.....	60
iii. Employee Data of the Recent Two Years and Up to the Publication Date .....	63
iv. Information Regarding Expenditure on Environmental Protection .....	63
v. Labor Relations .....	65

vi. Important Contracts .....	67
<b>VI. Financial Overview</b>	
i. Condensed Balance Sheets and Statements of Income for the Past Five Years .....	68
ii. Financial Analyses for the Last Five Years .....	71
iii. Supervisors' Audit Report of the Financial Report for the Past Year .....	74
iv. The Financial Report and the Accountant's Audit Report for the Past Year.....	75
v. Consolidated Financial Statements Audited by CPA for the Past Year .....	75
vi. The Impacts of Any Financial Difficulties Encountered by the Company or Its Affiliates in the Past Year and up to the Annual Report Publication Date on the Company's Financial Status.....	75
<b>VII. Review and Analysis of Financial Status, Financial Performance, and Risk Management</b>	
i. Financial Status .....	76
ii. Financial Performance .....	77
iii. Cash Flow .....	78
iv. Effects of Major Capital Expenditure on Financial Business of the Past Year .....	78
v. Investment Policy of the Past Year, Main Causes for Profits or Losses, Improvement Plan and Investment Plan for the Coming Year .....	78
vi. Risk Analysis .....	79
vii. Other Important Matters.....	82
<b>VIII. Special Disclosures</b>	
i. Information on Affiliates .....	83
ii. Private Placement of Securities during the Past Year and up to the Annual Report Publication Date .....	86
iii. Holding or Disposal of Stocks of the Company by Subsidiaries in the Past Year and up to the Annual Report Publication Date .....	86
iv. Other Necessary Supplemental Information .....	86
v. Events Having Significant Impacts on Shareholders' Equity or Security Price According to Article 36.2.2 of Securities Exchange Act in the Past Year and up to the Issuance of Annual Report .....	86
<b>Appendix</b>	
i. The Financial Report and the Accountant's Audit Report for the Past Year.....	87
ii. The Company's Individual Financial Report Audited by CPA for the Past Year .....	152

# **I. Letter to Shareholders**

To HIWIN's shareholders :

The consolidated revenue of HIWIN Technologies Corporation was 21.16 billion NTD in 2017, which is the record high in history. With the growth of 31.3% compared to 16.12 billion NTD in 2016, which is much higher rate than domestic overall manufacturing industry average 5.9 %, machinery and equipment industry's average 10.8%. Global economy has recovered since last year. Smart manufacturing is the dominant trend, the aggressive expansions from automation, semiconductor, panel display, smart phone, automobile, and new energy industries, which lead to the key components supply cannot meet such global booming demand. HIWIN's strategy of long-term investing in branding & marketing, product R&D, and continuously expanding the capacity, HIWIN sets the solid foundation for growth and showed its strong dynamics and synergy in managing the business.

In the market expansion, we finally had significant breakthrough in Japan with our efforts, which HIWIN entered the supply chain of Japanese major automobile makers, semiconductor, as well as the well-known medium and large enterprises. The top four Japanese automobile makers requested their equipment suppliers to use HIWIN products. We expect to become the second largest motion system supplier in Japanese market in the future. HIWIN also made important progress in European market. We had partnered with one renowned German automobile maker. The semiconductor global leader and its equipment suppliers had actively set up strategic partnership with HIWIN, requesting their global automation equipment to be supplied by HIWIN as soon as possible.

To meet the demands in intelligent automation and robot, we are ready for the concept of smart manufacturing. The new factories of Phase 3 in the Yunlin Science and Technology Park and Phase 1 in the Chiayi Dapumei Precision Machinery Park had started mass production, which increased our capacity for the early-processes and post-processes. Phase 2 in Taichung Precision Machinery Innovation Technology Park will be set up as the R&D center and capacity expansion for industrial and medical robots. The US subsidiary has moved into the new factory that built on HIWIN's property, will increase the capacity and after service capability. Phase 1 factory of Chinese subsidiary had completed. Had set up the post-processes and robot production capability, it will also provide timely supply to the demand of Chinese market with logistics center. We're also proactively under evaluating the expansion projects in Japan, Korea, and Italy. These expansions will add dynamics on becoming the No. one leading brand in the world.

We received many recognitions in R&D innovation and business performance both domestically and internationally. HIWIN ranked No.5 for the market value increase rate on the

Nikkei Asia300 Index by Nikkei Asian Review. The electrical gripper received “Good Design Award” in Japan. We received the Gold and Silver awards in Taiwan Excellence Award by the Ministry of Economic Affairs for 18 consecutive years; ranked in top 5% in public company by the Corporate Governance Centre in 2 consecutive years; received Gold award in “Corporation Sustainability Report - electronic & information manufacturing group” by Taiwan Institute for Sustainable Energy and “Sustainable Practice Award” by British Standards Institution (BSI); received the honor of “Common Wealth Corporate Social Responsibility” in 11 consecutive years from 2007 to 2017. These recognitions are the results of the great efforts from HIWIN’s management team spent on R&D and business management.

Education is the core value for HIWIN’s Corporate Social Responsibility (CSR) activities. The 14th HIWIN Mechanical Master Thesis Award and the 7th HIWIN Excellence Mechanical Doctoral Thesis Award have aroused enthusiastic participation from university professors and students of mechanical field in the four districts of Cross-Strait and cultivated future mechanical talents. HIWIN actively promotes the 16th Taiwan Automation Intelligence and Robotics Association on Automation Engineer Certification Exam and the 2nd Robotic Engineer Certification Exam to raise the competence level in the mechanical engineering and smart automation profession. The 10th “HIWIN Smart Robotic” competition offers a great chance for demonstrating creativity for the young generation with passion in robotic field.

Looking ahead for 2018, the world economy is growing stably. The demand of smart manufacturing and smart automation are high rising, as well as the broad expanding applications in Artificial Intelligence and rapid growth in new industry and equipment by emphasis on environmental issue. They all require the motion component parts and robotic products from HIWIN. With our domestic and global customers, we will be the partner to move for industry upgrade in the future. We deeply believe that HIWIN will be the best partner for our customers for Industrie 4.0. We would like to receive continuously support and suggestion from all our shareholders, government, and the banks in the coming year. We in HIWIN Technologies Corporation will continue our best effort and create better business record for our performance in the new era.

2017 Business Plan Implementation Results as follow:

## i. 2017 Business Report

### (i) Business Plan Implementation Results

2017 consolidated financial statement revenue was 21,164,764 thousand dollars. There was a 31% increase compared to 16,118,298 thousand dollars in 2016. Operating income was 3,345,101 thousand dollars. There was a 131% increase compared to 1,450,907 thousand dollars in 2016. Income before Tax was 2,812,135 thousand dollars. There was a 136% increase compared to 1,189,697 thousand dollars in 2016. Consolidated net income attributed to stockholders of the Company was 2,738,019 thousand dollars. There was a 106% increase compared to 1,326,815 thousand dollars in 2016. Earnings per share was 9.77 dollars. There was a 106% increase compared to 4.74 dollars in 2016.

### (ii) Financial Revenues and Expenditures and Profitability Analysis

#### 1. Financial Revenues and Expenditures

Unit: thousand dollars

Item	Year	2017 Certification of Finance	
		Amount	Percentage
Net Operating Revenue		21,164,764	100%
Cost of Goods Sold or Manufacturing		13,582,126	64%
Gross Profit		7,582,638	36%
Operating Expenses		4,237,537	20%
Operating Income		3,345,101	16%
Net Non-operating Expenses		532,966	3%
Income before Tax		2,251,520	10%
Consolidated Net Income Attributed to Stockholders of the Company		2,738,019	13%

Note: This is a consolidated financial statement. The Company did not disclose a budget plan in 2017, therefore no disclosure of the budget.

#### 2. Profitability analysis

Item	2017
Return on Asset (%)	6.69
Return on equity (%)	14.34
Operating Income to Capital Stock (%)	119.40
Profit Before Tax to Capital Stock (%)	100.38
Profit Margin (%)	10.64
Earnings Per Share (dollar)	9.77

### (iii) Research and Development

- 2017 R&D fund was 6% of the revenue. There were 228 patent applications and 213 patent certifications acquired. Until the end of 2017, we have acquired 1,533 valid patent certifications.
- 2017 domestic juristic-person rank in top 100 Intellectual Property Office by Ministry of Economic Affairs.

- (1) No.50 in patent application.
- (2) No.73 in invention patent application.
- (3) No.55 in invention patent announce certification.
- (4) No.42 in patent announce certification. R&D result in metal steel and precision machinery fields is the best in the country and continues to stay on top.
3. The single axis robot received positive feedback by “Good Design Award” in Japan. The CG Series Superior Rolling Moment with Cover Strip Linear Guideway was also recognized in “Silver Award” on the 26th Taiwan Excellence Award by the Ministry of Economic Affairs.
4. R&D Result:
  - (1) New dust-proof ballscrews (FW) development and manufacture.
  - (2) Continue AG cross linear guideway development and manufacture.
  - (3) Continue RGS/RGF high rigidity roller type linear guideway development and manufacture.
  - (4) Obtained Taiwan TFDA certification on MTG-H100 robotic arm endoscope holder and bathing system MHS-B100.
  - (5) Complete original module development of MSR-U100 robotic upper limb training system.
  - (6) Complete original module development of MRG-S100 robotic gait training system.
  - (7) Complete original module development of MTG-E100 robotic endoscope holder for ear and nose endoscopic surgery.
  - (8) Articulated robot and Scara robot passed the Taiwan Robot Standard (TARS) certification.
  - (9) Massive manufacturing integrated electric gripper S series.
  - (10) Massive manufacturing rotary joint RJ series.

## ii. 2018 Business Plan Outline

### (i) Business principle

1. Continue on renovation, creating add-value for customers.
2. Accelerate manufacturing smart automation, elevate the competitiveness.
3. Marketing integration, developing new product, upgrading customer product and service.
4. Expand output capacity and globalization, quickly meet market demand

### (ii) Estimated sales numbers and basis

#### 1. 2018 Estimated Sales Numbers:

Unit: thousand

Product	Sales
Ballscrews	2,200
Linear Guideway	25,000
Industrial Robot	1,500
Total	28,700

2. Basis:

In accordance with global economy trend, operating environment in all industry, market demand and supply and competitive situation, also analysis the sales and developments in current customer group and development in potential customers, with considerate production and sales balance...etc, to estimate the sales numbers of 2018.

(iii) Important production and sales policy

1. Increase in automation production and expand output capacity to achieve goals for lower cost and stable quality.
2. Dynamic production sales and order quota adjustment to precisely meet the market demand.
3. Building strong partnership with significant industry supply chains.
4. Provide total solutions for all product lines and robotic system service.

(iv) Future developing strategy

1. Increase smart automation and accelerate smart manufacturing.
2. Reinforce self-manufacturing benefits on critical parts for all robots and production equipment. Continue developing high value added product and explore new application.
3. Develop multiple new products with its core technology and expand distribution to semiconductor, new energy resources, and medical industries.
4. Use core technology to develop new and diverse products and extend its market to semiconductor, new energy, and medical industry.

(v) Effects on external competition environment, regulation environment, and overall operation environment

A stable growth is expected in overall operation environment in 2018. IMF estimates 3.9% growth rate in global economy in 2018. It's the highest since the last 7 years. China's emphasis in environmental protection, regulation establishment, and encourage upgrading industries promotes growth in automation, semiconductor, and automobile industries. Annual growth rate is up to 6.6%. Without currency and tax system revolution issues, India's growth rate is up to 7.4%. Indonesia, Malaysia, Philippine, Thailand, and Vietnam are estimated to stay in 5.2%. With not much consumer expense in Japan, the growth rate is remained in 1.2% as last year. Tax reduction and stabilized financial trend, growth rate in the US is expected to increase to 2.7%. As in Eurozone, a growth of 2.2% is expected due to recovery of global trade. In conclusion, global economy will still be rising in the cycle in 2018 and bring up demand in overall manufacturing business. This momentum is expected to be on going to 2019.

In the aspect of competitive environment, our competitors' countries are actively seeking opportunity to sign free trading agreement and join RCEP or TPP regional economic partnerships with other countries. Many competitors also build or expand factories in China, hoping to take over the market with low cost production in China. All of these would bring up the competition. US president Donald Trump's policy on customs tax and trade protection plan may also affect economy around the world. It's a possible risk for higher international trading cost.



During this critical time, HIWIN had been focusing on long term planning. Internally, we continue to increase automation production, smart manufacturing, and continue in research and development. Externally, we develop more target customer, region, and industry while providing total solution to our customer. Our great efforts are what make us stand out from our competitors and stand strong in this rapidly changing environment. We are more than confident to take on more challenges in the years ahead. Making HIWIN brand developing globally and becoming the top enterprise in the world.

Sincerely,  
HIWIN Technologies Corporation Chairman  
Eric, Y. T. Chuo

## II. Company Profile

### 1. Establishment Date

- 1989     • Established in Oct

### 2. Company History

- 1992     • Set up a subsidiary in USA.  
           • Acquired ISO 9001 certification through SGS, UK. 
- 1993     • Acquired HOLZER and set up a subsidiary in Germany.  
           • Acquired Aircraft Quality Systems Approval by McDonnell Douglas Corp., USA.   
           • Precision Ballscrew Awarded the 1st “Taiwan Excellence Silver Award”. 
- 1996     • Merged with Finest Ballscrew Company, Taiwan 
- 1997     • Acquired ISO 14001 certification from TÜV Germany 
- 1999     • Linear Bearing Awarded the 7th “Taiwan Excellence Gold Award”.  
           • Strategic alliance formed with Parker Hannifin, USA.  
           • Set up a subsidiary in Japan. 
- 2000     • HIWIN Germany reinvested HIWIN Switzerland   
           • Awarded the “Excellence Award” of the 8th “Industrial Technology Advancement Award” from MOEA.  
           • Awarded the 1st “Industrial Excellence Award” by MOEA.  
           • HIWIN Linear Guideway was Awarded the 8th “Taiwan Excellence Award”.  
           • Ranked 79<sup>th</sup> in Top Patents 100 of National Institutional Corps in Taiwan. 
- 2001     • HIWIN Germany reinvested HIWIN Czech Republic.   
           • High Speed Ballscrew Awarded 9th “Taiwan Excellence Silver Award”.  
           • Ranked 816<sup>th</sup> in Top 1,000 Manufacturers 2001 by Common Wealth Magazine. 
- 2002     • Self-lubricated Linear Guideway Awarded the 10th “Taiwan Excellence Silver Award”.  
           • Awarded the Gold Medal of the 11th “National Invention Award” by MOEA.   
           • Awarded “Outstanding Promoter” of “National Award of Excellence-Taiwan”.  
           • Ranked 65<sup>th</sup> in Top 100 Patents of National Institutional Corps in Taiwan.  
           • Ranked 855<sup>th</sup> in Top 1,000 Manufacturers 2002 by Common Wealth Magazine. 
- cquired OHASA 18001 Occupational Safety and Health Certificate by TÜV Germany. 
- 2003     • Precision Linear Module was awarded the 11th “National Product Image Gold Award”.  
           • Purchased a land with an area of 15,332 tsubo in Yun-Lin Science Industrial Park and built a plant in the first phase. 

- Ranked 734<sup>th</sup> in Top 1,000 Manufacturers 2003 by Common Wealth Magazine.
- 2004 ● Awarded “Most Outstanding” of the 12th “Industrial Technology Advancement Award” by MOEA. 
- Continued the expansion of the new factory in Yun-Lin Science Industrial Park and started production.
- R&D Center in Tokyo, Japan was founded.
- Hosted the first HIWIN THESIS AWARDS.
- Ranked 603<sup>rd</sup> in Top 1,000 Manufacturers 2004 by Common Wealth Magazine.
- 2005 ● Awarded the 2<sup>nd</sup> Taiwan Superior Brands Award by Bureau of Foreign Trade, MOEA.
- All-Electric Injection Molding Machine Ballscrew was awarded the 11th “National Product Image Gold Award”. 
- Selected “Enterprise Citizen” by Common Wealth Magazine.
- Ranked 79<sup>th</sup> in Top 100 Patents of National Institutional Corps in Taiwan.
- Ranked 552<sup>nd</sup> in Top 1,000 Manufacturers 2005 by Common Wealth Magazine.
- 2006 ● Won First Place in the competition of acquiring new land in Taichung Precision Machinery & Innovation Park planned by Taichung City Government among over 500 companies and got a land of 12,665 tsubo. 
- Awarded the 3<sup>rd</sup> Taiwan Superior Brands Award by Bureau of Foreign Trade, MOEA. 
- Super S Ballscrew Awarded the 14th “Taiwan Excellence Silver Award”.
- New factory started in Chicago, US.
- Ranked 40<sup>th</sup> in Top 100 Patents of National Institutional Corps in Taiwan.
- Ranked 513<sup>th</sup> in Top 1,000 Manufacturers 2006 by Common Wealth Magazine.
- 2007 ● Ranked 4<sup>th</sup> of “Excellence in Corporate Social Responsibility” honor in mid-size company category from Common Wealth Magazine.
- Selected as the benchmarking company in “Flagship Enterprise Development Project” by MOEA.
- Groundbreaking for the new headquarter in Taichung Precision Machinery & Innovation Park.
- Acquired new land and started new plant in Tanzi.
- Acquired ISAT certification from Applied Material (USA) and became a qualified supplier.
- Ranked 32<sup>nd</sup> in Top 100 Patents of National Institutional Corps in Taiwan.
- HIWIN Germany acquired new factory and land with an area of about over 2000 square meters to merge with the old plant and expand production capacity.
- RG Linear Guideway Awarded the 10th “Taiwan Excellence Silver Award”.
- Ranked 440<sup>th</sup> in Top 1,000 Manufacturers 2007 by Common Wealth Magazine.
- 2008 ● Ranked 3<sup>rd</sup> of “Excellence in Corporate Social Responsibility” honor in mid-size

company category from Common Wealth Magazine.

- 105,214 m<sup>2</sup> land in Dapumei Intelligent Industrial Park Registered.



- E2 Series Awarded the 16th “Taiwan Excellence Gold Award”.



- Awarded the Industry Contribution Award of “National Invention Award” 2008 from Intellectual Property Office, MOEA.

- Hosted the first HIWIN Intelligence Robotic Competition.

- Ranked 36<sup>th</sup> in Top 100 Patents of National Institutional Corps 2008 in Taiwan.

- Obtained the certification of Taiwan Occupational Safety & Health Management System (TOSHMS).

- Ranked 380<sup>th</sup> in Top 1,000 Manufacturers 2008 by Common Wealth Magazine.



2009 ●Ranked 3<sup>rd</sup> of “Excellence in Corporate Social Responsibility” honor in mid-size company category from Common Wealth Magazine.



- Energy Conservation Driving Module R1 Series was Awarded the 17th “Taiwan Excellence Gold Award”.

- Awarded Taiwan Superior Brands Award 2009 by Bureau of Foreign Trade, MOEA.

- CEO was honored the Gold Merit winner of National Innovation Award (Individual Category) by Intellectual Property Office, MOEA.

- Honored with the Excellent Corp. Award for Reserve Military Officer by Ministry of National Defense.

- 20th anniversary of HIWIN.

- Reinvested MegaFabs Motion Systems LTD in Israel.

- Ranked 33<sup>rd</sup> in Top 100 Patents of National Institutional Corps 2009 in Taiwan.

- Ranked 471<sup>st</sup> in Top 1,000 Manufacturers 2009 by Common Wealth Magazine.

2010 ●Additional 29,514 m<sup>2</sup> land in Dapumei intelligent Industrial Park Registered, total land area reaching 45,286 m<sup>2</sup>.

- Energy Conservation Driving Module SK Series Awarded the 18th “Taiwan Excellence Gold Award”.



- Ranked 59<sup>th</sup> in Top 100 Patents of National Institutional Corps 2010 in Taiwan.

- Received the 2<sup>nd</sup> Contribution Award for Job Creation 2010 from Executive Yuan.

- Honored with the Contribution Award for Providing Job Opportunities to Veterans by Executive Yuan.







- Received the Contribution Award for Job Creation from Taichung City Government.








- Awarded the National Champion Award by MOEA for committing public facilities green landscaping, and employing specialists for long term maintenance.

- Ranked 313<sup>th</sup> in Top 1,000 Manufacturers 2010 by Common Wealth Magazine.

- Ranked 2<sup>nd</sup> of “Excellence in Corporate Social Responsibility” honor in mid-size company category from Common Wealth Magazine.



- 2011
- Received the 1<sup>st</sup> Contribution Award for Job Creation from Executive Yuan.
  - Energy-Saving & Thermal-Controlling Ballscrew C1 Series Awarded the 19th “Taiwan Excellence Gold Award”. 
  - Awarded Taiwan Top 100 Brands by Bureau of Foreign Trade, MOEA.
  - Awarded the first “Monte Jade Innovation Award” by Monte Jade Science and Technology Association. 
  - Awarded the first “Taiwan Green Classic Award” by MOEA.
  - Awarded Taiwan Top 10 Innovative Enterprises 2011 by MOEA.
  - Awarded National Enterprises Innovation Award.
  - Received the “Taiwan Train Quality System-Enterprise TTQS” Silver Award. 
  - Hosted 1st Annual HIWIN Doctoral Dissertation Award.
  - CEO was honored with the Management of Technology Award from Chinese Society for Management of Technology.
  - CEO was honored with SUPER MVP Manager of the year from Manager Today Magazine. 
  - CEO was awarded the Honorary Doctor of Engineering from National Kaohsiung First University of Science & Technology.
  - CEO received the Honorary Professor glory from Dalian University of Technology.
  - Ranked 33<sup>rd</sup> in Top 100 Patents of National Institutional Corps 2011 in Taiwan.
  - Ranked 223<sup>th</sup> in Top 1,000 Manufacturers 2011 from Common Wealth Magazine.
- 2012
- Honored with the Contribution Award for providing job opportunities to alternative military service from Ministry of the Interior.
  - Acquired Greenhouse Gases Emissions ISO14064-1 Certificate.
  - Acquired Product Carbon Footprint PAS 2050 Certificate.
  - Ranked No.1 of the Best Business Performance from 2009~2011 by Common Wealth Magazine.
  - Awarded for the safety working environment record of continuously occupational accidents or injuries free by Council of Labor Affairs.
  - Ranked the No.21 of the Taiwan “2012 Excellence in Corporate Social Responsibility” under the category of large-scale enterprise by Common Wealth Magazine. 
  - Recirculation Divide Ballscrew RD Series Awarded with the 20th “Taiwan Excellence Gold Award”.
  - The new HIWIN Global Headquarter and R&D Center were officially opened.
  - Forbes 2012 Honor “200 Best Under a Billion”.
  - Awarded “Taiwan Top 20 Innovative Enterprises” in 2012 by Ministry of Economic Affairs. 
  - TTQS Certificate of Taiwan Train Quality System Enterprise Version Gold.
  - CEO was awarded the Honorary Doctor of Business Administration from National Chung Cheng University.

- Ranked 257<sup>th</sup> in Top 1,000 Manufacturers 2012 from Common Wealth Magazine.
  - CEO was awarded the 6th National Excellence Manager Outstanding Achievement Award by Chinese Professional Management Association. In the meantime, the Associate Vice President Dr. Jerry Chiu was awarded the 30th National Excellence R&D Manager Award.
  - Operational Headquarters Received the honor of “Taichung Outstanding Healthy Workplace” by Bureau of Health Promotion, Department of Health, ROC. 
- 2013
- Awarded the first Taiwan Mittelstand Award.
  - Crossed Roller Bearing Series Awarded with the 21th “Taiwan Excellence Gold Award”. 
  - Received the “Taiwan Train Quality System-Enterprise TTQS” Gold Award.
  - Acquired ISO13485 certification. 
  - Honored with the SGS Merit Award by SGS Yarsley Ltd., UK.
  - Awarded “Taiwan Top 20 Innovative Enterprises” by Ministry of Economic Affairs.
  - CEO was awarded the Honorary Alumnus with Golden Eagle Award by Tamkang University. 
  - Started Management Associate Program to develop international marketing talents.
  - HIWIN signed the Industry-Academy Collaboration contract with Taichung Industrial High School and National Taiwan University of Science and Technology, to foster the future leaders.
  - “Chuo Yung-Tong Memorial Library” donation contract signing ceremony was held in Dec. 2013.
  - HIWIN released the first “Corporate Social Responsibility Report”.
  - Subsidiaries in Singapore, South Korea, and Italy, were founded.
  - Ranked 259<sup>th</sup> in Top 1,000 Manufacturers 2013 from Common Wealth Magazine.
- 2014
- Tangential External Recirculation Ballscrew Super T Series Awarded with the 22th “Taiwan Excellence Gold Award”. 
  - Introduced the Toyota Production System (TPS) for improvement.
  - Ranked No.50 of “The World’s Most Innovative Growth Companies 2014” by Forbes.
  - HIWIN was selected as No.1 weighted component in the investment benchmark Index “The ROBO-STOX Global Robotics & Automation Index “among 81 promising worldwide companies. 
  - HIWIN established collaborative research centers with National Tsing Hua University.
  - HIWIN-MPEI (Moscow Power Engineering Institute) Precision Electrical Engineering Research Center established. 
  - HIWIN teamed up with industrial computer supplier Advantech Co.

- Stone ceremony for the second factory of HIWIN GmbH was held.
- Awarded Taiwan Top 20 Innovative Enterprises by MOEA.
- HIWIN Robotic Gait Training System acquired the CE Medical Devices Certificate.
- Subsidiary in Suzhou, China, was founded.
- Held the groundbreaking ceremony of “Chuo Yung-Tong Memorial Library”.
- Awarded the “Taiwan Corporate Sustainability Awards (TCSA)” and honored with “Social Inclusion Award”.
- Selected as one of the favorite enterprises for R&D alternative service.
- Acquired the Certification of Taiwan Intellectual Property Management System (TIPS).
- Ranked 227<sup>th</sup> in Top 1,000 Manufacturers 2014 from Common Wealth Magazine.
- 2015 ●Acquired 48% stake in Luren Precision Co., Ltd.
- Acquired the certification of ISO 50001 Energy Management System.
- Ranked No.37 of “The World’s Most Innovative Growth Companies 2015” by Forbes.
- Robotic Gait Training System MRG-P100 Awarded with the 23th “Taiwan Excellence Gold Award”.
- General Manager Enid Tsai was honored “50 Power Businesswomen in Asia” by Forbes, the only one from Taiwan.
- Released “Corporate Social Responsibility Report” 2013~2014 and acquired AA1000 certification.
- Awarded Taiwan Corporate Sustainability Awards (TCSA) and Growth through Innovation Awards.
- Ranked the No.31 of the Taiwan “Excellence in Corporate Social Responsibility” under the category of large-scale enterprise by Common Wealth Magazine.
- Cooperated with China Medical University to set up a R&D Center.
- Entered Top 20 Innovative Companies selected by MOEA.
- Started a new project of “Jingke Plant II”.
- Held the groundbreaking ceremony of dormitories of Taichung City Precision Machinery Innovation Technology Park.
- CEO was awarded an honorary doctorate of philosophy from National Tsing Hua University and an honorary doctorate of engineering from Taiwan University of Technology.
- Ranked 220<sup>th</sup> in Top 1,000 Manufacturers 2015 from Common Wealth Magazine.
- 2016 ●Rated as No.5 in Top100 Global Growth Enterprises by Nikkei Business Publications.
- Held cornerstone-laying ceremony for a new plant of HIWIN China.
- Ranked in the top 5 percent of listed companies in the 2<sup>nd</sup> Corporate Governance Evaluation.





- The single axis robot module (HM series) won iF and Red Dot awards.
- Delta Robot, a parallel one, won Taiwan Excellence Silver Award.
- CEO Ranked 25<sup>th</sup> in Top 50 Taiwanese CEOs 2015 selected by Harvard Business Review.
- Signed a memorandum with IRCAD/AITS on “Robotic Endoscope Holder” surgery training courses and promotion.
- Chairman Eric Y. T. Chuo received an honorary doctorate of science from China Medical University.
- CNC rotating table achieved EU CE certification.
- HIWIN and Etron signed a memorandum.
- HIWIN, HIWIN MIKROSYSTEM and Global MEMS signed a memorandum.
- Awarded “The 17<sup>th</sup> National Standardization Award” by the Bureau of Standards, Metrology & Inspection, MOEA.
- New factory started in the 2<sup>nd</sup> factory area in HIWIN Germany.
- Awarded “Taiwan Corporate Social Award”, “Taiwan Corporate Social Award-People Development Awards”, and the “Gold Award of Top 50 Taiwan Corporate Sustainability Reports” by Taiwan Institute for Sustainable Energy.
- HIWIN and Siemens signed a memorandum.
- Held the groundbreaking ceremony of a new factory in Chiayi Dapumei Precision Machinery Park.
- Robotic Gait Training System achieved SNQ certification and won the bronze medal of “National Biotechnology & Medical Care Quality Awards”.
- General Manager Enid Tsai won Kwol-Ting Li’s Management Award.
- Assistant General Manager Wu Yueqin was selected as Excellent Accountant.
- Executive Assistant Manager Liao Kehuang won National Manager Excellence Award.
- Executive Assistant Manager Chen Congren National Production Manager Excellence Award.
- Ranked the No.14 of the Taiwan “Excellence in Corporate Social Responsibility” under the category of large-scale enterprise by Common Wealth Magazine.
- Signed a contract “Exported Litchi Cultivation Pattern and Value-Added Key Preservation Technology” with National Chung Hsing University and Taiping District Farmers’ Association.
- Wafer Robot won the 25<sup>th</sup> Taiwan Excellence Silver Award.
- Ranked in the top 5 percent of listed companies in the 3<sup>rd</sup> Corporate Governance Evaluation.
- Ranked 201<sup>st</sup> in Top 1,000 Manufacturers 2016 from Common Wealth Magazine.
- Obtained market license from TFDA for the “Bath Assistive Equipment”



2017



- Ranked as No.1 in ASIA 300 Index for 179% market value increased rate in one year by Nikkei Business Publications.

- Awarded 2017 “Good Design Award” in Japan for the electric gripper.



- Awarded “Sustainable Practice Award” by BSI Standard.

- Held the ceremony of new plant started in HIWIN China.

- Held the opening ceremony for “Chuo Yung-Tong Memorial Library”.



- CG series won the 26<sup>th</sup> Taiwan Excellence Silver Award.

- Acquired the Certification of Taiwan Intellectual Property Management System (TIPS) for 4 years in a row.



- Awarded Gold in Taiwan Corporate Sustainability Awards (TCSA) in Electronic Information Manufacturing Group.

- CEO was awarded Outstanding Award in the 4<sup>th</sup> National Intelligence Award.



- General Manager Enid Tsai was recognized in the 35<sup>th</sup> National General Manager Award.

2018

- Ranked in the top 5 percent of listed companies in the 4<sup>th</sup> Corporate Governance Evaluation.

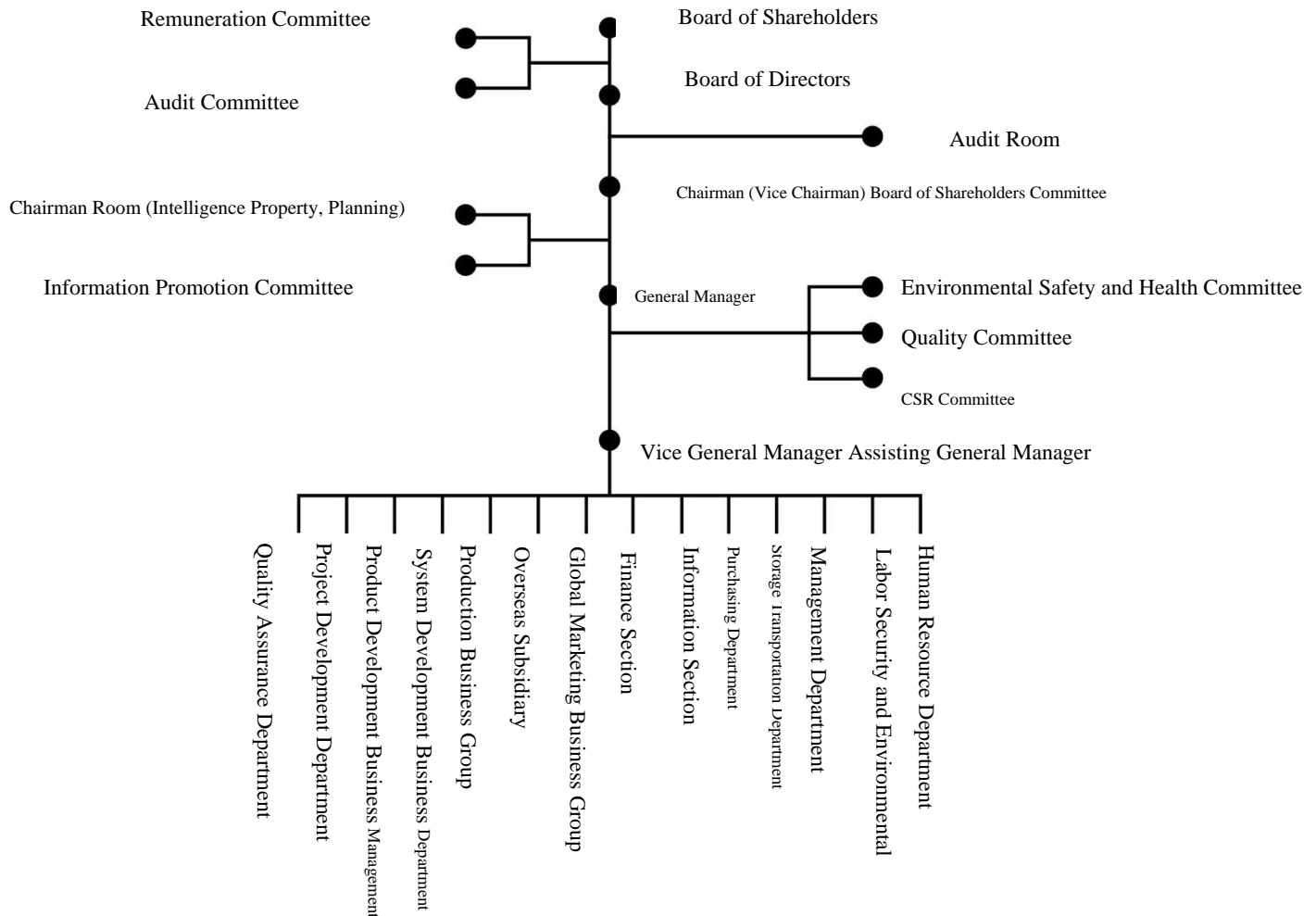
- Ranked 163<sup>th</sup> in Top 1,000 Manufacturers 2017 from Common Wealth Magazine.

- Ranked 534<sup>th</sup> in Top 1,000 market value in Cross-Strait 2018 from Business Today.

# III. Corporate Governance Report

## i. Organization System

### (i) Organization Chart



### (ii) Functions of Each Main Department

- **Audit Room**  
Corporate management risk assessment and normal audit
- **Chairman Room**  
The company's business objective setting, promotion of major plans, business performance appraisal and analysis, activity planning, brand management, overseas procurement, legal management and intellectual property management
- **Human Resource Department**  
Planning, management, selection, training and retention of human resource, and educational training

- **Labor Security and Environmental Protection Department**  
Having specific responsibility for environmental protection and health, labor safety and health, and plant safety management
- **Management Department**  
Building and maintaining the general affairs management system
- **Financial Section**  
Budgeting and capital planning, financial affairs, accounting and taxation planning, and evaluation management of overseas subsidiaries reinvestment companies
- **Purchasing Department**  
Domestic procurement of production equipment and raw materials
- **Storage and Transportation Department**  
Warehouse management of raw materials, semi-finished products and finished products, and product shipping
- **Information Section**  
Information system planning, software development, safety and operation of maintenance information network system
- **Global Marketing Business Group**  
Marketing management, market survey, new product planning, market expanding and customer service
- **Overseas Subsidiary**  
Marketing management, market survey, new product planning, market expanding, customer service and product processing and manufacturing
- **Production Business Group**  
Manufacturing of products, including ball screws, linear guideway, linear bearing, special bearing and robots
- **System Development Business Group**  
Equipment development, design, assembling and maintenance, system product development and manufacturing, and plant electric system maintenance
- **Product Development Business Group**  
Research and development of new products and subsystem products, drawing design, and customers' technology consulting
- **Project Development Department**  
Research and development of major new products and equipment, and project planning and implementation
- **Quality Assurance Department**  
Product quality system building, implementation and auditing, and quality control.

## ii. Information of Directors and Primary Managers

### (i) Information of Directors

April, 30, 2018

Unit : shares ; %

Title	Nationality or Registration Place	Name	Sex	Date of Assumption of Duty (Selection)	Term of Office	Date of first Selection	Shares Held at the Date of Selection		Current Shares Held		Current Shares Held by Spouse and Minor Children		Shares Held under the Names of Others		Major Experiences (Education Background)	Current Position in This Company and Other Companies	With Spouse or a Relative Within the Second Degree of Kinship Who Are a Director or Supervisor		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship
Chairman	Taiwan	Eric Y. T. Chuo	M	06282016	3 years	19890926	13,535,572	5.03%	12,650,344	4.52%	1,053,301	0.38%	-	-	-Master of Management at University of San Francisco -Honorary Doctor of Management at National Chung Cheng University -Honorary Doctor of Engineering at National Kaohsiung First University of Science and Technology -Honorary Doctor of Engineering at Taiwan Chairman of this company, HIWIN America (Legal Representative), HIWIN Germany (Legal Representative), HIWIN Japan (Legal Representative), HIWIN Singapore (Legal Representative), HIWIN South Korea (Legal Representative), HIWIN China (Legal Representative), HIWIN Investment	Director	Chuo Wenheng	Father-Son Relationship	

															University of Technology -Honorary Doctor of Philosophy at National Tsing Hua University -Honorary Doctor of Science at China Medical University	Corporation, HIWIN Mikrosystem Corp., Luren Precision Co., Ltd.( Legal Representative) , Eterbright Solar Corporation (Legal Representative) and HIWIN Education Foundation, and supervisor of Chengda Venture Group			
Vice Chairman	Taiwan	Chen Jintsai	M	06282016	3 years	19891203	3,902,436	1.45%	3,928,489	1.40%	2,733,673	0.98%	-	-	-Master of Public Administration at University of San Francisco -Master of Accounting at Tamkang University	Deputy chairman of this company, WIN Semiconductors Corp., Inventec Solar Energy Corporation and Kinmac Solar Corporation, director of ITEQ Corporation, independent director of Tong Hsing Electronic Industries Limited and Kinsus Interconnect Technology Corp., director of Namchow Chemical Industrial Ltd. and Namchow Chemical	-	-	-

																Industrial Co., Ltd., and supervisor of Taipei Financial Center Corporation.			
Director	Taiwan	Tsai Huichin	F	06282016	3 years	19890926	4,350,649	1.62%	4,038,900	1.44%	-	-	-	-	Doctor of Organizational Psychology at Philips Academy	General Manager of this company, director of HIWIN America, HIWIN China, HIWIN Investment Corporation and HIWIN Education Foundation, legal representative of Luren Precision Co., and chairman of HIWIN Healthcare Corp.	-	-	-
Director	Taiwan	Li Xunqin	M	06282016	3 years	19891203	12,380,116	4.60%	12,585,451	4.49%	2,633,988	0.94%	-	-	Certification of completion in high level management at UC Berkeley Certification of completion in EMBA at Feng Chia University	Chairman of Zhengjie Enterprise Limited, Zhenqiang Limited and Naqiang Limited., and director of Eterbright	-	-	-

																Solar Corporation			
Director	Taiwan	Chuo Wenhe ng	M	06282016	3 years	19930816	5,931,765	2.20%	5,541,917	1.98%	-	-	-	-	Master of Business Administration at Dominican University	Executive vice president of this company, director of HIWIN America, HIWIN Japan, HIWIN Singapore, HIWIN South Korea, HIWIN Investment Corporation, Luren Precision Co. and HIWIN Education Foundation, and Chairman of HIWIN Italy (Legal Representative) and HIWIN Corporate Management Company, and deputy chairman of	Chairman	Eric Y. T. Chuo	Father-Son Relationship

																Eterbright Solar Corporation			
Director	Taiwan	Sanko Investments Limited	-	06282016	3 years	20040630	3,075,561	1.14%	3,200,000	1.14%	-	-	-	-	-	-	-	-	-
		Representative: Hunag Yousan	M			20070625	-	-	-	-	1,049,000	0.37%	-	-	Chairman of Shengli Iron And Steel Company	-	-	-	-
Independent Director	Taiwan	Jiang Zhenghe	M	06282016	3 years	20080624	-	-	-	-	196,427	0.07%	-	-	Master of Administration at National Chengchi University	Coordinator of the company's Audit, Remuneration Committee	-	-	-
Independent Director	Taiwan	Chen Qinghui	F	06282016	3 years	20160628	-	-	-	-	-	-	-	-	Having graduated from Bank Insurance Department of Tamkang University	The member of the company's Audit, Remuneration Committee	-	-	-
Independent Director	Taiwan	Tu Limin (note)	F	06282017	2 years	20170628	-	-	-	-	-	-	-	-	Having graduated from College of Management, National Taiwan University	The member of the company's Audit, Remuneration Committee	-	-	-

Note: Independent Director Tu Limin was by-election in shareholder's meeting on Jun 28, 2017.



## 1. Primary Shareholders of Institutional Shareholders

April 30, 2018

Name of Institutional Shareholders	Top 10 Shareholders of Sanko Investments Limited	
	Name	Shareholding Ratio
Sanko Investments Limited	Huang Jinyi	25%
	Huang Yicang	25%
	Huang Mingcang	25%
	Huang Xiaoyu	25%

## 2. Information of Directors

Requirements  Name	Whether work experience of over 5 years and professional qualifications below are equipped			Conformity to Independence										The number of other public companies where posts of independent directors are held by these people
	The title ranks above lecturer in departments of commerce, law, accounting or related to company business public and private universities and colleges.	Judge, procurator, lawyer, accountant or professional technical personnel (having national certificates) related to company business	Work experience in commerce, law, finance, or accounting or required by company business	1	2	3	4	5	6	7	8	9	10	
Chairman: Eric Y. T. Chuo			✓							✓		✓	✓	0
Deputy Chairman: Chen Jin-tsai			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	2
Director: Tsai Hui-Chin			✓				✓			✓	✓	✓	✓	0
Director: Li Xunqin			✓	✓			✓	✓	✓	✓	✓	✓	✓	0
Director: Chuo WenHeng			✓							✓		✓	✓	0
Director: Legal Representative of Sanko Investments Limited: Huang Yousan			✓	✓	✓		✓	✓	✓	✓	✓	✓		0
Independent Director: Jiang Zhenghe			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director: Chen Qinghui			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director: Tu Limin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

- (1) Not an employee of the Company or other affiliates;
- (2) Not a director or supervisor of the Company (the same does not apply if the person is an independent director of the parent company or subsidiaries where the company have over 50% voting shares directly or indirectly);
- (3) Not an individual shareholder in Top 10 Shareholders or the company where he/she, his/her spouse and minor children have over 1% of the total issued shares or have such shares in the name of others;

- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the persons in the preceding three paragraphs;
- (5) Not a director, supervisor, or employee of institutional shareholders having over 5% of the total issued shares or in Top 5 Shareholders;
- (6) Not a director, supervisor, manager or shareholder having 5% of the shares of the specified company or agency that have financial transaction or business contact with the company;
- (7) Not a professional, proprietor, partner, company or the owner, partner, director, supervisor, manager or spouse of the professional consulting entities providing services or consultation in business, law, finance and accounting for the Company or its affiliates. Excluding members of compensation committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8) Not the spouse or a relative within the second degree of kinship of any other director of the Company.
- (9) Not being involved in any of the situations set forth in Article 30 of the Company Act.
- (10) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act.

(ii) Information of General Managers, Vice General Managers, Assistant Managers, and Directors of Departments and Branches

Apr 30, 2018

Title	Nationality or Registration Place	Name	Sex	Date of Assumption of Duty (Note 1)	Shares Held		Shares Held Now by Spouse and Minor Children		Shares Held under the Names of Others		Main Experiences (Education Background)	Posts Held in Other Companies Now	With Spouse or a Relative Within the Second Degree of Kinship Who Are a Manager		
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship
Chairman and CEO	Taiwan	Eric Y. T. Chuo	M	20111228	12,650,344	4.52%	1,053,301	0.38%	-	-	Master of Management at University of San Francisco Honorary Doctor of Management at National Chung Cheng University Honorary Doctor of Engineering at National Kaohsiung First University of Science and Technology Honorary Doctor of Engineering at Taiwan University of Technology Honorary Doctor of	Chairman of this Company, HIWIN America, HIWIN Germany, HIWIN Japan, HIWIN Singapore, HIWIN South Korea, HIWIN China, HIWIN Investment Corporation, HIWIN Mikrosystem Corp. and Luren Precision Co., Ltd., Eterbright Solar Corporation and HIWIN Education Foundation, and supervisor of	Executive Vice General Manager	Chuo Wenheng	Father-Son Relationship

											Philosophy at National Tsing Hua University Honorary Doctor of Science at China Medical University	Chengda Venture Group.			
General Manager	Taiwan	Tsai Huichin	F	20080701	4,038,900	1.44%	-	-	-	-	Doctor of Organizational Psychology at Philips Academy	General Manager of this Company, director of HIWIN America, HIWIN China, HIWIN Investment Corporation and HIWIN Education Foundation, legal representative of and Luren Precision Co., Ltd., and Chairman of HIWIN Healthcare Corp.	-	-	-
Executive Vice General Manager of Chairman Room	Taiwan	Chuo Wenheng	M	20150201	5,541,917	1.98%	-	-	-	-	Master of Business Administration at Dominican University	Executive Vice General Manager of this Company, director of	Chairman	Eric Y. T. Chuo	Father-Son Relationship

												HIWIN America, HIWIN Japan, HIWIN Singapore, HIWIN South Korea, HIWIN Investment Corporation, Luren Precision Co., Ltd. and HIWIN Education Foundation, Chairman of HIWIN Italy and HIWIN Corporate Management Company, and deputy chairman of Eterbright Solar Corporation.			
Vice General Manager of Finance Section	Taiwan	Lin Yifeng	F	20170801	399,158	0.14%	-	-	-	-	Master of Business Administration at Dominican University	Supervisor of HIWIN Japan, HIWIN South Korea and HIWIN China.	-	-	-
Vice General Manager of Chairman Room	Taiwan	Song Xiande	M	20130513	-	-	-	-	-	-	Graduate of National Taipei University of	Legal representative of Luren Precision Co., Ltd.	-	-	-

											Technology				
Vice General Manager of Marketing Business Group	Taiwan	Peng Yanqi	F	20150201	4,546	0.00%	-	-	-	-	Master of Information Engineering at University of Southern California	General Manager of HIWIN China.	-	-	-
Vice General Manager of Finance Section	Taiwan	Wu Yueqin	F	20170801	242,879	0.09%	-	-	-	-	Master of Business Administration at Feng Chia University	Legal representative and supervisor of HIWIN Mikrosystem Corp. and Eterbright Solar Corporation, and director of HIWIN Education Foundation.	-	-	-
Assistant General Manager of Chairman Room	Taiwan	Qu Yueling	M	20150201	33,776	0.01%	6,798	0.00%	-	-	Doctor at Institute of Aerospace of National Cheng Kung University	-	-	-	-
Assistant General Manager of Chairman Room	Taiwan	Wu Junliang	M	20180201	19,113	0.01%	-	-	-	-	Master of Engineering at National Tsing Hua University	-	-	-	-
Assistant General Manager of Finance Section	Taiwan	Liao Kehuang	M	20170801	30,584	0.01%	-	-	-	-	Master at Accounting Institute of National Chung Hsing University	Supervisor of Eterbright Solar Corporation.	-	-	-

Assistant Manager of Chairman Room	Taiwan	Jiang Mingjun	M	20080116	43,261	0.02%	4,872	0.00%	-	-	Bachelor of Mechanics at Chung Cheng Institute of Technology	-	-	-	-
Assistant Manager of Chairman Room	Taiwan	Qiu Shirong	M	20110701	20,072	0.01%	4,585,240	1.64%	-	-	Master of Business Administration at University of Massachusetts	General Manager of HIWIN America.	-	-	-
Assistant Manager of Chairman Room	Taiwan	Yang Chuangbao	M	20160326	2,060	0.00%	21	0.00%	-	-	Master at Mechanics Institute of National Chung Hsing University	General Manager of HIWIN Italy.	-	-	-
Assistant Manager of Production Business Group	Taiwan	Li Wenbin	M	20150201	6,816	0.00%	-	-	-	-	Mechanics Institute at Feng Chia University	-	-	-	-
Assistant Manager of Production Business Group	Taiwan	Chen Congren	M	20161124	-	-	-	-	-	-	Master at Mechanics Institute of National Central University	-	-	-	-
Assistant Manager of Production Business Group	Taiwan	Wu Wenchia	M	20170701	3,547	0.00%	-	-	-	-					
Assistant Manager of Production Business Group	Taiwan	Lin Chishiao	M	20170701	1,000	0.00%	5,390	0.00%	-	-					
Assistant Manager of Business Department	Taiwan	Zhang Kunyao	M	20070401	3,072	0.00%	-	-	-	-	Master of Mechanics at University of Southern	-	-	-	-

											California				
Assistant Manager of System Development Section	Taiwan	Wang Fuqing	M	20110701	54,271	0.02%	-	-	-	-	Doctor of Mechanics at National Chung Cheng University	-	-	-	-
Assistant Manager of Information Section	Taiwan	Zhang Yongming	M	20160326	-	-	-	-	-	-	Master at Information Engineering Institute of Tunghai University	-	-	-	-
Assistant Manager of Project Development Department	Taiwan	Dong Chengwei	M	20170701	51	0.00%	-	-	-	-					
Assistant Manager of Quality Assurance Department	Taiwan	Chou Yishow	M	20180322	-	-	-	-	-	-	Master of Management at I-Shou University	-	-	-	-

Note 1: Date of assumption of duty is the date started current position.



### (iii) Remunerations of Directors and Primary Managers in the Past Year

#### 1. Remunerations of Directors (Including Independent Directors)

單位：新台幣仟元

Title	Name	Directors' Remuneration								Ratio of the Total Remuneration (A+B+C+D) to Net Profit After Tax (%)		Relevant Remuneration Received by Directors Who Are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Profit After Tax (%)		Compensation Paid to Directors from Reinvestment Business Other than the Company's Subsidiary (Note 4)
		Remuneration (A)		Pension (B)		Directors' Remuneration (C)		Business Affairs Expense (D) (Note 1)				Salary, Bonus and Special Disbursement (E) (Note 2)		Pension (F)		Employee remuneration (G) (Note 3)						
		This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company		All Companies in the Financial Report		This Company	All Companies in the Financial Report	
																Cash Bonu s	Stoc k Bonu s	Cash Bonu s	Stoc k Bonu s			
Chairman	Eric Y. T. Chuo	-	-	-	-	30,140	30,140	14,013	15,404	1.61%	1.66%	20,583	20,583	-	-	5,402	-	5,402	-	2.56%	2.61%	11,174
Vice Chairman	Chen Jintsai	-	-	-	-	20,093	20,093	240	240	0.74%	0.74%	-	-	-	-	-	-	-	-	0.74%	0.74%	-
Director	Tsai HuiChin	-	-	-	-	65,303	65,303	814	833	2.41%	2.42%	29,715	29,715	182	182	7,942	-	7,942	-	3.80%	3.80%	-
Director	Li Xunqin																					
Director	Chuo Wenheng																					
Director	Representative of Sanko Investments Limited: Huang Yousan																					
Independent Director	Jiang Zhenghe																					
Independent Director	Chen Chinhui																					
Independent Director	Tu Limin(Note 5)																					

Note 1: It includes the company car costs NT\$ 13. 619 million and excludes annual salaries of drivers NT\$ 1 million.

Note 2: It includes the company car costs NT\$ 8.534 million and excludes annual salaries of drivers NT\$ 948,000.

Note 3: The employee remuneration list hadn't been decided as of the publication date of the annual report, so the remuneration planned to be distributed this year shall be based on practices in previous years.

Note 4: Remuneration of Chairman Eric Y. T. Chuo as Chairman of HIWIN Mikrosystem Corp.

Note 5: Independ Director Tu Limin began office term on Jun 28, 2017.

### Remuneration Notch Table

Notch of Remunerations of Directors of This Company	Name of Directors			
	The Total Remuneration (A+B+C+D)		The Total Remuneration (A+B+C+D+E+F+G)	
	This Company	All Companies in the Financial Report	This Company	All Reinvestment Businesses of This Company
Below NT\$ 2,000,000				
NT\$ 2,000,000 (Including) ~ NT\$ 5,000,000 (Excluding)				
NT\$ 5,000,000 (Including) ~ NT\$ 10,000,000 (Excluding)	Tu Limin	Tu Limin	Tu Limin	Tu Limin
NT\$ 10,000,000 (Including) ~ NT\$ 15,000,000 (Excluding)	Li Xunqin, Tsai Huichin, Chuo Wenheng, Representatives of Sanko Investments Limited: Huang Yousan, Jiang Zhenghe, Chen Chinhui	Li Xunqin, Tsai Huichin, Chuo Wenheng, Representatives of Sanko Investments Limited: Huang Yousan, Jiang Zhenghe, Chen Chinhui	Li Xunqin, Representatives of Sanko Investments Limited: Huang Yousan, Jiang Zhenghe, Chen Chinhui	Li Xunqin, Representatives of Sanko Investments Limited: Huang Yousan, Jiang Zhenghe, Chen Chinhui
NT\$ 15,000,000 (Including) ~ NT\$ 30,000,000 (Excluding)	Chen Jintsai	Chen Jin-tsai	Chen Jintsai Chuo Wenheng	Chen Jintsai Chuo Wenheng
NT\$ 30,000,000 (Including) ~ NT\$ 50,000,000 (Excluding)	Eric Y. T. Chuo	Eric Y. T. Chuo	Tsai Huichin	Tsai Huichin
NT\$ 50,000,000 (Including) ~ NT\$ 100,000,000 (Excluding)			Eric Y. T. Chuo	Eric Y. T. Chuo
Above NT\$ 100,000,000				
Total	9 persons	9 persons	9 persons	9 persons

## 2. Remuneration of CEO, General Managers, and Vice General Managers

Title	Name	Remuneration (A)		Pension (B)		Bonus and Special Disbursement (C) (Note: 1 )		Employee remuneration (D) (Note: 2 )				Ratio of the Total Remuneration (A+B+C+D) to Net Profit After Tax (%)		Compensation Paid to Directors from Reinvestment Business Other than the Company's Subsidiary (Note: 3)
		This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company		All Companies in the Financial Report		This Company	All Companies in the Financial Report	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus			
Chairman and CEO	Eric Y. T. Chuo	33,199	35,476	3,744	3,744	55,699	56,129	26,993	-	26,993	-	4.37%	4.47%	11,174
General Manager	Tsai Huichin													
Executive Vice General Manager of Chairman Room	Chuo Wenheng													
Executive Vice General Manager of Chairman Room (Note 4)	Lin Mingyao													
Senior Vice General Manager of Chairman Room (Note 5)	Yang Shengzhi													
Senior Vice General Manager of Financiance Section	Lin Yifeng													
Vice General Manager of Chairman Room	Song Xiande													
Vice General Manager of Marketing Business Group	Peng Yanqi													
Vice General Manager of Financiance Section	Wu Yueqin													
Assistant General Manager of Chairman Room	Qu Yueling													

Assistant Manager of Financiance Section(Note 7)	Liao Kehuang													
--	-----------------	--	--	--	--	--	--	--	--	--	--	--	--	--

Note 1: It includes the company car costs NT\$ 11.445 million and excludes annual salaries of drivers NT\$ 948,000.

Note 2: Employee remunerations were NT\$ 231,072 million in 2017, but the employee remuneration distribution list hadn't been decided as of the publication date of the annual report, so the remuneration planned to be distributed this year shall be based on practices in previous years.

Note 3: Remuneration of Chairman Eric Y. T. Chuo as Chairman of HIWIN Mikrosystem Corp.

Note 4: Lin Mingyao was relieved of duty on April 14, 2017 and became General Manager of Eterbright Solar Corporation.

Note 5: Yang Shengzhi was relieved of duty on Aug 22, 2017

Note 6: Liao Kehuang assumed his post on Aug 1, 2017.

### Remuneration Notch Table

Notch of Remunerations of General Managers and Vice General Managers	Name of General Managers and Vice General Managers	
	This Company	All Reinvestment Businesses of This Company
Below NT\$ 2,000,000		
2,000,000 (Including) ~5,000,000 (Excluding)	Lin Mingyao, Liao Kehuang	Lin Mingyao, Liao Kehuang
5,000,000 (Including) ~10,000,000 (Excluding)	Yang Shengzhi, Peng Yanqi, Song Xiande, Lin Yifeng, Qu Yueling, Wu Yueqin	Yang Shengzhi, Song Xiande, Lin Yifeng, Qu Yueling, Wu Yueqin
10,000,000 (Including) ~15,000,000 (Excluding)	Chuo Wenheng	Chuo Wenheng, Peng Yanqi
15,000,000 (Including) ~30,000,000 (Excluding)	Eric Y. T. Chuo, Tsai Huichin Tsai	Tsai Huichin Tsai
30,000,000 (Including) ~50,000,000 (Excluding)		Eric Y. T. Chuo
50,000,000 (Including) ~100,000,000 (Excluding)		
Above NT\$ 100,000,000		
Total	11 persons	11 persons

### 3. Name of Managers Distributing Employee remunerations and Distribution Status

April 30, 2018

Unit: NT\$ 1000

Managers	Title	Name	Stock Bonus	Cash Bonus	Total	Ratio of the Total to to Net Profit After Tax (%)
	Chairman and CEO	Eric Y. T. Chuo	-	43,204	43,204	1.58%
	General Manager	Tsai Huichin				
	Executive Vice General Manager of Chairman Room	Chuo Wenheng				
	Executive Vice General Manager of Chairman Room (Note 2)	Lin Mingyao				
	Senior Vice General Manager of Chairman Room (Note 3)	Yang Shengzhi				
	Senior Vice General Manager of Financiance Section	Lin Yifeng				
	Vice General Manager of Chairman Room	Song Xiande				
	Vice General Manager of Marketing Business Group	Peng Yanqi				
	Vice General Manager of Financiance Section	Wu Yueqin				
	Assistant General Manager of Chairman Room	Qu Yueling				
	Assistant General Manager of Chairman Room	Wu Junliang				
	Assistant General Manager of Financiance Department	Liao Kehuang				
	Assistant Manager of Chairman Room	Jiang Mingjun				
	Assistant Manager of Chairman Room	Qiu Shirong				
	Assistant Manager of Chairman Room	Yang Chuangbao				
	Assistant Manager of Chairman Room (Note 4)	Chen Xiulian				
	Assistant Manager of Production Business Group	Li Wenbin				
	Assistant Manager of Production Business Group	Chen Congren				
	Assistant Manager of Production Business Group(Note 5)	Wu Wenchia				
	Assistant Manager of Production Business Group(Note 5)	Lin Chishiao				
	Assistant Manager of Business Department	Zhang Kunyao				
	Assistant Manager of System Development Section	Wang Fuqing				
	Assistant Manager of Information Department	Zhang Yongming				

	Assistant Manager of Project Development Department(Note 5)	Dong Chengwei				
	Assistant Manager of Project Development Department (Note 6)	Zeng Jinyuan				
	Assistant Manager of Quality Assurance Department(Note 7)	Chou Yishow				

Note 1: Employee remunerations were NT\$ 231.072 million in 2017, but the employee remuneration distribution list hadn't been decided as of the publication date of the annual report, so the remuneration planned to be distributed this year shall be based on practices in previous years.

Note 2: Lin Mingyao was relieved of duty on April 14, 2017 and became General Manager of Eterbright Solar Corporation.

Note 3: Yang Shengzhi was relieved of duty on Aug 22, 2017.

Note 4: Chen Xiulian was relieved of duty on April 30, 2017.

Note 5: Wu Wenchia, Lin Chishiao, and Dong Chengwei assumed their posts on Jul 1, 2017.

Note 6: Zeng Jinyuan was relieved of duty on Mar 31, 2018.

Note 7: Chou Yishow assumed his post on Mar 22, 2018.

(iv) Analysis of the Ratio of the Total Remuneration Given to Directors, General Managers, and Vice General Managers by This Company and All Companies in the Consolidated Financial Statements over the Past Two Years to the Net Profit After Tax in the Individual Financial Report, and Description of the Relationship between the Remuneration Policy, Standards and Packages, Procedures for Determining Remuneration, Business Performance, and Future Risk :

1. Analysis of the Ratio of the Total Remuneration Given to Directors, General Managers and Vice General Managers by This Company and All Companies in the Consolidated Financial Statements over the Past Two Years to the Net Profit After Tax in the Individual Financial Report

Item  Title	Ratio of the Total Remuneration to the Net Profit After Tax			
	2017		2016	
	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report
Director	7.10%	7.15%	7.72%	7.78%
CEO, General Manager and Vice General Manager	4.37%	4.47%	6.76%	6.94%

Note: 1. The net profit after tax belonging to the parent company in 2017 was NT\$ 2,738,019 thousand dollars.

2. The net profit after tax belonging to the parent company in 2016 was NT\$ 1,326,815 thousand dollars.

(1) This Company's board of directors passed the distribution resolution of remunerations of employees, directors and supervisors for 2017 on March 22, 2018. NT\$ 231,072,000 for employees and NT\$ 115,536,000 for directors and supervisors, accounting for 8.44% and 4.22% respectively of the net income after tax in 2017. The employee remuneration distribution list hadn't been decided as of the publication date of the annual report, so this was a tentative estimation.

(2) The total remunerations of directors include those remunerations for the part-time employees, so some of the total remunerations of CEO, general managers and vice general managers are calculated repetitively.

2. Description of the Relationship between the Remuneration Policy, Standards and Packages,

### Procedures for Determining Remuneration, and Business Performance and Future Risk:

According to rules of this Company, from the profit earned by the Company as shown through the annual account closing, the sum to pay all taxes and to cover previous losses, if any, shall be first withheld, then withhold 10% for legal reserve, and then for special reserve as required by law, and less than 6% (including) for dividends. For the final surplus, if any, the board of directors shall make a dividend distribution proposal based on the company's earnings performance, expansion plan, profitability and the capital adequacy ratio, and submit it to the board of shareholders; remunerations and salaries of CEO, general managers, vice general managers and employees are paid in accordance with manager's remuneration distribution method passed by the board of directors.

### iii. Implementation of Corporate Governance

#### (i) The Operation of Board of Directors

1. The Board of Directors held 7 meetings(A) in 2017. The attendance of directors is listed as follow: (The attendance rate of Independent Directors is 100%)

Title	Name	Number of Meetings Attended Personally (B)	Number of Meetings Attended by Proxy	Personal Attendance Rate (%) (B/A)	Remarks
Chairman	Eric Y. T. Chuo	7	0	100.0%	Serving consecutive terms on 2016.06.28
Deputy Chairman	Chen Jin-tsai	6	1	85.71%	Serving consecutive terms on 2016.06.28
Director	Tsai Huichin	7	0	100.0%	Serving consecutive terms on 2016.06.28
Director	Li Xunqin	6	1	85.71%	Serving consecutive terms on 2016.06.28
Director	Chuo Wenheng	6	1	85.71%	Serving consecutive terms on 2016.06.28
Director	Representative of Sanko Investments Limited: Hunag Yousan	6	1	85.71%	Serving consecutive terms on 2016.06.28
Independent Director	Jiang Zhenghe	7	0	100.0%	Serving consecutive terms on 2016.06.28
Independent Director	Chen Qinghui	7	0	100.0%	Serving consecutive terms on 2016.06.28
Independent Director	Tu Limin	4	0	100.0%	Serving new term on 2016.06.28
Other Essential Information: (1) For all items listed in Item 3, Clause 14 of the Securities and Exchange Act, as well as objections or reservations from the independent directors with regards to items discussed in the board meeting that are also documented or stated, the date, term, content of the motion, opinions of all independent directors and how the company responded to these opinions shall be stated clearly:					
Board of Directors		Motion Content and Handling		Items listed in Item 3, Clause 14 of the Securities and Exchange Act	Objections or Reservations from the Independent Directors



	The 7th session of the 10th meeting 2017.03.22	1. Evaluating the independence of CPAs	V	
		2. Planning for issuance of new shares for capital increase out of earnings	V	
		3. Planning to amend “Procedures Governing the Acquisition or Disposal of Assets”	V	
		4. Planning for endorsement and gurantee for HIWIN Singapore	V	
		5. Planning for capital loaning to HIWIN Italy	V	
		6. Planning to purchase equity of HIWIN Italy from HIWIN Germany	V	
		7. Planning for capital increase and decrease for and loaning to HIWIN Japan	V	
		8. Water-power engineering for Factory building phase I in Chiayi Dapumei Precision Machinery Park	V	
		Opinions of independent directors: none		
		How the company responded to these opinions: not applicable		
		Result: all directors present agreed to pass the motion.		
	The 8th session of the 10th meeting 2017.05.08	1. Endorsement for Eterbright Solar Corporation	V	
		2. Capital loaning to HIWIN Italy	V	
		3. Capital loaning to HIWIN Japan	V	
		Opinions of independent directors: none		
		How the company responded to these opinions: not applicable		
		Result: all directors present agreed to pass the motion.		
	The 10th session of the 10th meeting 2017.07.31	1. Planning for endorsement and gurantee for HIWIN Singapore	V	
		2. Planning for endorsement and gurantee for HIWIN Korea	V	
		Opinions of independent directors: none		
		How the company responded to these opinions: not applicable		
		Result: all directors present agreed to pass the motion.		
	The 11th session of the 10th meeting 2017.08.09	Overdue accounts in subsidiaries transfer to lending of capital	V	
		Opinions of independent directors: none		
		How the company responded to these opinions: not applicable		
		Result: all directors present agreed to pass the motion.		
	The 12th session of the 10th meeting 2017.11.03	1. Dorm building in Dabeishi	V	
		2. Overdue accounts in subsidiaries transfer to lending of capital	V	
		3. Lending of capital, endorsement, and guarantees to Eterbright Solar Corporation	V	
		4. Amendment for “Conducting Forward Exchange Transaction evaluation and operating regulation”	V	
		Opinions of independent directors: none		
		How the company responded to these opinions: not applicable		
		Result: all directors present agreed to pass the motion.		
	The 13th session of the 10th meeting 2018.03.22	1. The issuance of new shares for capital increase out of earnings	V	
		2. Evaluating the independence, eligibility, and compensation of CPAs	V	
		3. Factory building in Shiliuban Dist. of Yunlin Science and Technology Park	V	
		4. Endorsement and Guarantee for HIWIN Korea	V	
		5. Overdue accounts in subsidiaries transfer to lending of	V	

The 14th session of the 10th meeting 2018.05.10	capital		
	Opinions of independent directors: none		
	How the company responded to these opinions: not applicable		
	Result: all directors present agreed to pass the motion.		
	1. Planning the issuance of new shares for capital increase out of earnings in Taiwan	V	
	2. Planning endorsement and guarantees for Eterbright Solar Corporation	V	
	3. Overdue accounts in subsidiaries transfer to lending of capital	V	
	Opinions of independent directors: none		
	How the company responded to these opinions: not applicable		
	Result: all directors present agreed to pass the motion.		
<p>(2) For the implementation of the directors' avoidance from motions involving personal interests, directors' names, the content of the motion, reasons for avoidance and the voting participation should be stated clearly: None</p> <p>(3) Evaluation of completion of goals set to strengthen the functions of the board of directors (for example, establishing the Audit Committee and increasing information transparency) in this and the last fiscal years:</p> <p>1. Goals to increase the diversity of the Board</p> <p>The Company emphasizes on the diversity of the Board. Besides the gender equality, capability of operation management, risk management, and professionalism on finance and accounting...etc, are the considering factors when nominating a director. To comply the policy of diversity, a female independent director was by-election on the shareholder's regular meeting in 2017. Each gender has reached 1/3 in the board members.</p> <p>2. Execution evaluation</p> <p>It supports information transparency and publishes important resolutions of the board of directors on its website for investors to see; it convenes 3 investor conferences irregularly every year for investors to obtain related information of the company to increase their recognition of the company. The compensation committee and audit committee operated smoothly in 2017.</p>			

## (ii) The Operation of the Audit Committee :

The Audit Committee is formed by three independent directors. They are in charge of reviewing the content of the Company's financial statement, employing or deploying of the CPAs and its independence and performance, effectively implementing the Company's internal control, complying related laws and regulations, and controlling the potential or existing risk of the Company. Their main duties are as follow:

- (1) In accordance with Item 1, Clause 14 of the Securities and Exchange Act, establish or amend the Internal Control System Statement.
- (2) Evaluate the effectiveness of the Internal Control System Statement.
- (3) In accordance with Item 1, Clause 36 of the Securities and Exchange Act, establish or amend the procedure of significant financial business behaviors such as obtain or dispose assets, trade on derivative goods, capital loan to others, and endorse or guarantee for others.
- (4) Issues involving personal interests of the directors.
- (5) Major assets or derivative goods trade.
- (6) Major capital loans, endorsement, and guarantees.
- (7) The offering, issuance, or private placement of any equity-type securities.

- (8) Employment, deployment, and compensation of the CPAs.
- (9) Appointment on Finance, Accounting, and internal audit managers.
- (10) Annual and semi-annual financial reports
- (11) Other major issues under the regulations of the Company or competent authority.

The audit committee held 5 meetings (A) in 2017 and the attendance of independent directors is listed as follow:

Title	Name	Number of Meetings Attended Personally (B)	Number of Meetings Attended by Proxy	Personal Attendance Rate (%) (B/A)	Remarks
Independent Director	Jiang Zhenghe	5	0	100%	
Independent Director	Chen Qinghui	5	0	100%	
Independent Director	Tu Limin	3	0	100%	Original Independent Director Chen Jaiyu died and released of duty on 2016.12.9. New Independent Director Tu Limin assumed her post on 2017.06.28.

Other Essential Information:

1. For all items listed in Item 5, Clause 14 of the Securities and Exchange Act, as well as motions not adopted by the audit committee but agreed upon by over 2/3 of all the directors, the date, term, content of the motions, decisions of the audit committee and how the company responded to the opinions of the audit committee shall be stated clearly:

Board of Directors	Motion Content and Handling	Items listed in Item 5, Clause 14 of the Securities and Exchange Act	Motions Not Adopted by the Audit Committee but Agreed Upon by Over 2/3 of All the Directors
The 3 <sup>rd</sup> session of the 1 <sup>st</sup> meeting 2017.03.22	1.Evaluate the independence of the CPAs.	V	
	2. Making the combined financial statement 2016	V	
	3. Making the business report 2016	V	
	4. Making Internal Control System Statement 2016	V	
	5. Drawing up the appropriations of earnings for 2016	V	
	6. Planning the issuance of new shares for capital increase out of earnings	V	
	7. Planning to amend “Procedures Governing the Acquisition or Disposal of Assets”	V	
	8. Endorsement and guarantee for HIWIN Singapore	V	
	9. Lending of capital for HIWIN Italy	V	
	10. Purchasing equity of HIWIN Italy from HIWIN Germany	V	
	11.Capital increase and decrease for and loaning to HIWIN Japan	V	
	12. Water-power engineering for Factory building phase I in Chiayi Dapumei Precision Machinery Park	V	
	The audit committee’s resolution (Mar 22, 2017): all members agreed to pass the motions.		
	How the company responded to the opinions of the audit committee: all directors present agreed to pass the motions.		
The 4 <sup>th</sup> session of the 1 <sup>st</sup> meeting 2017.05.08	1. Pass the motion for endorsement and guarantee for Eterbright Solar Corporation	V	
	2. Pass the motion for lending of capital for HIWIN Italy.	V	
	3. Pass the motion for lending of capital for HIWIN Japan.		
	The audit committee’s resolution (May 8, 2017): all members agreed to pass the motions.		
	How the company responded to the opinions of the audit committee: all directors present agreed to pass the motions		
The 5 <sup>th</sup> session of the 1 <sup>st</sup> meeting 2017.07.31	1. Endorsement and guarantee for HIWIN Singapore.	V	
	2. Endorsement and guarantee for HIWIN Korea.		
	3. Overdue accounts in subsidiaries transfer to lending of capital	V	
	The audit committee’s resolution (Jul 31, 2017): all members agreed to pass the motions.		
	How the company responded to the opinions of the audit committee: all directors present agreed to pass the motions.		
The 6 <sup>th</sup> session of the 1 <sup>st</sup> meeting 2017.08.09	1. Making the second quarter combined financial statement 2017	V	
	2. Overdue accounts in subsidiaries transfer to lending of capital	V	

		The audit committee’s resolution (Aug 9, 2017): all members agreed to pass the motions.			
		How the company responded to the opinions of the audit committee: all directors present agreed to pass the motions.			
	The 7 <sup>th</sup> session of the 1 <sup>st</sup> meeting 2017.11.03	1. Dorm building in Dabeishi	V		
		2. Overdue accounts in subsidiaries transfer to lending of capital	V		
		3. Lending of capital, endorsement, and guarantee for Eterbright Solar Corporation	V		

		4. Amendment for “Conducting Forward Exchange Transaction evaluation and operating regulation”	V	
		The audit committee’s resolution (Nov 3, 2017): all members agreed to pass the motions.		
		How the company responded to the opinions of the audit committee: all directors present agreed to pass the motions.		
The 8 <sup>th</sup> session of the 1 <sup>st</sup> meeting 2018.03.22	1. Making Internal Control System Statement 2017	V		
	2. Making the financial statement 2017			
	3. Making the business report 2017	V		
	4. Drawing up the appropriations of earnings for 2017	V		
	5. Planning the issuance of new shares for capital increase out of earnings	V		
	6. Evaluating the independence, eligibility, and compensation of CPAs	V		
	7. Factory building in Shiliuban Dist. of Yunlin Science and Technology Park	V		
	8. Endorsement and guarantee for HIWIN Korea	V		
	9. Overdue accounts in subsidiaries transfer to lending of capital	V		
	The audit committee’s resolution (Mar 22, 2018): all members agreed to pass the motions.			
	How the company responded to the opinions of the audit committee: all directors present agreed to pass the motions.			
	The 9 <sup>th</sup> session of the 1 <sup>st</sup> meeting 2018.05.10	1. Planning the issuance of new shares for capital increase out of earnings in Taiwan	V	
2. Endorsement and guarantee for Eterbright Solar Corporation subsidiary.		V		
3. Overdue accounts in subsidiaries transfer to lending of capital		V		
The audit committee’s resolution (May 10, 2018): all members agreed to pass the motions.				
How the company responded to the opinions of the audit committee: all directors present agreed to pass the motions.				

II. For the implementation of the directors' avoidance from motions involving personal interests, directors' names, the content of the motion, reasons for avoidance and the voting participation should be stated clearly: None

III. Communication between independent directors and internal audit supervisors and accountants (it should include communication about corporate finance and business status, and way and results of such communication):

- (i) The internal audit department submits audit reports irregularly to independent directors, and the audit supervisor also reports great discoveries to board members in the board meeting.
- (ii) CPAs communicate quarterly with the audit committee in written form or face to face about checking or reviewing management and information collection of the company's consolidated statements (including individual financial statements) in the planning stage and the completion stage, according to "Communication of Audit Matters with Those Charged with Governance" of No. 39 Statement of Auditing Standards and TCZL Rule No. 0930105373 published by Securities and Futures Bureau on March 11, 2004.
- (iii) Independent directors, internal audit managers, and CPAs have direct communicating channels. They are well-communicated.
- (iv) The Company has regularly held audit meetings and invited Accountants, audit managers, and related managers.

(v) Independent directors, Accountants, and internal audit managers have held meetings irregularly. Please refer to the company website for the communication summary.  
[http://www.hiwin.com.tw/stock/Independent\\_directors\\_communicate.aspx](http://www.hiwin.com.tw/stock/Independent_directors_communicate.aspx)

(iii) Implementation of Corporate Governance and its Differences from Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Causes :

Evaluation Items	Implementation		
	Yes	No	Differences from Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
1. Does the Company set and disclose corporate governance best practice principles according to "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"?	V		This Company sets its own "Corporate Governance Best Practice Principles" according to "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"; there are no major differences between its implementation and the principles it has set; it'll continue to promote the implementation of corporate governance according to relevant provisions.
2. The Company's shareholding structure and stockholders' equity (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and treat them based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shareholders? (3) Does the company establish and execute the risk management and firewall mechanisms between it and affiliated companies? (4) Does the company establish internal rules against insiders trading with undisclosed information?	V  V  V  V		(1) The Company has established an internal operation procedure and designated related departments to handle shareholders' suggestions or disputes; it has also established a spokesperson system, so there's a person responsible for responding to shareholders' questions, including suggestions, doubts, disputes and litigation. (2) The Company knows the shareholding of its directors, managers and major shareholders holding over 10% of its shares at all times. (3) The Company has established related internal control systems and firewall mechanisms, such as rules governing the management of its subsidiaries and procedures for loan, endorsement and guarantee according to law and regulations. (4) The Company has established "Procedure for Precaution against Insider Trading and Internal Significant Information Processing" to expressly prohibit insiders from trading marketable securities using undisclosed information; besides, Article 37 of "Corporate Governance Best Practice Principles" also stipulates that board members shall do their duties loyally, bear their duties of care and exercise their powers in a highly disciplined and prudent way; the audit department evaluate whether the procedure execution above meet the rules irregularly by random checks, and the Company has also emphasized precaution against insider trading to directors and supervisors.
3. Composition and Responsibilities of the			None

<p>Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for its members?</p> <p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>	<p>(1) The Company has set “Corporate Governance Best Practice Principles” which writes that board members should pay attention to gender equality and be equipped with knowledge, skills and qualities necessary for performing their duties; it has indeed executed such principles. The board of shareholders selected 1 female independent director in 2017 and the current board members (9) include 3 female directors. Besides the gender equality, capability of operation management, risk management, and professionalism on finance and accounting...etc, are the considering factors when choosing board members, so it'd correspond the policy of diversity of the board members.</p> <p>(2) This Company has set a compensation committee according to law and no other functional committees at present.</p> <p>(3) Though this Company hasn't set performance evaluation methods of the board of directors, it discusses the board's operation performance annually and suggests improvements; it'll work out performance evaluation methods in the future and then evaluate the board performance annually.</p> <p>(4) The Company has CPAs respond to “Independence Evaluation Questionnaire” annually according to Governance Best Practice Principles for TWSE/GTSM Listed Companies and the board evaluates the independence of CPAs regularly (Note); CPAs of the Company don't hold director or independent director positions, or have direct or indirect financial interest, and they're not shareholders of the Company. Their evaluation of independence is complete and passed. The Company has completed CPA performance evaluation of 2017 and is approved by the Audit Committee and the Board's meeting on March 22, 2018 that meet the function of corporation governance and the Board. The evaluation result can be found on the company website.</p>	
<p>4. Do TWSE/GTSM Listed Companies set a special unit or person for corporate governance to be in charge of related matters of corporate governance (including but not limited to providing data needed by directors and supervisors to perform business, handling matters related to the board meeting and shareholders' meeting according to law, registering the company and changing the registration, and taking minutes in the board meeting and shareholders' meeting)?</p>	<p>V</p>	<p>The Company has set up a corporation governance unit under the Finance Section. The manager on highest level in Finance Section is in charge of the related issues, mainly includes:</p> <p>1. Providing data needed by directors and supervisors to perform business, handling matters related to the board meeting and shareholders' meeting according to law, registering the company and changing the registration, and taking minutes in the board meeting and shareholders' meeting.</p>	<p>None</p>

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
			<p>2. Asking the opinion of directors before the board meeting to plan and lay out the agenda, informing all directors to be present at least 7 days before the meeting, and providing data related to the meeting to make them know the content of related issues beforehand.</p> <p>3. Registering the date of the shareholders' meetings every year before the time limit prescribed by law, making and declaring the meeting notice, agenda and minute book according to law, and changing registration after regulations are revised and directors are changed.</p> <p>4. To make sure the Board members receive the important message of the Company immediately; the Company will send notice to the Board members right after releasing important message, and arrange professional knowledge courses of Finance and Sales...etc for the directors.</p> <p>5. Irregularly call for communication meetings with Accountants, Independent Directors, and Audit Managers, to follow through internal audit and internal control system. Meeting minutes can be found on the company website.</p> <p>6. Regularly update the Board members on the updated regulations of company operation field and corporation governance.</p> <p>7. Review, design, and plan on the Company's internal control system to keep efficiency and flexibility of the corporation governance management and coordinate related issues in cross departments.</p> <p>8. Issues related to the Board and the shareholders were completed in 2017. Sales developing status is updated in the meeting minutes of the Board meeting on May 10, 2018.</p>	
5. Does the company establish a communication channel and build a designated section on its website for interested parties, and handle all the issues they care for in terms of corporate social responsibilities?	V		<p>(1) The Company instructs related departments to communicate with interested parties as required and there is an "Area for Interested Parties" on the corporate website for customers, suppliers, media and employees to contact the Company. In addition, it has also established a spokesperson system, so there's a person responsible for dealing with related issues of legal persons and investors.</p> <p>(2) The "Interested Parties Section" on the corporate website provides a questionnaire for interested parties to give suggestions or put questions and the important social responsibility issue they're deeply concerned about must be responded to appropriately. The Company also has speaker corner and website for shareholder column email and investor related email, also set up corresponding windows for sales</p>	None



			management and operation items. In the interested parties section, if there is any question, suggestion, or complain, the interested parties may contact the CEO, General Manager, Independent Directors, Audit Room, or special contact window for the interested parties by the emails provided in this section for smooth and effective communication channels.	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		This Company usually entrusts related affairs of the board of shareholders to professional stock affairs agencies and it authorizes Yuanta Securities to do the job this year.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V  V		(1)The Company has disclosed Chinese/English information regarding the Company’s financials and corporate governance status, and declares related information using the path appointed by the financial management bureau on time according to relevant provisions. (2) Our Company has a dedicated department for collecting related information to post them on its English- language website and it also has a spokesperson system, so there’s a person responsible for dealing with related issues of legal persons and investors. It convenes 3 investor conferences irregularly every year and announces the information and videos of the conferences on the company website and Market Observation Post System in accordance with the regulations. Conferences were held on May, Aug, and Nov 2017.	None
8. Does the Company have other important information that is helpful for understanding the status of corporate governance? Yes, description as follow: (1) Operational Performance: To implement corporate governance, in addition to setting an effective internal control system and conducting self-inspection, the Company has independent directors to increase the practical experience of the team using their professional experience so as to strengthen the board functions, safeguard stockholders’ equity and improve information transparency; on the other hand, it has established the public information reporting procedure so that shareholders and interested parties can know its financial and business standing and status of corporate governance well.				

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Causes																																														
	Yes	No	Summary																																															
<p>Moreover, to strengthen corporate governance, besides strengthening the Chinese and English websites so that investors can know the company information in real time, the Company has established a platform for interested parties for them to give feedbacks in real time so that it can handle them quickly for improvement; it entered top 5% of the listed companies in the second and third Corporate Governance Ratings. Besides, it also ranked the No.32 of the Taiwan “Excellence in Corporate Social Responsibility” under the category of large-scale enterprise by Common Wealth Magazine.</p> <p>(2) About information of expenditure on environmental protection, and labor relations (employee equity and care): Please read Sections iv and v in Chapter V.</p> <p>(3) Investor Relations: Treating all shareholders with the principle of being fair and open, the Company convenes shareholders’ meetings every years according to the corporate law and relevant regulations, notifies shareholders to be present in such meetings according to relevant provisions, gives them chances of asking questions or making proposals to achieve balance, makes meeting rules of procedure for such meetings according to law, keeps meeting minutes appropriately and discloses related data on the public information observation station; besides, to ensure that its shareholders have the right to know, participate in and decide the big issues, apart from disclosing major information in real time and publishing important information in both Chinese and English, it has established posts of the spokesperson and deputy spokesperson to handle shareholders’ suggestions and doubts and respond to questions of legal persons and investors to make them know its business results and state of operation better.</p> <p>(4) Respect equities of interested parties: The Company discloses the company information honestly according to law to safeguard basic rights and interests of investors, keeps channels of communication open with the correspondent bank, employees, consumers and suppliers and sets an “Area for Interested Parties” on the corporate website for interested parties to contact it in real time. It respects and safeguards their legitimate interests. It has an argon mailbox (communication channel with the chairman), a hope mailbox (communication platform with general managers) and a help mailbox (feedback platform for human resources) to encourage colleagues to express their opinions and report violations, which facilitates its organic growth and development.</p> <p>(5) Strengthen corporate governance and safeguard investors’ rights and interests: To reduce risks and spread risks of major damages to the Company and its shareholders caused by directors, supervisors and managers due to mistakes or negligence, the Company has stipulated in Article 25 of Articles of the Company that it shall buy insurance for directors’ and supervisors’ liability for damage in their service execution scope during their term in office; it bought Directors and Supervisors Liability Insurance as of March 22, 2018:</p> <table><tr><th>Insured Object</th><th>Insurance Company</th><th>Insured Amount</th><th>Insurance Period</th></tr><tr><td>All Directors and Supervisors</td><td>ACE Insurance</td><td>5 million USD (about NT\$ 146,000,000)</td><td>March 27, 2018~ March 26, 2019</td></tr></table> <p>(6) Related courses on corporate governance studied by the directors and supervisors in 2017 are listed below:</p> <table><tr><th></th><th>Title</th><th>Name</th><th>Date</th><th>Course Title</th><th>Hours</th></tr><tr><td rowspan="2">Chairman</td><td rowspan="2">Eric Y. T. Chuo</td><td>2017/3/23</td><td>Five Global Trends That Affect Taiwan and the Corporations</td><td>3</td></tr><tr><td>2017/9/29</td><td>Series V of Great Decisions of the Board: Corporation Growth of Merger and Acquisition Strategy and Case Sharing.</td><td>3</td></tr><tr><td rowspan="2">Deputy Chairman</td><td rowspan="2">Chen Jintsai</td><td>2017/3/31</td><td>Capital Market Development Summary of Taiwan</td><td>3</td></tr><tr><td>2017/4/28</td><td>How do the Directors And Supervisors Supervise the Corporation for Information Security Risk Management and Strengthen Corporate Governance?</td><td>3</td></tr><tr><td rowspan="2">Director</td><td rowspan="2">Li Xunqin</td><td>2017/5/23</td><td>How to Make Corporation Operating Decisions with Financial Information?</td><td></td></tr><tr><td>2017/8/1</td><td>Advanced Practice Seminar of the Directors and Supervisors (includes independent supervisors) – Strategy and Key Performance Indicator</td><td>3</td></tr><tr><td rowspan="2">Director</td><td rowspan="2">Chuo Wenheng</td><td>2017/3/28</td><td>Online Economy League in Power: Thinking and Challenge of the Industry.</td><td>3</td></tr><tr><td>2017/12/5</td><td>Advanced Practice Seminar of the Directors and Supervisors (includes independent supervisors) – Talk About the</td><td>3</td></tr></table>					Insured Object	Insurance Company	Insured Amount	Insurance Period	All Directors and Supervisors	ACE Insurance	5 million USD (about NT\$ 146,000,000)	March 27, 2018~ March 26, 2019		Title	Name	Date	Course Title	Hours	Chairman	Eric Y. T. Chuo	2017/3/23	Five Global Trends That Affect Taiwan and the Corporations	3	2017/9/29	Series V of Great Decisions of the Board: Corporation Growth of Merger and Acquisition Strategy and Case Sharing.	3	Deputy Chairman	Chen Jintsai	2017/3/31	Capital Market Development Summary of Taiwan	3	2017/4/28	How do the Directors And Supervisors Supervise the Corporation for Information Security Risk Management and Strengthen Corporate Governance?	3	Director	Li Xunqin	2017/5/23	How to Make Corporation Operating Decisions with Financial Information?		2017/8/1	Advanced Practice Seminar of the Directors and Supervisors (includes independent supervisors) – Strategy and Key Performance Indicator	3	Director	Chuo Wenheng	2017/3/28	Online Economy League in Power: Thinking and Challenge of the Industry.	3	2017/12/5	Advanced Practice Seminar of the Directors and Supervisors (includes independent supervisors) – Talk About the	3
Insured Object	Insurance Company	Insured Amount	Insurance Period																																															
All Directors and Supervisors	ACE Insurance	5 million USD (about NT\$ 146,000,000)	March 27, 2018~ March 26, 2019																																															
	Title	Name	Date	Course Title	Hours																																													
Chairman	Eric Y. T. Chuo	2017/3/23	Five Global Trends That Affect Taiwan and the Corporations	3																																														
		2017/9/29	Series V of Great Decisions of the Board: Corporation Growth of Merger and Acquisition Strategy and Case Sharing.	3																																														
Deputy Chairman	Chen Jintsai	2017/3/31	Capital Market Development Summary of Taiwan	3																																														
		2017/4/28	How do the Directors And Supervisors Supervise the Corporation for Information Security Risk Management and Strengthen Corporate Governance?	3																																														
Director	Li Xunqin	2017/5/23	How to Make Corporation Operating Decisions with Financial Information?																																															
		2017/8/1	Advanced Practice Seminar of the Directors and Supervisors (includes independent supervisors) – Strategy and Key Performance Indicator	3																																														
Director	Chuo Wenheng	2017/3/28	Online Economy League in Power: Thinking and Challenge of the Industry.	3																																														
		2017/12/5	Advanced Practice Seminar of the Directors and Supervisors (includes independent supervisors) – Talk About the	3																																														

				Function of the Board from Corporation Fraud Prevention.		
	Director	Tsai Huichin	2017/5/11	Management and Transformation of the Company: the Absolute Way of Survival of Corporation.	3	
			2017/9/29	Series V of Great Decisions of the Board: Corporation Growth of Merger and Acquisition Strategy and Case Sharing.	3	
	Director	Representative of Sanko Investments Limited: Hunag Yousan	2017/12/13	Advanced Practice Seminar of the Directors and Supervisors (includes independent supervisors) – Analysis on Financial Information of the Corporation.	3	
			2017/12/13	Advanced Practice Seminar of the Directors and Supervisors (includes independent supervisors) – Case Study on Financial Statement Fraud.	3	
	Independent Director	Jiang Zhenghe	2017/5/18	Discussion on Corporate Governance and Practice from Legal Perspective.	3	
			2017/5/23	How to Make Corporation Operating Decisions with Financial Information?	3	
	Independent Director	Chen Qinghui	2017/8/24	Practice Seminar of the Directors and Supervisors (includes independent supervisors) – Competitive Behavior of the Company Management Right	3	
			2017/8/24	Practice Seminar of the Directors and Supervisors (includes independent supervisors) – Early Warning and Type Analysis on Corporation Financial Crisis.	3	
	Independent Director	Tu Limin	2017/7/25-7/26	Practice Seminar of the Directors and Supervisors (includes independent supervisors) – Taipei Class	12	

(7) Related courses on corporate governance studied by the financial supervisors and audit supervisors in 2017 are listed below:

Title	Name	Date	Course Title	Hours
Assistant General Manager of Financial Section	Lin, Yi-Feng	Jan. 22, 2018 - Jan. 23, 2018	Continuous Advancement Course for Accounting Supervisors of Publishers, Securities Dealers and Stock Exchange	12
Manager (Audit Supervisor)	Chen, Shi-Chong	Nov. 14, 2017	Sales and Purchasing Cycle Audit	6
		Dec. 19, 2017	Operation Audit	6

(8) Certificates of financial and accountancy personnel and auditors of the Company:

9 persons with CPA, 3 persons with US CPA, one person with IT CPA, one person with UK CPA and 3 persons with CIA (audit manager with CIA).

(9) Diversity of Directors

In 2017, 1 female Independent Director was newly elected. The 9 Directors included in the Board of Directors include 3 female Directors; Apart from the diversity of gender equality, the Directors are also elected upon evaluating their management abilities, problem-solving abilities, financial accounting abilities, etc., so as to achieve the diversity policy of Board members:

Name of Directors	Gender	Operational Judgement	Accounting and Finance	Operational Management	Problem Solving	Industrial Knowledge	International Market Insight	Leadership	Decision-Making
Chuo, Yung-Cai	Male	V	V	V	V	V	V	V	V
Chen, Jin-Tsai	Male	V	V	V	V	V	V	V	V
Tsai, Hui-Chin	Female	V		V	V	V	V	V	V
Li, Xun-Qin	Male	V		V	V		V	V	V
Zhuo, Wen-Heng	Male	V	V	V	V	V	V	V	V
Representative	Male	V	V		V	V	V	V	V

e of Sanko Investments Limited: Huang, You-San									
Jiang, Zheng-He	Male		V			V	V		
Chen, Qing-Hui	Female		V			V	V	V	
Tu, Li-Ming	Female		V			V	V	V	

(10) The Company pays special attention to information disclosure, and would regularly or occasionally expose and disclose company-related information on public information observatories or on the company websites. At the same time, the Company also publishes key information both in Chinese and English, to allow investors to be instantly informed of regarding the status of the company's operations and important information.

9. Please state what has been improved based on the corporate governance results published by Corporate Governance Center of Taiwan Stock Exchange Corporation in the last fiscal year and what needs to be strengthened and what measures need to be taken for what hasn't been improved.

It entered top 5% of the listed companies in the 4th Corporate Governance Ratings published by Corporate Governance Center of Taiwan Stock Exchange, being in the top 5% companies for three consecutive years, showing that the Company has been recognized in terms of company operation. Details of such recognition is as follows:

(1) For what has already been improved: It pays attention to the diversification of the board members. Apart from considering the member's professional abilities, operation management abilities, problem solving abilities, etc, the Company also considers the diversification of genders in the Board of Directors. The Company elected a female independent director in 2017; in the future, the number of seats of either gender can be over 1/3, so as to further promote diversification policy of board members.

(2) For what will be improved in the future: 1. Hold regular shareholders meeting before the end of May: The Company is actively evaluating whether to hold shareholders meeting in advance.

2. Release the annual financial report within two months after the end of the fiscal year: In the accountant's deliberation, this is the mid-term goal of the company.

3. Announce voluntarily financial forecast information: The company has no plans to voluntarily announce the annual financial forecast data.

4. Voluntarily reveals the remuneration of individual directors in annual reports: Due to the protection of personal data, such information will not be exposed for the time being.

5. Signing of group agreements between the company and employees: The company has yet to set up a professional labor association. It is not necessary to sign a group agreement in accordance with the group agreement law. If the association has been established, a group agreement must be signed according to law.

Note: Accountant Independence Evaluation Criteria

No.	Evaluation Item	Evaluation Outcome
1	Does the accountant have a direct or important indirect financial interest in the Company?	No
2	Does the accountant finance or guarantee something for the Company or other directors and supervisors?	No
3	Does the accountant have a close commercial relationship with the Company?	No
4	Is there a potential employment relationship between the accountant and the Company?	No
5	Are there contingent fees related to the audit case?	No
6	Have the accountant held the post of director, supervisor or manager, or a post having significant impacts on the audit case recently or in the last 2 years?	No
7	Does the accountant advertise or broker shares or other securities issued by the Company?	No
8	Can the non-audit services the accountant provides affect important items in the audit case directly?	No
9	Does the accountant act as the counsel of the Company or mediate conflicts with a third party on behalf of the Company?	No
10	Is there a kinship between the accountant and the Company's directors, supervisors, managers or persons having significant impacts on the audit case?	No
11	Does the CPA who retires within one year hold the post of director, supervisor or manager, or a post having significant impacts on the audit case?	No
12	Has the accountant accepted valuable presents or gifts from the Company or other directors or managers?	No
13	Does the accountant provide services of directors, supervisors or other equivalent posts to the Company's colleagues?	No
14	Does the accountant provide non-audit services below (excluding what's said in Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.2)? (1) Bookkeeping service (2) Evaluation service (3) Tax service (4) Internal audit service (5) Short-term staffing service (6) Recruiting senior managers (7) Corporate finance service	No
15	Does the accountant regularly participates in the shareholders' meeting of the company and attends meetings of the audit committee and the board of directors if necessary?	Yes
16	Does the accountant provide relevant training for the company?	Yes
17	The company's financial statements have not been corrected by the competent authority	Yes

Conclusion of Evaluation: Certified Public Accountants Yan, Hsiao-Fang and Tseng, Dong-Rong from Deloitte Touche Tohmatsu Limited are in line with the Company's independence and compliance evaluation standards, they are sufficient to serve as a visa accountant for the company.

#### (IV) Composition, Responsibilities and Operation of the Remuneration Committee:

##### 1. Information of Remuneration Committee Members

Identity	Require-ments	Having over 5 years of work experience and the following professional qualifications			Conformity to Independence (Note 1)								The number of other public companies where posts of independent directors are held by these people	Remarks (Note 2)
	Name	Having the title ranking above lecturer in departments of commerce, law, or accounting or related to company business in public and private universities and colleges	Judge, procurator, lawyer, accountant or professional technical personnel (having national certificates) related to company business	Work experience in commerce, law, finance, or accounting or required by company business	1	2	3	4	5	6	7	8		
Independent Director	Jiang, Zheng-He			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓
Independent Director	Chen, Qing-Hui			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓
Independent Director	Tu, Li-Ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓

Note 1: If the member meets any of the following criteria in the two years before being elected or during the term of office, please check the corresponding boxes:

- (1) Not an employee of the Company or other affiliates;
- (2) Not a director or supervisor of the Company (the same does not apply if the person is an independent director of the parent company or subsidiaries where the company have over 50% voting shares directly or indirectly);
- (3) Not an individual shareholder in Top 10 Shareholders or the company where he/she, his/her spouse and minor children have over 1% of the total issued shares or have such shares in the name of others;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the persons in the preceding three paragraphs;
- (5) Not a director, supervisor, or employee of institutional shareholders having over 5% of the total issued shares or in Top 5 Shareholders;
- (6) Not a director, supervisor, manager or shareholder having 5% of the shares of the specified company or agency that have financial transaction or business contact with the company;
- (7) Not a professional, proprietor, partner, company or the owner, partner, director, supervisor, manager or spouse of the professional consulting entities providing services or consultation in business, law, finance and accounting for the Company or its

affiliates.

(8) Not being involved in any of the situations set forth in Article 30 of the Company Act.

Note 2: If the member is a director, please state whether this conforms to Article 6.5 of “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counter”.

## 2. Responsibilities of Remuneration Committee

To assist the board of directors in executing, evaluating and reviewing the policy, system, standard and structure of salaries and remunerations of the Company’s directors and managers regularly, the remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit suggestions for discussion to the board of directors.

- (1) The committee shall make and periodically review the performance evaluation, remuneration policy, system, standards and structure of directors and managers.
- (2) The committee shall periodically evaluate and set the remuneration of directors and managers.
- (3) Regularly review the organizational rules of the Compensation Committee and assess whether to propose amendments.

## 3. Operation of the Remuneration Committee

- (1) The committee has 3 members.
- (2) The Remuneration Committee held 2 (A) meetings in 2017 and the qualifications of the committee members as well as their attendance records are shown below:

Title	Name	Number of Meetings Attended Personally (B)	Number of Meetings Attended by Proxy	Personal Attendance Rate (%) (B/A)	Remarks
Convener	Jiang, Zheng-He	2	0	100.0%	Reappointed
Committee Member	Chen, Qing-Hui	2	0	100.0%	Reappointed
Committee Member	Tu, Li-Ming	2	0	100.0%	Assumed her duty on March 22, 2017

Other necessary information:

1. If the Board does not adopt or revise proposals of the remuneration committee, the Board meeting date, session, session, content of the motion, the Board decision, and the Company’s response to the remuneration committee’s opinions shall be properly recorded (for example, if the remuneration package approved by the Board is superior to that suggested by the remuneration committee, the difference and reasons must be noted): none

Should a committee member oppose or reserve their opinion regarding any decision made by the remuneration committee and their opinion has been recorded or submitted in a written statement, the committee meeting date, session, content of the motion, opinions of all members, and the response to the opinions shall be recorded: none.

(V) Fulfillment of Social Responsibility:

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Abstract	
<p>1. Implementation of corporate Governance</p> <p>(1) Has the Company established a corporate social responsibility policy or system and reviewed the implementation results?</p> <p>(2) Does the Company periodically hold educational training on social responsibilities?</p> <p>(3) Has the Company established a dedicated (or non-dedicated) department (in the charge of senior managers authorized by the Board and reporting to the Board) to promote corporate social responsibilities?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The ideas of the company's fulfillment of corporate social responsibility mainly focus on "education"; the Company has established "Corporate Social Responsibility Practice Principles" based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and put it on the company website; apart from updating related information of corporate social responsibility, the relevant units convene meetings irregularly to review the current measures and present improvement plans, so the principles are implemented well.</p> <p>(2) The Company carries out health promotion activities for colleagues, volunteer training activities and social responsibility and environment protection trainings for new employees regularly. It has been holding JIMTOF since 2010, hoping students from National Tsing Hua University can learn from the strong points of the precision mechanical industry in other countries during their visits, enhance their international visibility and absorb international precision machinery development techniques so that they can be engaged in industries related to the machinery positively in the future to make precision machinery technologies in Taiwan compete with those in Japan and Germany and become an important motive force that drives mechanical industry upgrading in Taiwan and makes Taiwan's machinery go international; besides, to refine the disclosure in CER report, it invites external specialists to give lessons in the company to make heads of relevant units learn more of social responsibility and disclose related information more completely when writing the report. Besides, it runs business in good faith, covering food safety, legal safety and assets safety, etc. It held a total of 186 related courses in 2017, which 4,310 people attended and totaled 5,257 hours.</p> <p>(3) The Company set up a CSR Committee under the management of the CEO to promote corporate social responsibility. Members of the Committee include Chairman Room, Management Department, Labor Security and Environmental Protection Department, Human Resource Department, Financial Office and Planning Section; the general manager is responsible for setting the Company's vision of corporate social responsibility; relevant units convene meetings irregularly and report the year's implementation plan and results to the Board, which, after discussion, would be listed as a Board report; CSR committee pays attention to issues related to education, economy,</p>	None.



<p>(4) Has the Company established reasonable salary and compensation policies, combined employee performance evaluation policies with corporate social responsibility policies and established a clear and effective reward and punishment system?</p>	<p>V</p>	<p>environment and social vulnerable group. The Committee's responsibilities are as follows:</p> <ol style="list-style-type: none"> <li>1. Responsible for formulating corporate social responsibility-related systems, policies, and promotional programs.</li> <li>2. Co-ordination and validation of the production of corporate social responsibility reports.</li> <li>3. Review corporate social responsibility policies and systems regularly, and hold meetings to track progress of various projects.</li> <li>4. Approval of other matters related to corporate social responsibility or for future references.</li> <li>5. Maintain communication and interaction between various functional organizations and stakeholders, and management of all major issues regarding to corporate social responsibility.</li> <li>6. Report implementation plan and results yearly to the Board; 2017's implementation results have been listed in the Board report published on May 10, 2018. Please refer to "Corporate Governance" in the Company's CSR report for more details.</li> </ol> <p>(4) The Company and its subsidiaries have established salary and compensation policies according to the relative contribution of duties, to provide employees with reasonable salaries. All salary adjustments and promotions are handled with systematized procedures transparently and openly; it holds meetings regularly for salary adjustment and bonus allocation to make all colleagues learn about the salary and remuneration policy; to encourage employees to strive for better results, the Company allocates a certain percentage of profit surplus as a basis for employee dividends, thereby sharing surplus results with colleagues, and review various salary and welfare systems. By doing so, the Company hopes to achieve "external competitiveness" for salaries that attract and retain outstanding talents. And the "Remuneration Committee" regularly reviews the rationality of the Company's remuneration system.</p> <p>According to the company's articles of association, if the company's annual final accounts are profitable, it should raise 1. The employee's compensation should be no less than 1%. 2. The directors' remuneration should not be higher than 4%. The compensation of employees is decided by the board of directors and distributed in stocks or cash. The payment of directors' compensation is paid in cash.</p> <p>Also, supervisors are expected to regard the employee's input and cooperation with CSR-related activities as a positive input, and provide positive award for his/her effort in the performance appraisal; the Company also has incentives and penalties management measures, proposal improvement mechanisms, and workplace harassment and abuse prevention measures, appeals and disciplinary measures. The Company would provide award merits timely, and implement vigilance measures against the law, and comply with the set code of conduct and reward and punishment standards.</p> <p>In addition, the Company holds educational</p>	
---	----------	---	--

			trainings related to corporate social responsibility irregularly and makes the results one of the evaluation items of individual performance and promotion; to improve the training effects, it has established a reward and punishment system.	
<p>2. Sustainable Environment Development</p> <p>(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impacts on the environment?</p> <p>(2) Has the company established a proper environmental management system based on the characteristics of the industry?</p> <p>(3) Does the company notice the impacts of climate change on its operations, check greenhouse gases and develop company strategies for energy conservation and reduction of CO2 emission and greenhouse gas emission?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company is dedicated to developing and using green products' materials and packing materials and strengthening garbage classification and resources recovery to reduce the waste of resources. It also advocates energy conservation in the company by managing energy use effectively through system promotion and energy review; it made a reduction plan in 2016-2017 to save 1223kWh and 1400kWh respectively, i.e. reducing 646 and 855 tonnes of carbon emission. Besides the strategies above, it also promotes paperless receipts to reduce paper waste and installed solar modules on the roof of the operating headquarters to respond to the government's green energy policies, thereby reduces the impacts of company operation on natural environment. Please refer to the Company's 2017 CSR report for more details.</p> <p>(2) The Company appoints Labor Security and Environmental Protection Department and environmental protection personnel to deal with air pollution, waste water and garbage, and authorizes a professional handling agency to dispose waste produced in the productive process and plan and arrange training courses related to labor security and environmental management for employees to ensure the implementation of the company policy; it achieved ISO14000 Environment Management System certification in 1997, and conducted "Greenhouse Gas Inventory 2010" and "Ball Screw Carbon Footprint Verification" according to ISO14064-1 (Greenhouse Gas Inventory at Organization Level) and PAS 2050 (Product Carbon Footprint) standards; it got ISO14064-1 and PAS 2050 certificates from British Standards Institution (BSI). The Company has been promoting carbon management related operations for some time, and have thoroughly understood the company's actual production of "carbon" and "greenhouse gas" for the implementation of improvement measures to achieve the goal of reducing CO2 emissions, in order to demonstrate the company's dedication in environmental protection.</p> <p>(3) 1. The Company's coping strategies for climatic change:</p> <ul style="list-style-type: none"> <li>A. Prevention and control of air and water pollution</li> <li>B. Waste reduction and recovery</li> <li>C. Reduction of greenhouse gases</li> <li>D. Save water and chemicals</li> <li>E. Increase the use of energy saving products</li> <li>F. Build carbon footprint</li> <li>G. Avoid using harmful and toxic substance</li> </ul> <p>2. The Company's greenhouse gas inventory: a direct emission of 5,895 tonnes of CO<sub>2-e</sub> and an indirect</p>	None.

			<p>emission of 110,222 tonnes of CO<sub>2-e</sub> in 2017, totaling 116,117 tonnes of CO<sub>2-e</sub>; a direct emission of 6,102 tonnes of CO<sub>2-e</sub> and an indirect emission of 90,567 tonnes of CO<sub>2-e</sub> in 2016, totaling 96,669 tonnes of CO<sub>2-e</sub>. All of the above data have been verified by a third-party verification company, TUV Rheinland, to the factory for verification of the ISO 50001 energy management system and verification of data.</p> <ol style="list-style-type: none"> <li>3. The Company expects to continue to promote several energy management action plans in 2018 with NT\$ 2.12 million, which can save 1.5 million kilowatt-hours and NT\$ 4.5 million in annual electricity costs, and reduce direct carbon emissions of 796 tonnes of CO<sub>2-e</sub>.</li> <li>4. The Company is devoted to reducing traditional pollutants to respond to the government's CO<sub>2</sub> emission reduction and energy saving policy; through the energy budget of the Bureau of Energy, MOEA, it's selected as the demonstration enterprise group (the only listed company in the precision mechanical industry) of ISO 50001 energy management system by the Industrial Development Bureau, MOEA; Taiwan Green Productivity Foundation assists the Operational Headquarters of HIWIN in importing the energy management system according to the international standard; after the operational status of the Operational Headquarters of HIWIN was inspected by TUV Rheinland, it passed ISO 50001 energy management system verification successfully; it implements control according to the management system (PDCA) every year.</li> <li>5. Based on the objectives of corporate social responsibility and sustainable management, all employees must jointly promote the international standard ISO 50001:2011 Energy Management System. Our commitment to energy policy are as follows: <ol style="list-style-type: none"> <li>A. Comply with energy-related regulations and prioritize energy-saving products.</li> <li>B. Improve energy efficiency and continue to improve energy performance.</li> <li>C. Review energy targets and ensure the availability of information and resources.</li> <li>D. Implement energy management system, and participate fully in energy conservation and carbon reduction.</li> <li>E. Create corporate energy value and build sustainable corporate culture.</li> </ol> </li> <li>6. In 2017, Hiwin Technologies Corp. passed revised certification of ISO14001:2015. In accordance with the Company's policy on environmental safety and health, the company will endeavor to integrate environmental protection concepts in the decision-making processes of research and development, product manufacturing and service, use and disposal of raw materials, and continue to strive for improvements to fulfill the Company's corporate responsibilities in environmental</li> </ol>	
--	--	--	--	--

			<p>protection, reduce of disposals, saving energy and maintaining a safe and clean environment for workers. In order to do so, the Company has committed to all employees, customers, partners and the public for achieving the following goals:</p> <p>A. Provide employees with education to raise awareness of environmental and safety protection, promote participation in activities, and continue to communicate and consult with employees, manufacturers, and customers on environmental and safety issues.</p> <p>B. Comply with government environmental sanitation regulations and other requirements.</p> <p>C. Promote pollution prevention and take the initiative to continue to strive for improvements.</p> <p>D. Safe and legal waste disposal, and continuous industrial waste reduction.</p> <p>E. Voluntarily maintain and control, or reduce emission of greenhouse gases; protect natural resources; saving energy.</p>	
<p>3. Safeguarding public welfare</p> <p>(1) Has the Company established its management policies and procedures in accordance with relevant laws, regulations, as well as International Covenants on Human Rights?</p>	V		<p>(1) In order to protect the rights and interests of employees, the Company refers to the International Covenants on Human Rights to formulate policies for the protection of human rights as follows:</p> <ol style="list-style-type: none"> <li>1. Gender equality and maternal health protection: No differential salary, benefits protection and promotion opportunities will be given due to gender, while respecting gender equality, setting key points for prevention and treatment of sexual harassment; the Company also abides to labor standards and gender laws to regulate female labor equality, maternity leave, paternity leave, parental leave, etc.; employee may also adjust working hours and locations during pregnancy.</li> <li>2. Ban on child labor: The Company do not employ child workers under the age of 16, and follows the Labor Ordinance to treat workers under the age of 18; "Work Regulations" are also set.</li> <li>3. Equality in disability: Same paths of career development and salary benefits as that of general staff members.</li> <li>4. International shift protection: Legal salary and leave management.</li> <li>5. Reasonable working hours: Follows the relevant regulations of the Labor Law to establish Company's working hours policy and legal wage payment.</li> </ol> <p>Set regulations such as "Work Regulations", "Harassment Preventive Measures", "Attendance and Leave Management Measures", "Babysitting Subsidies for Staff Members", "Employee Group Insurance Regulations", "Special Vacation Management Measures".</p>	None.
<p>(2) Has the company set up a complaint channel and mechanism and handle complaints</p>	V		<p>(2) The Company has set an employee complaint box; meanwhile, it uses a two-way communication and coordination mode for employees and the employer and convenes labor-management conferences regularly</p>	

properly?			to coordinate labor relationship and discuss how to promote employee-employer cooperation and improve working conditions, and plan for labor welfare, so the relationship between employees and the employer has been harmonious since the factory was opened and there has been no labor trouble so far.	
(3) Does the company provide a healthy and safe work environment and organize training on health and safety for its employees on a regular basis?	V		<p>(3) The Company has passed OHSAS 18001/TOSHMS Occupational Safety and Health verification, and it invites professional institutes to conduct external audits every year to keep the management system operating. Furthermore, it carries out employee safety and health training, fire-fighting drilling and working environmental harm control evaluation, and provides sufficient protection to safeguard employee health and safety.</p> <p>To implement environmental safety and health policy, the Company has established systematic management (OHSAS18001 and TOSHMS); through the management spirit of PDCA Cycle, it adds the environmental safety and health concepts to R&amp;D, product manufacturing and service, raw materials using and waste gas; in addition, it promotes continuous improvement in goal management schemes through organizing meetings, educational training and employee involvement to fulfill environmental safety and health protection. The mode of operation is shown below:</p> <ol style="list-style-type: none"> <li>1. Every factory has appointed occupational safety and health management units and personnel to draw up occupational safety and health management plans, promote work environment and operation hazard risk identification, evaluate and control health and safety management items, carry out automatic inspection before operation of mechanical equipment and working environment monitoring and continuously improve safety and health facilities so as to create a safe, healthy, comfortable and friendly work environment.</li> <li>2. Before being designed or purchased, the equipment must conform to necessary safety and health standards and be reviewed and evaluated by safety and health personnel through the management system of change, and must meet safety and health standards before being used in the factory.</li> <li>3. All factories hold occupational health and safety committee meetings regularly every year to review and improve related safety and health issues, and take precautionary measures depending on operating risks, such as mechanical equipment management, contractor management, chemicals safety management, personal protective equipment requirements and safety audit management. Besides, they also do emergency response drills regularly so as to minimize employees' and the Company's capital losses and impacts of disasters on the society and environment.</li> <li>4. It appoints special physicians and employs special nurses to provide health service near factories, plans and implements labor health education,</li> </ol>	

			<p>health promotion and guidance, prevention and cure of work-related injuries, health consultation, first aid and emergency treatment, and holds regular health promotion activities, such as healthy eating, relaxation, preserving health using traditional Chinese medicine and walking to fitness to satisfy employees' health needs. Moreover, it also conducts health examination according their ages and special work health examination to effectively evaluate and track employees' health condition.</p> <p>5. It conducts working environment monitoring semiannually, including physical and chemical factors defined in laws and regulations, such as illumination, concentrations of carbon dioxide, noise, and concentration of special chemical substances specified by laws and regulations. When there is an unusual phenomenon found from monitoring, the labor security personnel in the factory will conduct evaluation and improvement to ensure an acceptable level of hazard factor exposure risk so as to protect the health of operating personnel.</p> <p>6. Apart from improvement in work environment and workplace health, there's also improvement in human factors engineering, including simple fork lift truck, vacuum extractor, hydraulic cart and trolley; moreover, it also conducts allotment of labor, and educational trainings and advocacy on correct handling posture.</p> <p>7. The implementation status in 2017 is as follows:</p> <p>A. There were 16 cases of disability injuries at all sites of Hiwin Technologies Corp., with no major occupational catastrophes. In addition to strengthening personnel education and audit training, synchronized production of lifting slings and high-risk machines should also be inventoried. Lifting sling sets are still under modification; high-risk machines have completed 44 improvements.</p> <p>* Between 2015 and 2017, there has been no occupational disaster incident at the contractor.</p> <p>B. CEO of the Company, Tsai, Hui-Chin, led management executives and declared that safety and cultural activities are officially implemented. Professor Li, Jin-Quan from Southern Taiwan University of Science and Technology, and Director Dong, Bao-Hong from the Safety and Health Department of ChungHung Steel Corp. were invited to conduct informal discussions with on-site employees and class leaders, to plan the application of safety culture of Hiwin Technologies Corp. The assessment scale, as a research tool for safety culture, distributed a total of 691 questionnaires with a recovery rate of 86.06%. The results showed that the average safety culture of Hiwin Technologies Corp. scored 77.1 points. Starting from 2018,</p>	
--	--	--	--	--

			<p>the Company will invest resources periodically to host various security activities, in order to improve the safety performance of all employees.</p> <p>C. The Company hired occupational health nurses and special occupational therapists to provide regular health care services, such as medical treatment, health consultation, case management, emergency injury and medical care, and abnormal medical examinations. In 2017, a total of 4,109 people participated in such services.</p> <p>D. The Company provides employees with a comfortable, secretive and safe space for breast-feeding, as well as timely care and support, and related education information, in order to enhance the willingness to continue breast-feeding. The total number of breast-feeding in 2017 was 3,547.</p> <p>E. The Company provide timely health inspections to identify potential virulence factors for employees; and promotes relevant chronic disease prevention and cancer screening activities. Analysis and follow-up management was also conducted based on the results of health checks of our employees. In 2017, an analysis was carried out to inspect the reduction of hypertensive workers. Through pre- and post-test questionnaire surveys, data tracking and monitoring, the Company learned about individual health problems and provided employees with individual health guidance. After the majority of employees were instructed, 72% of the hypertensive employees showed improvements in their hypertension conditions.</p>	
(4) Has the Company established mechanisms for regular communications with employees and keeping employees informed in a reasonable manner changes in Company operations that might have significant impacts on employees?	V		(4) Besides convening regular labor-management conference s to communicate with employees, it holds a monthly meeting at the beginning of every month where senior managers report the company's business and operation status to all the employees; meanwhile, it also sets feedback boxes for employees to communicate with the chairman, general managers and the human resource department to create a good communication environment.	
(5) Has the Company established an effective career capability development training program for employees?	V		(5) It has a perfect career development training system, the theme of which covers core competencies building, specialized knowledge and skills at different levels in different fields, and leadership management and humanistic quality to cultivate all occupational skills in employees.	
(6) Has the Company established consumer protection policies as well as complaint procedures with regards to R&D,	V		(6) The drive control and system protects produced and sold by the Company are industrial products; by providing customers with a complete package of technology support and after-sale services, it hopes to grow together with its customers; there is a special area for interested parties on the company website for	

<p>procurement, production, operations and service flows?</p> <p>(7) In terms of the marketing and labeling of products and services, has the Company followed relevant laws, regulations, and international norms?</p> <p>(8) Before doing business with suppliers, does the Company assess whether or not the suppliers have had previous records of negatively affecting the environment or society?</p> <p>(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?</p>	<p>V</p> <p>V</p> <p>V</p>	<p>consumers to give feedbacks or complain in real time and the Company will respond to their questions to protect their rights and interests.</p> <p>(7) The Company's products are sold around the globe, so they must conform to environmental protection regulations of all countries; it and its suppliers jointly ensure they conform to the regulations above, and improve the suppliers' quality, environmental awareness and ability, and share the corporate social responsibility.</p> <p>(8) At present, the Company usually asks the suppliers to fill in "New Supplier Evaluation and Survey Form" before doing business, which lists social responsibility and their environmental impacts and shall be answered in details by manufacturers; it evaluates whether to trade with suppliers based on this form.</p> <p>(9) It stipulates when purchasing main equipment, if the manufacturer has significant effect on environmental protection, it will reevaluate whether to continue to make deals with the supplier; if the Company decide to deal with the supplier, both parties must sign a sale and purchase agreement which shall state expressly the articles of corporate social responsibility; both parties shall obey policies of corporate social responsibility, and the business operation mode shall meet standards of ethics, law and the public, and consider their effects on the society and natural environment; in case either party violates policies of corporate social responsibility, the other party has the right to terminate or rescind the contract.</p>	
<p>4. Strengthening information disclosure</p> <p>(1) Has the Company disclosed relevant and reliable corporate social responsibility information on its website as well as on the Market Observation Post System (M.O.P.S.)?</p>	<p>V</p>	<p>(1) 1. The Company has a special area for corporate social responsibility on the company website, publishes related information of its corporate social responsibility on the Market Observation Post System according to relevant law or decree, and discloses relevant and reliable related information of its corporate social responsibility in the annual report.</p> <p>2. The Company regularly issues CSR report to disclose and promote corporate social responsibility on <a href="http://www.HIWIN.com.tw/CSR/">http://www.HIWIN.com.tw/CSR/</a>.</p>	<p>None.</p>
<p>5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any difference between the Principles and their implementation:</p> <p>The Company has established corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies", and there is no major difference between actual operation and the principles. Besides, with the efforts of all the colleagues, corporate governance, energy conservation and environment protection and efforts devoted to public welfare, and protection of other rights of interested parties are well received.</p>			
<p>6. Other important information useful for a better understanding of the company's corporate social responsibility practices:</p> <p>(1) The Company has been spending millions of New Taiwan Dollars holding "HIWIN Thesis Award" every year since 2004, which has been held for the 14th time up to the publication date of the annual report, mainly to encourage students to throw themselves into R&amp;D and innovation of mechanical engineering field and cultivate more talents for Taiwan and enterprises there so as to promote and improve the research interests and level of students in Taiwan and absorb more talents into the</p>			



- mechanical industry.
- (2) It has been holding HIWIN Articulated Robot Hands-on Competition since 2008, and which has been held for the 10th time up to the publication date of the annual report, laying a foundation for talents and technology of the future robot industry.
  - (3) HIWIN serves as a gatekeeper for talents of Taiwan's mechanical industry, and has been assisting Taiwan Automation Intelligence and Robotics Association (TAIROA) in promoting "Automation Engineer" Certificate Examination since 2009, mobilizing teachers from machinery-related universities and colleges and business elites, totaling 500, to set and review questions in such exams. The examination has been given for the 17th time up to the publication date of the annual report. To fit the development trend of the major countries in the world, and as the robot is the necessary foundation for intelligent manufacturing, it has been assisting TAIRQA promoting "Robot Engineer" Certificate Examination since 2016, and the 3rd examination has been given.
  - (4) It founded HIWIN Education Foundation in 2009, which aims at improving Taiwan's industrial level through education and financial assistance and scholarships.
  - (5) HIWIN Education Foundation has been holding "A Delegation of Undergraduates from Department of Mechanics to JIMTOF" since 2010 to motivate students in Department of Mechanics to concentrate on the study of precision machinery and develop an international outlook and then improve the innovation of technology of Taiwan's mechanical industry. Through primary election and secondary selection of undergraduates from Department of Mechanics in Taiwan, this activity selects 40 sophomores and juniors at most from departments related to mechanical engineering, automation and motor to go to Japan to visit biennial JIMTOF and leading factories there.
  - (6) It has been authorizing Chinese Mechanical Engineering Society to hold "HIWIN Doctoral Dissertation Award" since 2011, which aims at improving the precision machinery and manufacturing technology level of ethnic Chinese in mainland China, Hongkong, Macao and Taiwan, strengthening the cultivation of high-level creative talents, improving the education quality of doctoral students in the field of mechanical engineering and intelligent automation in mainland China and Taiwan, and motivating and encouraging students to throw themselves into R&D and creative application of the field above. It has been held for the 7th time up to the publication date of the annual report and will continue to be held.
  - (7) It has been holding "HIWIN Forum - Outstanding CEO Lecture" since 2102 with Asia University and National Kaohsiung First University of Science and Technology respectively, which invites managers of companies whose stock is listed on the stock exchange or traded over the counter with a good business performance or operators whose enterprise is the champion in its field though it's unlisted to talk about their experiences. It hopes enterprise operators and senior managers can have an opportunity to see and listen to these enterprise leaders. 26 lectures (13 series) have been held up to the publication date of the annual report.
  - (8) The Company has been devoted to Industry-Government-Academia Cooperation and school education; to fulfill corporate social responsibility, it donates a compound library to 6 elementary schools in Hsinchu with Chairman Chuo, which expects to have online reading functions, a reading room, an auditorium and a lecture hall so that teachers and students can use it conveniently; it can also help children develop reading habits, an international outlook and a basic ability to cope with globalization. The Chuo, Yung-Tung Memorial Library was opened in November 2017 and covers an area of 1,865 square meters (about 564 square foot). The library is a five-story building. The children's books are mainly on the 1-2nd floor and there is even a story theater area, a large tree reading area and a multimedia interactive teaching area; the 3rd floor is an adult reading room with foreign newspapers and magazines, allowing readers to connect with the world; the ladder-style lecture hall on the 4th floor can accommodate 200 people at the same time; a meeting room and research room are located on the 5th floor, the outer area of which is also planned for renewable energy areas, including learning grounds of wind power and solar energy. With a total floor area of 2,735 square meters (about 827 square foot), the building of the library lasted 5 years, with a total cost of about NT\$ 160 million. The aim of constructing the Chuo, Yung-Tung Memorial Library is mainly to give students to a better reading environment for their reading habits, international outlooks, and basic capabilities in response to globalization. At the same time, it is also open to the use of the community, allowing the community residents to have learning space for the exchange of knowledge.
  - (9) Since 2015, HIWIN Technologies Corp. launched a four-year plan to sponsor a budget of RMB 1 million each year to support Tsinghua University's "Rising Sun Enrollment Program" (economically disadvantaged enrollment), and provides the University with a NT\$ 400,000 scholarship throughout the four years, ensuring these students can work hard without delay, and make full use of their education to change the fate of their past generations. The Rising Sun Enrollment Program considers the applicant's history of growth and motivation, and prioritizes students who are economically disadvantaged and yet faces adversities with a positive mind. After enrolling in the University, students will be enrolled in the various faculties that has offered them a place. The Rising Sun Program benefited a total of 131 economically disadvantaged students in 2017.
  - (10) It continues to make contributions to corporate bodies and governmental agencies of education, culture, charity and environmental protection to fulfill corporate social responsibility.
  - (11) In February 2018, the Company donated NT\$ 5 million to the Hualien County Social Assistance Special Account in response to the catastrophic strong earthquake in Hualien for the first time to express its concern and support for the area of disaster.
  - (12) Details of the Company's budget in 2017 are as follows: The amount of corporate social responsibility investment is NT\$ 111,123, which includes four major items: NT\$ 36,238 for talent cultivation, NT\$ 36,168 for cooperation between the Company and the University, NT\$ 29,934 for community care, and NT\$ 8,783 for public welfare; a total of 2,473 for

participation in health talks; Number of health care attendances totaled 4,109 person-times; Number of hours of training developed is a total of 140,000 hours; 100% new suppliers have been approved by human rights and labor surveys; Continued business-University collaboration program; a total of 470 students participated in the internship at Hiwin Technologies Corp. between 2015 to 2017; HIWIN professionals went to higher vocational schools or universities of science and technology to share 97 industrial trends and product technology applications; the total number of HIWIN volunteer services was 2,285 hours.

- (13) In the "2017 TCSA Taiwan Business Perpetual Award" organized by the Taiwan Sustainable Energy Research Foundation, the Company won the "Corporate Perpetual Reports - Electronic Information Manufacturing Group - Gold Award".
- (14) Promote green energy construction: Solar energy is the most easily-obtained source of renewable energy. The use of solar energy will not result in a worsened greenhouse effect due to increased emission of greenhouse gases. In 2016, Hiwin Technologies Corp. has set up a 50kW solar power generation at its headquarters, and it has been put into use in parallel with the electrical energy supply by the energy company to generate electricity for the corporate headquarters. 3.95 million were invested in construction. Therefore, in 2017, the Company planned to set up a solar power generation system one after another. The Company will start the first phase of construction in 2018, and have set a target of a total generating capacity of 1,600kW by 2021. The goal of which are as follows:

Goal of Environmental Management	Management Performance	Plan	Reached
Implementing the ISO50001 Energy Management System	In 2017, the system is promoted continuously, and completed seven reduction plans. After the improvements have been made, a total of 1.223 million kWh of electricity was saved (646 tonnes of carbon dioxide).	Short-term goal: Completion of construction of the 2nd Plant and YunTech Plant within 1 year to implement the ISO 50001 energy management system	V
		Mid-term Goal: Complete the operating base of the ISO50001 energy management system that has not yet been built within 3 years	V
		Long-term Goal: Energy Performance Index (EnPI) for each operating base should decrease by 1-3% over 5 years	Ongoing

7. A clear statement shall be made below if the Company's corporate social responsibility reports were verified by relevant certification bodies:

- (1) The Company is scheduled to publish the Corporate Social Responsibility Report in June each year. The 2017 Corporate Social Responsibility Report has been verified and completed in April, 2018. The method of cross-check is used to confirm the contents of the report. It was verified in May, 2018 by the British Standards Institute Taiwan Branch (BSI), and it meets the GRI Standards and AA1000 AS (2008) Standard TYPE I medium assurance level verification standards.
- (2) The Company regularly publishes the specific promotion plans and implementation results of social corporate responsibility on the Company's website in June each year, and is included in the annual report.

## (VI) Implementation of Ethical Corporate Management:

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Abstract	
1. Establishment of ethical corporate management policy and scheme (1) Has the company expressly stated its ethical corporate management policy and practices in its regulations and	V		(1) The Company has established "Ethical Corporate Management Best-Practice Principles", expecting its Board and management positively implement its ethical corporate management policy and reinforce employees' perception of its ethical corporate management ideas through daily recitation and advocacy of the management	None.

<p>external documents? Have its board and management implemented the commitment of ethical corporate management positively?</p> <p>(2) Has the company made rules against dishonesty with clear statements regarding operational procedures, behavior guidelines and appeal system, and implemented them?</p> <p>(3) Has the company made appropriate precautionary measures against high potential dishonesty or operating activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p>	<p>V</p> <p>V</p>	<p>ideas “Professional Level, Enthusiasm for Work and Professional Ethics”.</p> <p>(2) The Company has established “Employee Code of Conduct” and “Business Operation Procedures and Behavior Honesty Guidelines”, which expressly states operational procedures and that it will begin disciplinary procedures according to the circumstances for any violation of Code of Ethics or corruption; for any violation of government decrees or corruption, anyone can report to independent directors, managers, internal auditors or other competent personnel by e-mail or in written report, and personnel of relevant units must report this to the Chairman after receiving the report; the internal auditors check whether the preceding system are followed irregularly and include dishonesty into the key points of such check to implement the rules.</p> <p>The behavior guideline states clearly the procedures and methods for reporting procedures, and establishes an independent report box for internal and external use, and a specific unit responsible for handling the reporting procedures, as well as how the records should be kept, and whether or not discretionary bonuses are reported. The information has been disclosed on the company's website.</p> <p>(3) The Company has established “Employee Code of Conduct” according to “Ethical Corporate Management Best-Practice Principles”, and made appropriate precautionary measures against high potential dishonesty or operating activities stated in Article 2, Paragraph 7 of “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”; the internal audit department also plays an important role in ensuring the obedience of professional ethics. To ensure that the financial, management and operation information is correct, reliable and timely and employee behaviors conform to relevant policies, rules, procedures and regulations, the internal audit department audits according to the annual audit plan authorized by the Board, and submits the results and improvement plans to the Board and management so that to implement the audit effects.</p>	
<p>2. Implementation of ethical corporate management</p> <p>(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company establish a dedicated (or non-</p>	<p>V</p> <p>V</p>	<p>(1) The Company has established an effective assessment mechanism for its suppliers and outsourcers and the contracts with them state both parties’ rights and obligations in details, and sign the confidentiality agreement and Integrity Deal Commitment.</p> <p>(2) The Company promotes advocacies related to ethical corporate management and Human Resources Department is responsible for the execution; it does everything</p>	<p>None.</p>

<p>dedicated) unit under the Board to promote ethical corporate management and report to the Board regularly?</p> <p>(3) Has the company established policies to prevent conflicts of interest and provided appropriate communication channels, and implemented them?</p> <p>(4) Has the company established an effective accounting system and internal control system to implement ethical corporate management? Does the internal control unit audit on a regular basis or authorize the accountant to audit?</p> <p>(5) Does the company regularly hold internal and external educational trainings on ethical corporate management?</p>	<p>V</p> <p>V</p> <p>V</p>	<p>possible to promote ethical corporate management and all its colleagues, managers, directors and supervisors should follow “Ethical Corporate Management Best-Practice Principles”; relevant members are obliged to report to the Board, and any colleague finding dishonesty in anyone can also report it through the Company’s open channels, and serious violation can be reported to the Board irregularly for the Board to supervise whether it’s dealt with according to the rules.</p> <p>(3) The Company’s internal staff can report conflicts of interest to their department managers and the audit department, or the chairman or the general manager will handle this personally through the feedback box.</p> <p>(4) The Company’s management ideas “Professional Level, Enthusiasm for Work and Professional Ethics” have shown its emphasis on ethical corporate management; to build and a corporate culture of ethical corporate management and develop well, it has established “Ethical Corporate Management Best-Practice Principles” and the internal audit unit has established internal audit plans to execute audit and check whether employees are honest or cheat irregularly.</p> <p>(5) The Company advocates ethical corporate management ideas through morning meetings every month, providing new employees and supervisors with basic and promotion trainings. Besides, it arranges external training courses, such as enterprise credit forums and business fraud discussion, for supervisors and colleague. The related courses for honest corporate management in 2017 are summarized as follows:</p> <table><tr><td>Type</td><td>Number of Classes Held</td><td>Total Hours (hours)</td><td>People Times</td></tr><tr><td>Related courses for Honest Corporate Management</td><td>119</td><td>1,906</td><td>3,414</td></tr></table>	Type	Number of Classes Held	Total Hours (hours)	People Times	Related courses for Honest Corporate Management	119	1,906	3,414
Type	Number of Classes Held	Total Hours (hours)	People Times							
Related courses for Honest Corporate Management	119	1,906	3,414							
<p>3. Operation of the Company’s offence reporting system</p> <p>(1) Has the Company established a specific offence reporting and reward systems, set up convenient offence reporting</p>	<p>V</p>	<p>(1) The “Employee Code of Conduct” of the Company has stated the offence reporting system, and a reward and punishment system for employees has also been established; to make it convenient for whistleblowers to report the breach of good faith, the Company has a feedback box on the company website for them to send mails to the chairman, the general manager and Human</p>								

channels, and appointed an appropriate person for the one who has been reported?			Resources Department directly. If Directors or the CEO receives such letters, they would instruct the Audit Office or Human Resources Department to handle the case. Separate mailboxes are also set up for internal and external personnel to send letters directly to independent directors. In addition, the Company has set up an independent report box or special line for internal and external use. It also specifies the information that the prosecutor needs to provide, the acceptance level of the different prosecutors, and the processing flow of the special duty unit in the integrity management operating procedures and behavior guidelines. Report bonuses and expose relevant information on the Company's website.	
(2) Has the Company established standard operating procedures as well as a relative protection mechanism for whistleblowers?	V		(2) The Company has stated the investigation methods for offence reporting in "Employee Code of Conduct"; after receiving the report, personnel in relevant units should submit it to the chairman who will instructs relevant units to investigate and handle it in private, and the reported matter and the whistleblower should be kept secret.	
(3) Does the Company take measures to protect whistleblowers from being inappropriately treated?	V		(3) The company takes perfect protective measures for whistleblowers and doesn't disclose their names and other relevant information to guarantee the investigation quality and protect them from being retaliated or inappropriately treated.	
4. Strengthening information disclosure (1) Has the company disclosed its ethical corporate management policies and the implementation results on the company website and Market Observation Post System?			(1) 1. The Company discloses its ethical corporate management ideas, corporate mission and brand meaning on both the company website and Market Observation Post System; besides, it puts "Ethical Corporate Management Best-Practice Principles" on the company website and Market Observation Post System. 2. Apart from disclosing its ethical corporate management principles on the company website, it also has a dedicated department for collecting and publishing the company information, and has disclosed relevant and reliable ethical corporate management information in the annual report and CSR report.	None.
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe the differences between the policies and their implementation: The Company has established the Company's "Code of Integrity Practice" and "Guidelines for the Operational Procedures and Conduct of Honest Business Operation" based on the "Code of Conduct for Listed Owned Firms". It is based on the examples issued by the Stock Exchange and it also requires the Company to operate. Relevant entities should implement the implementation and internalize the requirements of the above codes and behavior guidelines into daily operations management. Therefore, there is no significant difference between the actual operation and the codes and guidelines.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management: The Company conducts educational trainings regularly to advocate the principle of good faith; besides, it has made Commitment to Trade with Good Faith and required suppliers to sign to promise they do trade with it with good faith.				

(VII) Corporate Governance Rules and Regulations:

1. Corporate Governance Regulations:

- (1) It establishes Operating Procedures of Acquisition or Disposal of Assets, Procedures for Endorsements and Guarantees, Procedures for Lending Funds to Other Parties, Rules and Procedures of Board Meetings and Organization Rules of the Remuneration Committee according to relevant norms set by Financial Supervisory Commission, Executive Yuan.
- (2) It establishes Ethical Corporate Management Code, Code of Conduct, Corporate Governance Practice Principles, Corporate Social Responsibility Practice Principles, Rules and Procedures of Shareholder Meetings and Rules Governing Election of Directors according to relevant norms and reference examples set by Taiwan Stock Exchange.

2. The information above can be downloaded in “Relevant Regulations and Rules Governing Corporate Governance” under “Corporate Governance” on Market Observation Post System or in “Relevant Rules Governing Corporate Governance” under “Investor” at [http://www.hiwin.com.tw/stock/corporate\\_governance.aspx](http://www.hiwin.com.tw/stock/corporate_governance.aspx).

(VIII) Other Important information helpful for enhancing understanding of the corporate governance of the Company: none.

(IX) Implementation of the internal control system:

1. Statement on Internal Control System:

**HIWIN TECHNOLOGIES CORP.  
Statement on Internal Control System**

HIWIN TECHNOLOGIES CORP.

Statement on Internal Control System

Date: March 22, 2018

The Company hereby makes the following statement about its internal control system for the year 2017 based on its self-examination:

1. The Company is aware that it is the Board and managers' responsibility to establish, implement, and maintain an internal control system and the Company has set up such a system. The purpose of the system is to ensure the effectiveness and efficiency (including profitability, performance, and protection of assets) of the Company's operations, the reliability of its financial statements and compliance with relevant laws and regulations.
2. Internal control systems have their inherent limitations. No matter how well they are designed, an effective internal control system can only reasonably ensure achievement of the above three objectives. In addition, an internal control system's effectiveness may change as circumstances change. Nevertheless, self-supervision mechanisms have been built into the Company's internal control system. Once a deficiency is identified, the Company will immediately take corrective action.
3. The Company determines whether the design and implementation of its internal control system is effective by referring to the criteria stated in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter, the “Regulations”). The Regulations provides measures for judging the effectiveness of the internal control system. There are five components of an internal control system as specified in the Regulations which are broken down based on the management control process, namely: (1) Control Environment, (2) Risk Evaluation, (3) Control Operation, (4) Information and Communication, and (5) Monitoring. Each component consists of several items. Please refer to the Regulations for the above items.
4. The Company uses the above criteria to determine whether the design and implementation of its internal control system is effective.
5. After a test of the Company's internal control system based on the above criteria, the Company is of the opinion that, as of December 31, 2017, its internal control system (including supervision and management of subsidiaries) is effective and

therefore can reasonably ensure achievement of the above objectives, which include awareness of the degree to which operating results and goals are achieved, reliability of financial reporting and compliance with the law.

6. This statement shall become a principal part of the Company's annual report and prospectus and be made available to the public. If the content of the above is untruthful or certain important information is withheld, the Company shall be held liable pursuant to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement has been approved on March 22, 2017 by the Board, with none of the 8 Directors present opposing it.

HIWIN Technologies Corp

Chairman: Chuo, Yung-Cai      Signature

General Manager: Tsai, Hui-Chin      Signature

2. If the company has commissioned external auditors to review the company's internal control system, the external auditor's report should be disclosed: none.

- (X) In the last year and as of the publication date of the Annual Report, any disciplinary measures taken against the Company or its internal staff according to law or taken by the Company against its staff due to violations of the internal control system, the main deficiency and improvement should be noted: none.

(XI) Major resolutions of Shareholder and Board Meetings in the last year and as of the publication date of the Annual Report:

Name	Date	Major Resolutions
Shareholder Meeting	June 28, 2017	Approved Business Report and Financial Statement 2016
		Approved Earnings Distribution Statement 2016
		Approved the issuance of new shares for capital increase out of earnings
		Passed amendments to the “Procedures of Obtaining or Disposing Assets”
		Approved re-election of an independent director
Board Meeting	March 22, 2017	Approved Annual Financial Statement 2016
		Passed Annual Business Report 2016
		Passed Earnings Distribution Statement 2016
		Approved the issuance of new shares for capital increase out of earnings
		Passed amendments of part of the content of the “Procedures of Obtaining or Disposing Assets”
		Approved re-election of an independent director
		Passed endorsement for Singapore subsidiary
		Passed loans to Italian subsidiary
		Passed purchase of shares of Italian subsidiary from German subsidiary
		Passed increase/decrease of loans to Italian subsidiary
Board Meeting	May 5, 2017	Approved First-Quarter Financial Statement 2017
		Passed the review of shareholder proposals and candidate nomination of independent directors
		Passed endorsement for Eterbright Solar Corporation
		Passed loans to subsidiaries
Board Meeting	July 31, 2017	Passed endorsement for subsidiaries
		Passed loans for overdue account transfer funds to subsidiaries
Board Meeting	August 9, 2017	Approved First-Half Combined Financial Statement 2016
		Passed loans for overdue account transfer funds to subsidiaries
Board Meeting	November 3, 2017	Approved Third-Quarter Combined Financial Statement 2017
		Passed constructions of accommodation at Dabeishi
		Passed loans for overdue account transfer funds to subsidiaries
		Passed endorsement for Eterbright Solar Corporation
Board Meeting	March 22, 2018	Passed Earnings Distribution Statement 2017 for employees and directors
		Passed “Internal Control System Statement” 2017
		Passed Business Report 2017
		Approved Annual Financial Statement 2017
		Passed Earnings Distribution Statement 2017
		Approved the issuance of new shares for capital increase out of earnings
		Passed assessment of the independence and adequacy of visa accountants and appointment remuneration
		Passed constructions of YunTech Factory at Shiliuban Area
		Passed endorsement for HIWIN Korea
		Passed canceling of limits of funds and lending to Eterbright Solar Corporation
		Passed loans for overdue account transfer funds to subsidiaries
Board Meeting	May 10, 2018	Approved First-Quarter Financial Statement 2018
		Approved the issuance of new shares for capital increase out of earnings in Taiwan
		Passed endorsement for Eterbright Solar Corporation



		Passed loans for overdue account transfer funds to subsidiaries
--	--	---

#### Implementation Result of Resolutions of Shareholder Meeting 2017:

1. Approved annual accounts 2016: Implementation result: passed at Shareholder Meeting 2017
2. Approved Earnings Distribution Statement 2016: Implementation result: passed at Shareholder Meeting 2017, with NT\$ 0.6 per share as stock dividend and NT\$ 1.2 dividend per share for stockholders, totaling NT\$ 1.8; NT\$ 1.6 and cash dividends and NT\$ 0.2 stock dividends had been distributed before Aug 31, 2017, and capital increase out of earnings had also been handled before Sept 20, 2017.
3. Discussed the issuance of new shares for capital increase out of earnings: Implementation result: passed at Shareholder Meeting 2017; capital increase out of earnings had been handled before Sept 20, 2015.
4. Discussed the Procedures Governing the Acquisition or Disposal of Assets: Implementation result: passed through voting and executed according to the resolution of shareholder meeting; and the amended Procedures Governing the Acquisition or Disposal of Assets have been disclosed on the company website.
5. Discussed the By-Election of One Independent Director Implementation result: passed through voting and executed according to the resolution of shareholder meeting, one independent director is elected.

(xii) Different opinions in records or written statements from directors or supervisors regarding major resolutions passed by the Board in the last year and as of the publication date of the Annual Report: none.

(xiii) Resignation or dismissal of Chairman, General Manager, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor or R&D Supervisor in the last year and as of the publication date of the Annual Report: none.

#### iv. Information on Accountant's Fees

##### (i) Information on Accountant's Fees:

Name of the Accounting Firm	Name of Accountants	Audit Period	Remarks
Deloitte & Touche	Yan Xiaofang    Zeng Dongyun	2017	

Monetary Unit: NT\$ 1000

Notch \ Items		Audit Fees	Non- Audit Fees	Total
1	Below 2,000		V	
2	2,000 (including) ~ 4,000			
3	4,000 (including) ~ 6,000	V		V
4	6,000 (including) ~ 8,000			
5	8,000 (including) ~ 10,000			
6	Above 10,000 (including)			

Name of the Accounting Firm	Name of Accountant	Audit Fees	Non- Audit Fees					Audit Period	Remarks
			System Design	Business Registration	Human Resource	Other	Subtotal		
Deloitte & Touche	Yan Xiaofang	5,290	-	-	-	250	250	2017	The rest mainly includes capital increase out of earnings and reimbursed expenses
	Zeng Dongyun								

1. Paying at least one-fourth of non-audit fees to CPAs, their accounting firm, and its affiliates: no such cases.
2. Change of CPA firm and the audit fees paid in the year of the change are less than those paid in the previous year: no such cases.
3. Audit fees paid in the current year are at least 15% less than those paid in the previous year: no such cases.
4. The Audit fees in 2018 have been passed through resolution of Board's meeting on Mar 22, 2018.

## (ii) CPA Independence

The Company evaluates CPA Independence regularly based on the items below and reports the results to the Board:

1. CPA Independence Evaluation Questionnaire.
2. The same accountant hasn't executed certification work continuously for over 5 years.
3. The Company will confirm whether the audit results are affected before the non-audit services are provided.

## v. Information on Change of Accountant: None

### (i) About the former accountant

Date of Change			
Reasons and Explanations			
Was the termination of audit services initiated by the Company or the CPA?	Parties Involved		Account
	Appointer		
	Situation		
	The Company terminated the appointment.		
	The CPA rejected being appointed.		
Opinions and reasons of the audit report other than unqualified opinions issued within the recent 2 years			
Having different opinions from the issuer	Yes		Accounting Principles or Practice
			Disclosure of Financial Reports
			Audit Range and Steps
			Others

	No		
	Explanation		
Other Disclosures (according to Sub-item 4 of Item 1, Paragraph 5, Article 10 of Guidelines Governing the Preparation of Financial Reports by Securities)	None		

(ii) About the succeeding accountant

Name of the Accounting Firm	
Name of Accountants	
Date of Appointment	
Inquiries and replies relating to the accounting methods or principles of certain transactions, and opinions issued for the financial reports prior to appointment	
Different opinions in written form made by the succeeding accountant from the former accountant	

(iii) Former accountants' response to Item 1 and Sub-item 3 of Item 2, Paragraph 5, Article 10 of these principles: Not Applicable.

**vi. If the Company's Chairman, General Manager and Managers Responsible for Financial and Accounting Affairs Have Held Office in the CPA Firm or Any of Its Affiliated Companies Within the Last Year, Their Names, Job Titles and the Periods During Which They Have Held Such Office Should Be Disclosed: none.**

**vii. Transfer and Pledge of Shares by the Chairman, Supervisors, Managers and Shareholders Holding more than 10% of the Company's Shares within the Latest Year and up till the Publication Date of This Annual Report**

(i) Changes of shares held by directors, managers and major shareholders

Unit: share

Title	Name	2017		2018 As of Apr 30, 2018	
		Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged
Chairman & CEO	Eric Y. T. Chuo	(485,719)	-	(163,000)	-
Deputy Chairman	Chen Jintsai	78,205	-	(60,000)	1,400,000
Director & General Manager	Tsai Huichin	(259,761)	-	(139,000)	-

Director & Vice General Manager of Chairman Room	Chuo Wenheng	(166,943)	-	(122,000)	-
Director	Li Xunqin	199,773	-	-	-
Director	Sanko Investments Limited	62,741	-	187	-
	Representative: Hunag Yousan	-	-	-	-
Independent Director	Jiang Zhenghe	-	-	-	-
Independent Director	Chen Qinghui	-	-	-	-
Independent Director(Note 1)	Tu Liming	-	-	-	-
Executive Vice General Manager of Chairman Room (Note 2)	Lin Mingyao	-	-	-	-
Senior Vice General Manager of Chairman Room (Note 3)	Yang Shengzhi	(18,000)	-	-	-
Senior Vice General Manager of Finance Department	Lin Yifeng	7,826	-	-	-
Vice General Manager of Chairman Room	Song Xiande	-	-	-	-
Vice General Manager of Marketing Business Group	Peng Yanqi	89	-	-	-
Vice General Manager of Finance Department	Wu Yueqin	(6,905)	-	(5,000)	-
Assistant General Manager of Chairman Room	Qu Yueling	(7,181)	-	-	-
Assistant General Manager of Chairman Room	Wu Junliang	688	-	(16,000)	-
Assistant General Manager of Finance Department	Liao Kehuang	599	-	-	-
Assistant Manager of Chairman Room	Jinag Mingjun	(9,662)	-	(14,000)	-
Assistant Manager of Chairman Room	Qiu Shirong	393	-	-	-
Assistant Manager of Chairman Room	Yang Chuangbao	40	-	-	-
Assistant Manager of Chairman Room (Note: 4)	Chen Xiulian	-	-	-	-
Assistant Manager of Production Business Group	Li Wenbin	1,114	-	-	-

Assistant Manager of Production Business Group	Chen Zongren	(9,408)	-	-	-
---	--------------	---------	---	---	---

Assistant Manager of Production Business Group (Note 5)	Wu Wenjia	69	-	-	-
Assistant Manager of Production Business Group (Note 5)	Lin Zhixiao	1,000	-	-	-
Assistant Manager of Business Department	Zhang Kunyao	60	-	-	-
Assistant Manager of System Research Department	Wang Fuqing	(2,681)	-	(9,000)	-
Assistant Manager of Information Department	Zhang Yongming	-	-	-	-
Assistant Manager of Project Development Department (Note 5)	Dong Chengwei	1	-	-	-
Assistant Manager of Project Development Department (Note 6)	Zeng Jinyuan	-	-	-	-
Assistant Manager of Quality Assurance Department (Note 7)	Zhou Yixiu	-	-	-	-

Note 1: Independent Director Tu Liming assumed his posts on Jun. 28, 2017, the shares held by him were reported since the same day.

Note 2: Lin Minyao was relieved of duty on Apr. 14, 2017, and was assigned to be General Manager of Eterbright Solar Corporation, the shares held by him were reported to the same day.

Note 3: Yang Shengzhi was relieved of duty on Aug. 22, 2017, the shares held by him were reported to the same day.

Note 4: Chen Xiulian was relieved of duty on Apr. 30, 2017, the shares held by her were reported to the same day.

Note 5: Wu Wenjia, Lin Zhixiao and Dong Chengwei assumed their posts on Jul. 1, 2017, the shares held by them were reported since the same day.

Note 6: Zeng Jinyuan was relieved of duty on Mar. 31, 2018, the shares held by him were reported to the same day.

Note 7: Zhou Yixiu assumed his posts on Mar., 22, 2018, the shares held by him were reported since the same day.

(ii) Stock transferred to related parties: none.

(iii) Stock rights pledged to related parties: none.

### **viii. Information of the 10 Largest Shareholders Who Are Related as Stated in Statement of Financial Accounting Standards No. 6, or Couples or Relatives within the Second Degree of Kinship**

Apr. 30, 2018

Unit: share; %

Name of Major Shareholders	Shares Held Personally		Shares Held by Spouse or Minor Children		Combined Shares Held in The Name of Others		Names and Relationship of the Top Ten Shareholders Who Are Related, Couples or Relatives within the Second Degree of Kinship		Remarks
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Name	Relationship	
HIWIN Investment Corporation	19,781,777	7.06%	-	-	-	-	Eric Y. T. Chuo Chuo Xiumin	Chairman	
Representative: Eric Y. T. Chuo	12,650,344	4.52%	1,053,301	0.38%	-	-	Chuo Wenheng	Within the First Degree	

							Chuo Xiuyu	of Kinship	
Eric Y. T. Chuo	12,650,344	4.52%	1,053,301	0.38%	-	-	Chuo Xiumin Chuo Wenheng Chuo Xiuyu	Within the First Degree of Kinship	
Li Xunqin	12,585,451	4.49%	2,633,988	0.94%	-	-	-	-	-
New Labor Pension Fund	6,583,781	2.35%	-	-	-	-	-	-	-
Representative: Tsai Fengqing	-	-	-	-	-	-	-	-	-
Stichting APG Emerging Market Stocks Mutual Fund Investment Account Trusted to JPMorgan Chase & Co. (USA) Taipei Branch	6,079,979	2.17%	-	-	-	-	-	-	-
Chuo Wenheng	5,541,917	1.98%	-	-	-	-	Eric Y. T. Chuo Chuo Xiumin Chuo Xiuyu	Within the First Degree of Kinship Within the Second Degree of Kinship Within the Second Degree of Kinship	
Morgan Stanley International Limited Designated account trusted HSBC	5,370,983	1.92%	-	-	-	-	-	-	
Chuo Xiuyu	4,464,039	1.59%	-	-	-	-	Eric Y. T. Chuo Chuo Xiumin Chuo Wenheng	Within the First Degree of Kinship Within the Second Degree of Kinship Within the Second Degree of Kinship	
Chuo Xiumin	4,398,730	1.57%	206,582	0.07%	-	-	Eric Y. T. Chuo Chuo Wenheng Chuo Xiuyu	Within the First Degree of Kinship Within the Second Degree of Kinship Within the Second Degree of Kinship	
Tsai Huiqing	4,038,900	1.44%	-	-	-	-	-	-	



**ix. The Shareholdings and Joint Shareholding Held by the Company, its Directors, its Supervisors, its Managers and Affiliates Controlled Directly or Indirectly by the Company in the Same Invested Businesses**

Dec. 31, 2017

Unit: share; %

Reinvestment Business	Investment of the Company		Investment of Business Directly or Indirectly Controlled by Directors, Supervisors and Managers		Comprehensive Investment	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Hiwin Germany GmbH	Note	100%	-	-	Note	100%
Hiwin Corporation, U.S.A.	2,148,000	100%	-	-	2,148,000	100%
Hiwin Corporation, Japan	54,200	100%	-	-	54,200	100%
Eterbright Solar Corporation	138,838,559	65%	18,688,796	9%	157,527,355	74%
Hiwin Singapore Pte.Ltd.	5,000,000	100%	-	-	5,000,000	100%
Hiwin Corporation South Korea	1,440,000	100%	-	-	1,440,000	100%
Hiwin Italy S.R.L.	Note	94%	Note	6%	Note	100%
HIWIN China	Note	100%	-	-	Note	100%
Hiwin Healthcare Corp.(Samoa)	100,000	100%	-	-	100,000	100%
Luren Precision	11,651,778	48%	398,156	2 %	12,049,934	50%
Luren Precision(Japan) Inc.	-	-	500	48%	500	48%
Luren Precision Chicago Co.,Ltd.	-	-	460,000	48%	460,000	48%
Luren Precision Shanghai	-	-	Note	48%	Note	48%

Note: unissued shares

## IV. Capital Overview

### i. Capital and Shares

#### (i) Source of Capital

Unit: NT\$ 1000; 1000 shares

Date	Issue Price	Authorized Stock		Paid-Up Capital		Remarks		
		Number of shares	Sum	Number of shares	Sum	Source of Capital	Subscriptions Paid with Property other than Cash	Other
Oct. 8, 1999	12	130,500	1,305,000	123,500	1,235,000	Cash Capital Increase	None	Tai Tsai Cheng (1) No. 72181, dated Aug. 05, 1999
Oct. 22, 2001	10	151,900	1,519,000	135,850	1,358,500	Capital Increase out of Earnings or Capital Reserves	None	Tai Tsai Cheng (1) No. 151591, dated Aug. 14, 2001
Oct. 15, 2002	10	151,900	1,519,000	139,925	1,399,255	Capital Increase out of Earnings	None	Tai Tsai Cheng (1) No. 145107, dated Aug. 14, 2002
Oct. 9, 2003	10	151,900	1,519,000	145,544	1,455,442	Capital Increase out of Earnings or Employee Bonuses	None	Tai Tsai Cheng (1) No. 137138, dated Aug. 15, 2003
Oct. 5, 2004	10	191,038	1,910,380	156,918	1,569,178	Capital Increase out of Earnings or Employee Bonuses	None	Jin Kuan Cheng (1) No. 0930135195, dated Aug. 6, 2004
Oct. 5, 2005	10	191,038	1,910,380	177,706	1,777,059	Capital Increase out of Earnings or Employee Bonuses	None	Jin Kuan Cheng (1) No. 0940132392, dated Aug. 9, 2005
Aug. 2, 2006	10	300,000	3,000,000	201,345	2,013,448	Capital Increase out of Earnings or Employee Bonuses	None	Jin Kuan Cheng (1) No. 0950133960, dated Aug. 2, 2006
June 25, 2009	24	300,000	3,000,000	223,390	2,233,898	Cash Capital Increase	None	Jin Kuan Cheng (1) No. 0970071383, dated Jan. 8,

								2009
Aug. 16, 2010	10	300,000	3,000,000	227,858	2,278,576	Capital Increase out of Earnings	None	Jin Kuan Cheng (Fa) No. 0990032889, dated June 25, 2010
Aug. 29, 2011	10	300,000	3,000,000	234,693	2,346,933	Capital Increase out of Earnings	None	Jin Kuan Cheng (Fa) No. 1000031785, dated July 11, 2011
Sep. 17, 2012	10	300,000	3,000,000	246,428	2,464,280	Capital Increase out of Earnings	None	Jin Kuan Cheng (Fa) No. 1010031169, dated July 13, 2012
Sep. 18, 2013	10	300,000	3,000,000	253,821	2,538,208	Capital Increase out of Earnings	None	Jin Kuan Cheng (Fa) No. 1020027958, dated July 18, 2013
Sep. 15, 2014	10	300,000	3,000,000	261,435	2,614,354	Capital Increase out of Earnings	None	Jin Kuan Cheng (Fa) No. 1030026626, dated July 14, 2014
Sep. 2, 2015	10	300,000	3,000,000	269,278	2,692,785	Capital Increase out of Earnings	None	Jin Kuan Cheng (Fa) No. 1040027343, dated July 21, 2015
Sep.21,2016	10	300,000	3,000,000	274,664	2,746,640	Capital Increase out of Earnings	None	Jin Shou Shang No. 10501226510 dated Sep.21,2016
Sep. 1, 2017	10	300,000	3,000,000	280,157	2,801,573	Capital Increase out of Earnings	None	Jin Shou Shang No. 10601126420 dated Spt. 1,2017

Information for Shelf Registration System: none.

(ii) Shareholding Structure

Apr.30. 2018

Shareholding Structure Quantity	Governmental Agencies	Financial Institutions	Other Legal Persons	Individual	Foreign Institutions and Outsiders	Total
Number of People	5	20	366	29,414	724	30,529
Number of Shares held	10,438,880	4,266,700	40,930,346	97,716,498	126,804,883	280,157,307
Shareholding Ratio	3.73%	1.52%	14.61%	34.88%	45.26%	100.00%

(iii) Equity Dispersion

Apr.30. 2018

Class of Shareholding	Number of Shareholders	Number of Shares	Shareholding Ratio
1~999	20,938	1,437,268	0.51%
1,000 ~5,000	7,646	12,938,288	4.62%
5,001~10,000	690	4,907,993	1.75%
10,001~15,000	296	3,596,948	1.28%
15,001~20,000	152	2,680,437	0.96%
20,001~30,000	164	4,020,172	1.43%
30,001~50,000	180	6,956,670	2.49%
50,001~100,000	167	11,797,208	4.21%
100,001~200,000	122	17,328,511	6.19%
200,001~400,000	74	20,702,625	7.39%
400,001~600,000	31	15,349,486	5.48%
600,001~800,000	13	9,035,090	3.23%
800,001~1,000,000	9	7,883,228	2.81%
Above 1,000,001	47	161,523,383	57.65%
Total	30,529	280,157,307	100.00%

(iv) List of Major Shareholders

Apr.30. 2018

Name of Major Shareholders	Share Number of Shares held	Shareholding Ratio
HIWIN Investment Corporation	19,781,777	7.06%
Eric Y. T. Chuo	12,650,344	4.52%
Li Xunqin	12,585,451	4.49%
New Labor Pension Fund	6,583,781	2.35%
Stichting APG Emerging Market Stocks Mutual Fund Investment Account Trusted to JPMorgan Chase & Co. (USA) Taipei Branch	6,079,979	2.17%
Chuo Wenheng	5,541,917	1.98%
Morgan Stanley International Limited Designated account trusted HSBC	5,370,983	1.92%
Chuo Xiuyu	4,464,039	1.59%
Chuo Xiumin	4,398,730	1.57%
Tsai Huiqing	4,038,900	1.44%

(v) Market price, net value, earnings, dividends and other relevant information for the last two years

Year			2016	2017	Jan. 1, 2018 to Mar. 31, 2018
Items					
Market Price per share	Highest		179.00	344.00	425.50
	Lowest		104.00	146.50	317.00
	Average		143.90	235.40	371.19
Net Value per share	Before Distribution		51.34	58.16	63.25(Note 2)
	After Distribution		48.77	(Note 1)	(Note 1)
Earnings per Share	Weighted Average Number of Shares (1000 Shares)		274,664	280,157	280,157(Note 2)
	Earnings per Share (after tax)		4.83	9.77	4.34(Note 2)
	Earnings per Share (after tax) after retroactive adjustment		4.74	(Note 1)	(Note 1)
Dividend per Share	Cash Dividends		1.6	3.5(Note 1)	-
	Stock Dividends	Dividends from Earnings	0.2	0.3(Note 1)	-
		Dividends from Capital Reserve	-	-	-
	Accumulated Unpaid Dividends		-	-	-
Analysis of Return on Investment	Price/Earning Ratio		29.79	24.09	-
	Price/Dividend Ratio		89.94	67.26	-
	Cash Dividend Yield (%)		1.11	1.49	-

Note 1: The earnings distribution for 2017 has not yet been approved by the Shareholders' Meeting.

Note 2: The financial statement of the first quarter of 2018 audited by the accountant.

(vi) Dividend Policy and Implementation

1. Dividend Policy

The dividend policy of the Company has been adjusted on earning distribution policy according to the amended Company Act and through annual shareholder's meeting on June 28, 2016; in addition, the distribution policy for the remuneration of employees and directors has been promulgated in the Articles of Incorporation. The distribution policy of amended the Articles of Incorporation regulate that if there is any earning in the annual account, the earning shall be distributed according to the following orders:

- (1) payment of tax;
- (2) offset of its losses in previous years;
- (3) 10% for legal reserve;
- (4) special reserve as required by law;
- (5) 6% for dividends;
- (6) The Board shall, based on the profit situation of the Company, and in according with the expansion plan and profitability, taking into account the capital adequacy ratio, propose the dividends distribution for shareholders (in whole or in part distributed according to the proportion of shares held by them) and submit it to the shareholders' meeting for resolution. The dividends policy is based on the regulations of the

Company Act and Articles of Incorporation. The Company may take factors of financial, business and operation aspect into account, and after having deducted the statutory amounts in (1) ~ (5), distribute part or all of the remaining accumulated unpaid dividends in previous years and current distributable earnings. The earnings may be distributed in the form of cash dividends or stock dividends, but the proportion of stock dividends distributed shall not be higher than 2/3 of the total dividends and bonuses of shareholders in the current year.

Articles of Incorporation of the Company is not yet clearly specified the distribution ratio of shareholders' dividends, because the profit for the current year will be subject to adjustment based on future capital expenditure and capital situation, and shall be handled per resolution of the shareholders' meeting.

As the Company continues to expand the factory, expand the scale of investment, and develop new products, it is necessary to retain a certain level of funds. It is estimated that the dividend distribution ratio in the near future should not differ significantly from approximately 37% to 40% in the past five years.

2. The dividend distribution proposed at the shareholders' meeting

As for the annual earnings distribution plan of 2017, the Board decided on March 22, 2018, to allocate a total NT\$1,064,597,766 (NT\$ 3.8 per share), for share holders' dividends, including stock dividends of NT\$ 84,047,190 (NT\$ 0.3 per share) and cash dividends of NT\$ 980,550,576 (NT\$ 3.5 per share); ; the plan will be implemented after the Shareholders' Meeting approves it and authorizes the Board to set the ex-right and ex-dividend base date.

(vii) The influences of the bonus shares proposed at the shareholders' meeting on

the Company's business performance and earnings per share: not applicable because the Company didn't disclose financial forecasts for 2016.

(viii) Employee Bonuses and Remunerations of Directors

1. Percentage or scope of employee bonuses and remunerations of directors and provided for in the Articles of Incorporation:

According to Articles of Incorporation, if the company has earnings at the end of a fiscal year, it should make an allocation in this way: (1) a minimum of 1% for employee remunerations, (2) a maximum of 4% for directors' remunerations. The distribution proposal of employees' bonuses and directors' remuneration shall be reported to the shareholders' meeting. However, in case that the Company still has accumulated losses, the amount for offset shall be reserved, then the employees' and directors' remuneration may be distributed according to the above proportions.

2. Basis for estimating the amount of employee bonuses and remunerations of directors, basis for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

At the end of the fiscal year, material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted for in the year of the proposal. If the actual amounts still differ from the proposed amounts after the publication of the annual financial statement, the differences are charged to the earnings of the following year as a result of change in accounting estimate.

3. Information on proposals passed by the board of directors to distribute employee bonuses:
  - (1) Remunerations to employees, directors and supervisors in the form of cash bonuses: NT\$ 231,071,599 for employees and NT\$115,535,800 for directors. The estimated ratios were 6.6% and 3.3%, respectively, in compliance with Articles of Incorporation of the Company.
  - (2) The proportion of the number of shares for employees as remunerations to net profits after tax and the total of employee bonuses of the individual or individual financial reports in the current period: Not applicable.
4. The actual distribution of employee bonuses and remunerations of directors and in the previous year
  - (1) The employee remunerations were NT\$ 85,542,585 in 2016.
  - (2) The remunerations of directors were NT\$ 42,771,292 in 2016.
  - (3) There is no difference between the actual distribution and the distribution passed at the Board Meeting.

(ix) Stock buyback: none.

**ii. Issuance of Corporate Bonds: none.**

**iii. Issuance of Preferred Stocks: none.**

**iv. Issuance of Global Depositary Receipts (GDR): none.**

**v. Exercise of Employee Stock Option Plan (ESOP): none.**

**vi. Acquisition of New Restricted Stock: none.**

**vii. Mergers and Acquisitions of New Shares Issued by Other Companies: none.**

**viii. Execution of Capital Utilization Plan: the Company hasn't issued marketable securities or completed the private placement of marketable securities, has completed the plan in the recent 3 years, with no plan effects shown.**

## V. Business Overview

### i. Business Content

#### (i) Business Scope

1. The Main Content of the Company's Business:

The Company is mainly engaged in R&D, design, manufacturing, sale, maintenance and pre-sales and after-sales services of linear guideway (GW), ball screws (BS), industrial robots, wafer robots, precision bearings, various robot arms, rotary tables, medical equipment semiconductor devices.

2. Business Proportion:

The turnover of 2017: GW for 56%, BS for 24%, industrial robots for 8%, others 12%.

3. The Current Product (Service) Items:

Our company provides key components, industrial robots, special machines and after-sales services for machine tools, industrial machinery, bioscience, medical equipment, equipment of electronics industry, photoelectricity, semiconductor devices and automation, etc. Now, the main products of the Company are listed below:

Product Category	Series
GW	Self-lubricating, quiet, roller, overload, microminiature, intelligent, dustproof, high rigidity, light weight, high torque resistance, cross configuration, extremely-low
BS	Precision grinding, precision rolling, high speed, heavy load, air cleaning, nut rotary, tangent circulating, quiet, cooling, intelligent, economical, precision rotary cut
Industrial Robot	Single axis robot, articulated robot arm series, parallel robot arm series, scala robotic arm series, wafer robotic arm series, electric gripper, end effector
rotary tables	Biaxial two-arm rotary table, Biaxial one-arm rotary table, single-axis vertical rotary table, single-axis horizontal rotary table
Precision Bearing	Crossed roller bearing, ball screw bearing, bearing block
Medical Equipment	Rehabilitation equipment, nursing equipment, equipment of minimally invasive surgery

4. New products (service) it plans to develop:

- (1) Intelligent ball screw trial production.
- (2) Development of new cooled ball screw.
- (3) R&D of Spindle head.
- (4) Development of walking training machine, bathing chair, instructed upper limb training machine, lower limb rehabilitation robot, Otorhinolaryngology endoscope and surgical support robotic arm.
- (5) Development of R-EPS car-use screw.
- (6) Continuous development of Cross configuration linear guideway (AG).
- (7) Continuous development of extremely-low linear guideway (RGS/RGF).
- (8) Wafer transmission system trial production.
- (9) Development of panel arm.
- (10) Development of Industry-specific Delta robotic arm.

#### (ii) Industry Overview



## 1. Development and Current Situation of the Industry:

The International Monetary Fund (IMF) estimated that the global economic growth rate in the year 2018 would be 3.9%, which is the fastest growth in the past seven years. Among them, mainland China, the United States, and Germany have the most competitiveness. Mainland China was constantly transitioning its industries to technology-intensive ones and promoting “Made in China 2025” and “Internet +” policy to positively plan for advanced manufacturing capacity; after 19th National Congress, it paid more attention to environmental protection and ecological environment, industrial transformation and upgraded automation and intelligent manufacturing, and rapidly increased the demand for key components and components. In order to boost U.S economy, the Trump government also proposed the policy of “recovery of the manufacturing industry” and promote the return of manufacturing industries and trade protection policies. Germany has diversified industrial foundation and full support from the country, and it continues to lead the development of Industry 4.0. Driven by Industry 4.0 and technologies such as the Internet of Things and Big Data, its hardware innovation, software upgrades, and hard-soft integration continue to evolve. Smart manufacturing has become an unstoppable trend.

Under the rapid development of science and technology, artificial intelligence has gradually entered people's daily lives. A large number of automation and mechanical modularization also drive manufacturing to the era of smart manufacturing, reshaping the innovation value chain of the industry. The fourth industrial revolution brings industry competition to a new stage; the rise of Internet of Things, big data, cloud computing and artificial intelligence also brings new demands of industrial development; for example, the past series mode of upstream and downstream supply chains of precision machinery can no longer cope with changing circumstances, and it needs trans-trade alliance, for instance, to cooperate with industrial IC, sensor and network operators to form a new “intelligent precision machinery” industry cluster. According to the estimation of Topology Research Institute, the global market for intelligent manufacturing and smart factories in 2018 will reach 250 billion U.S. dollars. Surrounding the main axis of intelligent manufacturing, the future industry will bid farewell to the economies of scale in large-scale production, tend to small-volume, customized, flexible services, and derive value-added services such as data analysis, business management, and so on. New emerging technologies such as Internet of Things, artificial intelligence, cloud computing, big data, and virtual integration will all lead intelligent manufacturing to industrial innovation.

Taiwan's machinery industry has always been behind the scenes of industrial upgrading. From high-tech manufacturing and construction projects to the agriculture and mining, they all cannot survive without machinery industry. Therefore, there is a reputation of “Machine is the mother of industry.” IEK pointed out that the “industrialization of smart machines” and “smart machines for industry” are two axes of major vision proposed by the current policies. Industrial robots are an important element in the construction of automated and intelligent production systems,

and they are also the keys to the future growth of the industry. Due to the difficulty in recruiting in the manufacturing industry, and in response to diversified production needs, coupled with the encouragement of multiple factors such as rising wages, lack of labor, and desire to improve product quality, the demand for smart automation and industrial robots in the manufacturing industry is more and more urgent. These will all incubate the beginning of the next wave of heavy use of robots. According to the International Federation of Robotics (IFR) data, the installation capacity of industrial robots has grown significantly at an annual rate of 200,000 units. IEK also predicts that Taiwan's smart machinery industry will accelerate the introduction of automation application programs mainly based on the robots and relevant peripherals with awareness and the application of robots will gradually present more and more specific cases innovative business models. It is expected that the market scale of global robotic products, including relevant artificial intelligence technologies, will jump to over US\$ 80 billion by 2020 with the speed of geometric progression. It is expected that the industrial robots' industries will present the situation of "The bigger will still be the bigger, and the stronger remain the stronger."

In terms of automobile parts, as the core technology of future automobiles centers on E-Power, lightweight structure and intelligentization, the demand for fuel-efficient cars, such as new energy cars, will rise greatly; meanwhile, the development of Advanced Driver Assistance Systems (ADAS), Internet of Vehicles and related industries will also increase the demand for R-EPS and automobile ball screws. The ratio of R-EPS to steering gear box was 25% in 2017 and it's estimated to be improved to 31% in 2031, making R-EPS the mainstream type of steering gear box. In addition, as mainland China meets global environmental issues, its regulations for setting fuel consumption and pollution emissions are becoming increasingly stringent, so using electronic assistant ball screws in the mainland China market is going to be an irresistible trend, which is a great business opportunity.

The global aging population, the rapid rise of chronically ill patients and disabled people, rising health expenditures, and rising costs of economic and social resources are challenges that countries around the world are facing. It is expected that the physical therapy or the moving equipment used by hospitals, clinics which may reduce the economic burden of the disabled shall be the development direction of rehabilitation products in recent years. Although the disabled have physical and mental disabilities, if those who are disabled can regain their ability to live on their own then it can greatly benefit disabled people, families and society.

According to Radiant Insights research, it points out that the global smart health market will reach US\$225.5 billion in 2022. Taiwan has officially entered the aging society in 2018. In response to that the increase of the elderly population, the combination of medical care and health care, care service at home, and healthy lifespan are important trends in current welfare development, it is expected that there will be magnificent increase

of needs on home-based welfare products, rehabilitation products and care robots. Products and services designed specifically for elderly people will also become emerging areas for all parties to engage in.

2. The relevance of the upper stream, midstream and lower stream of the industry:

Raw Materials (Upper Stream)	Main Products	Main Application (Lower Stream)
Steel, Steel Ball	BS GW	Semiconductor, opto-electronics manufacturing and test equipment, automation equipment, medical equipment of bioscience, electronic industry, machine tool, industrial machinery

3. Product Development Trend:

Intelligent automation has become a global trend and it is expected that the products will move towards high-value-added commodities, high-end manufacture and digital application. In the past, only when machine maintenance or products fails to meet the accuracy standard then the ball screws and other components of equipment shall be replaced, the time cost and material cost expended implied the potential loss of production capacity. The new generation of smart ball screw developed by HIWIN is equipped with the latest sensor chips. Through expert algorithms, it can self-diagnose the four functions of temperature, vibration, prepressing, and lubrication, and can make visual abnormality reminders, allowing customers to arrange maintenance, replacement and repair of components in advance, and can instantly provide feedback on maintenance schedules of machinery and equipment to avoid losses caused by downtime and achieve Industrial 4.0 goals.

In addition to developing its own intelligent ball screw, HIWIN has form cross-industry alliances with TSIA, SEMI, TAIROA and TMBA for expanding the tactical planning on smart components, smart machines, and smart systems to supply global advanced manufacturing needs and help customers transform and upgrade. The traditional cycle design is often limited by space; load capacity or life of ball screw must be compromised. The newly developed Super Z ball screw by HIWIN introduces the optimized design and manufacturing technology, which can reduce the volume by 30% compared with the traditional screw and take into account the performance of the ball screw. The new generation of cooling ball screws optimizes the flow path design and configuration of the cooling fluid, which not only reduces the waste of machining stroke, but also improves the assembly efficiency of the machine tool industry.

The requirements for robotic arms of Industry 4.0 are becoming more and more sophisticated, and more and more light-weighted. In response to this demand, we are actively developing micro-miniature and light-weighted linear slides to provide more accurate displacement and lighter installation methods. Industrial robots have also begun to apply a great deal of visual sensing and machine networking to expand their applications. In response to this trend, HIWIN's robotic arms have been developed for more models for different sensing, stroke, and loads, making the application of automation more flexible. In addition, the core structure of the robotic arm not only strengthens the modularization but also emphasizes its commonality, and creates a stronger cost advantage through the parallel

development and vertical integration of product specifications. HIWIN's new product "Smart Electric Claw", is the only clamping product using the "Miniature Double Swivel Linear Module" in the world, which can be controlled regardless of the force, direction, stroke, and speed of the clamp. It can be applied to objects that are easily deformed, easily broken, and easily damaged. It is more effective to use with a mechanical arm.

In response to the development trend of electric vehicles and unmanned self-driving vehicles, the vehicle's electric power steering system (R-EPS) has active control functions to achieve active vehicle safety control, such as vehicle body dynamic stability system, lane departure assistance system, obstacle avoidance, active parking assistance, etc., which are the functions that cannot be realized by traditional hydraulic assisted steering systems. The legal person estimates that 80% of new cars worldwide will have R-EPS as standard equipment by 2020.

The development of medical equipment is mainly directed towards assisting the design of self-reliance and care needs for senior citizens, developing lighter and smarter devices for use in communities and individuals, and combining medical sensors with assessment and feedback systems, which will make users more convenient and intuitive in operation. In recent years, thanks to advances in feedback sensing technology, high-output thin motors, human-machine interaction, and dynamic physiological signal analysis technologies, the growth of related evaluation systems of rehabilitation machine has been promoted. It is estimated that rehabilitation robots will be gradually extended from smart automation of rehabilitation training to smart automation of patient's physiological state and therapeutic efficacy assessment, and further improves the efficacy of rehabilitation equipment and the number of patients served per unit time through big data analysis. Welfare products are also developed toward home-based, intelligent, remote care, and labor-saving directions. Its products shall have the functions of health promotion, ability recovery, care prevention, and strengthening physiological function of elderly people. The development direction of the surgical robot follows the development of new clinical requirements, allowing the surgeon may finish the surgery by means of remote control of robot. However, in the new operation methods such as single hole surgery, natural hole surgery, etc., there is no fully effective product on the market to assist. This is also the direction for the future development of various robot manufacturers, such as the da Vinci SP system.

#### 4. Product Competition:

The main competitors of HIWIN's products are from Germany, Japan and mainland China, and HIWIN has long been engaged in developing electromechanical integration, manufacturing robots and making intelligent mechanical components, so the difference between HIWIN and its competitors of general linear drive products and its competitive edge are already clear. In addition to continuing to invest in material science research and actively searching for alternative raw materials that are even better, HIWIN's strategy in product competition is to simultaneously develop spare parts technologies that can be

quickly produced and quickly assembled in order to quickly seize potential customers. In the development of smart components and smart robots, with electronic control software and system services to provide customers with complete solutions, HIWIN may have a great competitive advantage in the market. For example, it launched industry-leading intelligent screw ball screw that has four diagnostic functions of temperature, vibration, prepressing, and lubrication, which makes it take the lead of the European and Japanese competitors in intelligentization.

In 2017, due to the shortage of key components and automation products in the market, compared with the Japanese and European peers that have not been expanding their production for a long time, HIWIN has been able to increase production capacity and meet the needs of most customers due to its early deployment and continued expansion of the plant without consideration of the business climate. In addition to expanding existing services to the existing customer base, it has more strategically entered the supply chain of major Japanese automobile plants, semiconductors factories and well-known large- and medium-sized companies and new large- and medium-sized customers. With limited resources, the Company dynamically adjusted its production capacity and made the most appropriate allocation of its production capacity, which made it more competitive than its peers.

In the industrial robotics industry, ABB in Switzerland, KUKA in Germany, FANUC and Yaskawa Electric in Japan are the most famous. They also call the four families of industrial robots. They are also important in the Asian market and occupy more than 70% of the mainland China robot industry. The market share of high-level fields such as robot manufacturing and welding are almost monopolized. High precision and stability are emphasized on multi-axis robots and this must rely on the product capabilities of suppliers of upstream components, such as speed reducers and servomotors. In the regard, there are many foreign companies with good actual strength other than the fore families. Further, regarding the gradually emerging mainland China's domestic robotic arms, although their accuracy and quality stability have not been able to compare with the ones made by Japanese and European manufacturers, their costs are relatively lower, and they have provided sufficient quality corresponding to the industries that do not require high precision. Facing the fiercely competitive market, in addition to strengthening the self-developed key components of robots, building system service teams, providing overall line planning and service correspondence and improving the price-performance ratio through continuous optimization of the design and performance of the robot arm, the Company shall, based on customer's needs, design tailor-made robot production line which is suitable for the customer.

World renowned manufactures of vehicle's electric power steering system (R-EPS) have achieved steady supply performance. The mainland China manufactures are still at the initial stage of development. Domestic manufacturers have not yet successfully mass-produced R-EPS. Because of having the self-development capability of key components,

such as ball screws, motors, and control units, HIWIN has more advantages on development speed, quality, and cost than its competitors in the rehabilitation equipment market, currently the largest one is the European market, followed by North America. Because the advanced countries in Europe, North America and Asia have high rehabilitation costs, in recent years, many new products have been developed and each manufacturer has developed exclusive technologies to improve product differentiation as the main competition pattern. Due to the steady development of technology, manufacturers have increased the proportion of customized solutions. A small number of Taiwanese sports equipment manufacturers have also started to launch sporting equipment exclusively for senior citizens; however, the price is higher than that of general sports equipment, therefore, the current penetration rate is not high. Japan and Northern Europe are the mature countries for the production of welfare products. Japan and Sweden are the main competitors in bathing robots. In the past, Japan's large-scale bathing equipment boomed with the support of medical insurance, but sales have gradually become saturated in the past two years. Coupled with the implementation of home-based pension policy, the product is gradually reduced in size and other shower-type technologies have been developed, but the price is still relatively high, and it is less competitive in the international market. The endoscope-supporting robot arm has already been marketed in Europe and Japan by several ennoured manufacturers. They main technology are not the same, but at present all manufacturers are still seeking the most appropriate way to control the mechanical arm.

Based on the business philosophy that the specialization and globalization shall emphasize concurrently, HIWIN continue to improve product quality to provide high price-performance ratio products, and provide customers with pre-sales, selling and after-sales one-stop services to create maximum value for customers.

### (iii) Technology and R&D Overview

HIWIN filed a total of 228 applications at home and abroad and obtained 213 letters patents in 2017, and owned 1533 valid patent at the end of 2017. It ranked 50<sup>th</sup> in Invention Patent Certificates, 42<sup>nd</sup> in Patent Public Certificates, 55<sup>th</sup> in Invention Patent Public Certificates, and 73<sup>th</sup> in Invention Patent Applications issued by Intellectual Property Office, MOEA, and was also No.1 in Taiwan's precision machinery field in 2017.

HIWIN sticks in pursuing high-tech invention & resource integration, from the R&D, design, and manufacturing to the completion of the XEG series electric gripper, 100% was completed by Taiwan team. In 2017, it won the Japan Good Design Award, which is ranked in the world's top four design awards. This proves that the strength of the R&D and manufacturing of the Company is recognized internationally.

#### 1. R&D Expenses in the Last Year and as of the Publication Date of the Annual Report

Unit: NT\$ 1000

Item	2017	Until Mar 31, 2018
R&D expenses	1,191,309	329,506

### Technologies and Products Developed Successfully in the Last Five Years

Year	Products
2013	<ol style="list-style-type: none"> <li>1. Development and volume production of high speed ball screws (Super T)</li> <li>2. Specification expansion and volume production of high speed ball screws (Super S-E)</li> <li>3. Development of automobile ball screws</li> <li>4. Development and volume production of light weight and high speed small linear guideway (TMN)</li> <li>5. Specification expansion and volume production of industrial robot KK series</li> <li>6. Specification expansion and volume production of quiet wide linear guideway QW series</li> <li>7. Development of small integrated single axis robot arm KA060</li> <li>8. Development of Electric Power Steering (EPS) System</li> </ol>
2014	<ol style="list-style-type: none"> <li>1. Continuous development and volume production of high speed ball screws (Super T)</li> <li>2. Specification expansion and volume production of Crossed Roller Bearing (CRB) series</li> <li>3. Development of long-stroke single axis robot modules</li> <li>4. Development of short-stroke small screws</li> <li>5. Development of four-row ball DB linear guideway (UG)</li> <li>6. Development of six-row ball linear guideway (SG)</li> <li>7. Specification expansion and volume production of light weight and small wide linear guideway (PMW)</li> <li>8. Specification expansion and volume production of quiet roller linear guideway (QR)</li> <li>9. Volume production of articulated robot arms and parallel robot arms</li> <li>10. Development and volume production of Robotic Gait Training System MRG-P100, which has achieved CE 93/42/EEC certification.</li> </ol>

2015	<ol style="list-style-type: none"> <li>1. Development and volume production of the electric gripper, which has achieved CE2006/42/EC certification and RoHS2011/65/EU certification.</li> <li>2. The articulated robot arm RA605 has achieved RoHS2011/65/EU certification and IEC60529 Edition 2.2:2013 IP65 certification.</li> <li>3. Continuous development of and volume production of the whole series of parallel robot arms</li> <li>4. Continuous development and volume production of Robotic Gait Training System</li> <li>5. Robotic Endoscope Holder MTG-H100 and robot for bath MHS-B100 achieved ISO13485 certification.</li> <li>6. Development and volume production of online system- roll-up machine and step platform</li> <li>7. Specification expansion and volume production of external reflux miniature linear guideway (MG-O)</li> <li>8. Specification expansion of six-row ball linear guideway (SG)</li> <li>9. Specification expansion and volume production of low assembly roller linear guideway (RGL)</li> <li>10. Specification expansion and volume production of single axis robot modules</li> </ol>
2016	<ol style="list-style-type: none"> <li>1. Development of next generation intelligent ball screws</li> <li>2. Continuous development and pilot volume production of ball screws (Super Z)</li> <li>3. Continuous development and volume production of self-lubricating module (EL) f ball screws</li> <li>4. Development of long-stroke single axis robot module</li> <li>5. Specification expansion and volume production of high speed ball screws (Super T)</li> <li>6. Development and volume production of linear guideway (CG) of high-resistant torque DB</li> <li>7. Continuous development and volume production of self-lubricating oil box (E2)</li> <li>8. Continuous development and volume production of SCARA robot arm RS406, which achieved 2006/42/EC, 2014/35/EU and 2014/30/EU certification</li> <li>9. Development of highly dustproof cover of roller guideway (RG) and linear guideway (CG) of high-resistant torque DB</li> <li>10. Development of spine surgery robot system</li> </ol>
2017	<ol style="list-style-type: none"> <li>1. Continuous development of type 2 of New cycle ball screw (Super Z) and pilot volume production of type 1</li> <li>2. Development of next generation intelligent ball screws</li> <li>3. Development and mass production of new dust-proof ball screw (FW)</li> <li>4. Continuous development and mass production of AG cross-profile linear guideway.</li> <li>5. Continuous development and mass production of RGS/RGF ultra-low roller liner guideway.</li> <li>6. Robotic Endoscope Holder MTG-H100 and robot for bath MHS-B100 were certified by Taiwan TFDA.</li> <li>7. Complete development of Teaching upper limb Training System MST-R100 prototype</li> <li>8. Complete development of the ear and nose endoscope surgery robotic arm MTG-E100 prototype</li> <li>9. The articulated arm and the SCARA robot arm are verified by the "TARS".</li> <li>10. Volume production of the S series integrated electric gripper</li> <li>11. Volume production of the RJ series circuit rotary joints</li> <li>12. Development of Automotive Screw (VBS)</li> </ol>

## ii. Long and Short-Term Business Development Plan

### 1. Short-Term Business Development Plan

- (1) Increase the ratio of automated production and continuously expand production capacity
- (2) Dynamic production and sales adjustment and accurate response to market demand
- (3) Strengthening the products' modular technology integration
- (4) Improve the proportion of electronic control and software, provide robot system services and overall solutions
- (5) Strengthen global access customer management and build local marketing channels

### 2. Long-Term Business Development Plan

- (1) Establish a highly intelligent and automated production line to meet the needs of multiple markets.
- (2) Continuously improve the part self-manufacturing rate of robots and equipment



- products and strengthen their competitiveness.
- (3) Develop smart machines to connect smart service networks to create value for customers.

## ii. Market, Production and Sales Status

### (i) Market Analysis

#### 1. Sales Regions of Major Commodities:

HIWIN product sales operations are mainly operating in four regions, Taiwan, Germany, Japan and the United States, and are classified according to operating locations as follows:

Unit: NTD Thousands

Business Sites of Business Units	2016	2017
Taiwan	9,945,102	13,368,957
Germany	2,282,914	2,542,286
Japan	884,616	1,162,034
America	842,388	1,060,802
Others	2,163,278	3,030,685
Total	16,118,298	21,164,764

#### 2. Future Market Supply, Demand and Growth:

Various businesses predict the overall business environment in 2018 is expected to show an optimistic and steady growth. The International Monetary Fund (IMF) estimates that the global economic growth rate in 2018 is 3.9%, which is the fastest growth in the past 7 years; China's emphasis on environmental protection, the establishment of laws and regulations, and the encouragement of industrial upgrading all contributed to the growth of industries such as automation industry, semiconductor industry and automobile industry. The estimated annual growth rate is still 6.6%; India is plagued by currency and tax reforms. The annual growth rate is 7.4%; The five countries of ASEAN, Indonesia, Malaysia, the Philippines, Thailand and Vietnam are expected to maintain the 5.2% level; Due to the lack of new volatility in public consumption expenditures in Japan, the estimated growth rate is about 1.2% of the previous year; In the United States, due to tax cuts and a stable financial situation, the economic growth rate was revised upwards to 2.7%; In the euro area, the forecast growth rate for global warming was 2.2%. In summary, it is expected that the global economy will remain in the rising stage of the boom cycle in 2018 and will continue to drive up the overall manufacturing demand. The energy is expected to continue until 2019.

Driven by industry 4.0 and the Internet of Things, big data and other technologies, hardware innovation, software upgrades, and hardware and software integration have continued to evolve. Smart manufacturing is an inevitable trend. According to the Topology Research Institute, the market size of the global smart manufacturing and smart factory in 2018 will be as high as US\$250 billion. Focusing on the principal axis of smart manufacturing, the future industry will bid farewell to the large-scale production of economies of scale, tend to small-volume, customized, flexible services, and derive value-

added services such as data analysis, business management, and so on. New technologies such as the Internet of Things, artificial intelligence, cloud computing, big data, and virtual reality integration will all guide smart manufacturing to industrial innovation. Judging from the supply side, Japan's component industry has almost no factory expansion in recent years, Europe and other industries in the China supply chain have been suspended due to environmental issues, and China companies set up factories are facing increased labor costs and the risk of increased trade costs with the United States.

In the past few years, HIWIN has continued to expand its plant and investment in accordance with established plans. The new production capacity has been able to continue to develop, and the wisdom of the process of manufacturing and intelligent automation. It is expected that the capacity utilization rate will continue to increase, and in addition to improving quality, it will also increase supply and relieve the current market demand for orders that exceed supply.

3. Competitive Niche:

- (1) R&D technology continues to innovate and emerge in succession, corresponding to higher-order, more functional requirements
- (2) High capacity and high self-control of intelligent products and services
- (3) Elastic application ability of product modularization and mechatronics ability
- (4) Horizontal and vertical manufacturing ability and automation width.
- (5) With the globalization and deepening of the layout, the development of products and services is closer to the market demand.

4. Advantages and Disadvantages of Development Prospects and the Solutions:

(1) Advantages:

- (1-1) The industry entry barrier is high.
- (1-2) The technology stays ahead.
- (1-3) It has many complete product lines.
- (1-4) It has built brand recognition and generated word of mouth.
- (1-5) Population aging and the shortage of labors are growing problems.

(2) Disadvantages:

- (2-1) Quantity and quality of human resources;
- (2-2) Existing technology has been replaced;
- (2-3) Competitors expand production capacity and cut prices to steal away the business.
- (2-4) Reversal of business climate, excess capacity.

(3) Solutions:

- (3-1) Accelerate the reengineering of intelligent automation, continue to cooperate with industry-university cooperation between senior high school and universities.
- (3-2) Continue R&D of next-generation intelligent product technology.
- (3-3) Self-made robots join the production front to improve quality and reduce costs.

(3-4) Carefully assess the validity of orders and exclude false orders.

(ii) Important Use and Manufacturing Process of Main Products

1. Use of main products:

Currently, the drive control products of the Company are mainly applied to the semiconductor, photoelectric and testing equipment, automation equipment, biochemical and medical equipment, electronic industry, machine tool, solar energy, LED and industrial machinery, etc.

The drive control products of the Company produce low pollution and noise, consume low power, use automatic control and are refined, which corresponds to the rising environmental awareness and the pursuit of high-quality life in the modern society; therefore, the more advanced the industry, the larger the demand.

2. Main Manufacturing Process:

(1) Ball Screw

Tapping → thermal treatment → thread-cutting → shoulder machining → external diameter processing → precision shaping → test → assemble → inspect

(2) Linear Guideway

Thermal treatment → drill hole → precision forming → inspect → assemble → final inspection

(iii) Supply of Main Raw Materials

Raw Material Name	Countries or Regions	Supply
Steel	Taiwan	Good
Steel	Japan	Good
Steel	Germany	Good
Steel	South Korea	Good

(iv) Customers with over 10% of gross purchase or gross sales in any year of the last 2 years:

1. List of manufacturers with over 10% of gross purchase

Unit: NTD Thousands

2016				2017				The First Quarter of 2018			
Name	Sum	To Net Purchase s%	Relation ship with the Issuer	Name	Sum	To Net Purchase s%	Relation ship with the Issuer	Name	Sum	To Net Purchase s%	Relation ship with the Issuer
None				None				None			
Net Purchase s	6,404,791	100.00		Net Purchase s	10,255,906	100		Net Purchase s	3,494,386	100	

Cause of increase or decrease: not applicable.

2. List of customers with over 10% of gross sales

2016				2017				The First Quarter of 2018			
Name	Sum	To Net Sales %	Relation ship with the	Name	Sum	To Net Sales	Relation ship with the	Name	Sum	To Net Sales %	Relation ship with the

			Issuer			%	Issuer				Issuer
IX Custome	1,939,816	12.03	None	Others	21,164,764	100.0 0	-	Others	6,553,070	100.00	-
XIII Custome	1,794,894	11.14	None								
Others	12,383,588	76.83									
Net Sales	16,118,298	100.00		Net Sales	21,164,764	100.0 0		Net Sales	6,553,070	100.00	

Cause of increase or decrease: no major change.

(v) Production Quantity and Value of the Last 2 Years

Unit: NTD Thousands

Production Quantity Major Commodities	Year	2016			2017		
		Capacity	Production Quantity	Production Value	Capacity	Production Quantity	Production Value
Ball Screw		1,635	1,157	3,555,675	1,826	1,647	5,122,043
Linear Guideway		17,730	14,328	8,676,962	21,175	19,626	11,953,140

(vi) Sales Quantity and Value of the Last 2 Years

Unit: NTD Thousands

Production Quantity  Major Commodities	Year	2016				2017			
		Home Sale		Export Sales		Home Sale		Export Sales	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Ball Screw		199	821,776	1,049	2,777,382	290	1,256,943	1,360	3,871,114
Linear Guideway		653	708,144	15,893	9,050,890	859	963,730	18,542	10,851,753
Others		—	533,424	—	2,226,682	—	814,308	—	3,406,916
Total		—	2,063,344	—	14,054,954	—	3,034,981	—	18,129,783

iii. Employee Data of the Recent Two Years and Up to the Publication Date

Year		2016	2017	Up till March 31, 2018
Number of Employees (Note )	Indirect Employees	1,999	2,263	2,347
	Direct Employees	3,276	4,030	4,151
	Total	5,275	6,293	6,498
Mean Age		33.54	33.22	33.26
Average Length of Service		4.73	4.52	4.52
Education Background (%)	Doctor	0.53	0.43	0.42
	Master	11.64	11.51	11.32
	Junior College	56.00	55.22	55.31
	High School	27.68	29.84	30.01
	Without A High School Diploma	4.15	3.00	2.94

Note: Information of number of employees, mean age, average length of service and education background include that of the subsidiaries

#### **iv. Information Regarding Expenditure on Environmental Protection**

Information of the Company's environmental safety and health:

##### **(i) Environmental safety and health management performance**

1. Passed ISO 14001 environmental management system verification in 1997.
2. Plant I passed OHSAS 18001 Occupational Safety and Health Management System verification in 2002.
3. Plant I passed Taiwan Occupational Safety and Health Management System (CNS15506) verification in 2008.
4. Plant I was awarded Outstanding Unit with No Disasters in Working Hours (no disabling injuries for 7,593,510 hours) by Council of Labor Affairs, Executive Yuan in 2011.
5. Passed BSI ISO14064-1 (Greenhouse Gas) external audit in 2012 and continue to conduct external audit every year.
6. Ball Screw passed PAS 2050 (Product Carbon Footprint) external audit in 2012.
7. The Operational Headquarters, Plant II, Tanzi Plant, Yunke Plant and Yunke Plant II passed TUV OHSAS 18001 and Occupational Safety and Health Management System (CNS15506) verification, and gained Performance Recognition of the Occupational Safety and Health Management System, Ministry of Labor, in 2013.
8. The Operational Headquarters acquired Cleaner Production Evaluation System Certificate from Industrial Development Bureau, MOEA, in 2013.
9. The Operational Headquarters passed TUV ISO 50001 energy management system verification in 2014.
10. Yunke Plant II and Yunke Plant passed TUV ISO 50001 energy management system verification in 2015.
11. The Operational Headquarters, Plant II, Tanzi Plant, Yunke Plant and Yunke Plant II passed annual certificate changing of TUV OHSAS 18001 and Occupational Safety and Health Management System (CNS15506).
12. Plant I and Tanzi Plant passed TUV ISO 50001 in 2016.
13. The operating headquarters and the Plant I passed ISO 14001: 2015 edition verification in 2017

##### **(ii) Air pollution control**

1. According to the stationary pollution source under environmental regulations, the Company has pollution prevention equipment and maintains them regularly to improve their stability and guarantee the exhaust meets regulatory requirements.
2. The pollutant concentration is detected regularly and below the limits.

##### **(iii) Water resource and waste water management**

1. There is waste water treatment equipment in every plant, so waste water is treated and discharged into the sewage system after it meets the effluent standard.

2. Every plant applies for water pollution control measure permission according to law and commissions a testing agency recognized by Environmental Protection Administration to detect sewage discharge so as to monitor the discharged water quality effectively; the waste water met the effluent standard in 2017.
3. It carries out a drill according to the wastewater treatment procedure regularly every year to reduce the impact of improper wastewater treatment on the environment.
4. To implement water resource management, Department of Industrial Safety and Environmental Protection calculate tap water consumption monthly to confirm whether the water consumption is normal.
5. As for sanitary sewage, HIWIN sets gray water recovery system in Operational Headquarters and the sanitary sewage recovered is usually used to flush toilets and water green plants; the waste water from the manufacturing process of Yunke Plant II is used in the scrubbing tower after treatment; 14,392 tons of waste water were recovered in 2017.
6. Eterbright Solar Corporation completed the operation of ammonia-steaming wastewater treatment system in 2017, changing the original dosing method to distillation method, and the ammonia water product could be recycled and reused, saving wastewater treatment cost of NT\$ 4.72 million.

#### (iv) Waste management

1. Waste of the Company is usually industrial waste and not harmful. The industrial waste is stored in temporary storage area and then cleared by cleaning agency recognized by Environmental Protection Administration; the Company arranges for someone to follow the cleaning vehicle to the treatment plant occasionally to confirm whether there is leakage on the way or in the plant, or violence of environmental regulations; no violence was found in 2017.
2. The Company continues to promote waste reduction and conducts educational trainings on waste disposal and resource recovery and classification for new employees and on-the-job trainings for old employees regularly, and performs an audit of waste classification in each unit. Meanwhile, the classification of each department is reported in the meetings to implement waste classification and reduction effectively. The recyclable resources and waste were a total of 8,824 tons in 2017.

#### (v) Energy management and reduction

1. Total losses (including compensation) and punishment, and future countermeasures (including improvement measures), and possible expenditures (including the estimated amount of losses, punishment and compensation due to failure to take countermeasures; those not able to be estimated reasonably should be stated clearly) in the last year and as of the publication date of the annual report: not applicable.
2. The Operational Headquarters of HIWIN, Plant I, Plant II, TanZi Plant, Yunke Plant carried out and built ISO 50001 energy management system in 2014; by means of system implementation and energy audit, it managed energy use effectively, made energy

management policies, advocated the energy saving policy and set reduction goals; after actual implementation and improvement, 122.3 million kWh were saved and 646 tons of CO<sub>2</sub>e carbon dioxide emissions were reduced in 2017.

Plant	Reduction plan	Annual energy (degrees)	Annual savings (ten thousands)	Reduction of carbon (metric tons of CO <sub>2</sub> e)	Electricity Saving (GJ)
Operating Headquarter	Air compressor system energy saving plan	80,896	24	43	291
Operating Headquarter	Machine air pressure energy saving plan	139,652	41	74	503
Plant I	Repair leaks such as air lines and fittings	144,108	42	76	519
Plant II	Repair leaks such as air lines and fittings	108,319	32	57	390
	Install inverter to air conditioners	140,160	41	74	505
TanZi Plant	Repair leaks such as air lines and fittings	44,832	13	24	161
YunKe Plant	Repair leaks such as air lines and fittings	565,920	166	299	2,038
Total		1,223,887	360	646	4,407

3. HIWIN has installed 65kW of solar energy system in its own plant. It saved 85,000 kWh of electricity in 2017 and reduced carbon dioxide by 53.9 metric tons.
4. Energy-saving improvement target: HIWIN estimates that it will invest NT\$ 2.12 million in 2018, saving 1.5 million kWh of electricity and reducing carbon dioxide by 796 metric tons; Eterbright Solar Corporation expects to integrate the newly established 485-kilowatt solar energy system into Taipower's power supply system in 2018, which is expected to save 680,000 kWh of electricity and 432 metric tons of carbon dioxide.



## **v. Labor Relations**

- (i) Employee welfare measures, further education, trainings, retirement system and implementation, labor agreement and employee equity protection measures:

HIWIN pays great attention to employees; to pursue sustainable operation, create safe, clean and high quality working environment and make employees enjoy work, it joins hands with Taiwan's industry and commerce to promote "Happy Enterprise", paying attention to the balance between employees' work and life, reference has been made to international human rights conventions to formulate and expose safeguarding human rights policies. It provides employees with a development platform, cultivates talents positively and offers a good salary and welfare; to make employees have a sound mind and body, it holds activities irregularly, such as mountain climbing and hiking, and holds sports meetings regularly and provides professional health consultation by inviting doctors to plants. It provides employees with diverse communication channels, such as labor meetings, departmental meetings, monthly meetings, opinion boxes and special lines, to listen to their opinions so as to promote harmony between employees and the employer.

Since it's founded, it has listed the employees as the biggest asset, which can show its emphasis on talents; it employs employees fairly and openly, implements gender equality and treats employees equally, regardless of their gender, religion, race, nationality or political party; it respects every talent, and employs the disabled actively to care for them and fulfill corporate social responsibility. To net talents, it provides Research and Development Substitute Services, cooperates with universities and colleges, has internship programs, performs industry-university collaboration and provides opportunities to visit the enterprise.

### **1. Employee welfare measures:**

#### **(1) Parent Company**

Employees are entitled to labor insurance, health insurance and periodic health examination.

The Company provides employees and their dependents with an extra group insurance covering medical treatment, accidents and serious disease to improve their living security.

It allocates employee benefits and founds an employee welfare committee according to law, and holds various employee welfare activities, such as gift certificates for 3 main festivals and birthday, weddings and funerals subsidy, leisure tourism subsidy, quarterly dinner party subsidy of each department, barbecue before the Mid-Autumn Festival and appointed stores for employees.

Employees are entitled to a babysitting subsidy of NT\$ 5000, To encourage employees to have children, the original subsidy period was 2 years, and it was extended to 3 years from October 1, 2017. With the promotion of this benefit, HIWIN had 826 HIWIN babies born in 2014-2017. In addition to the value of their work, employees can also build a happy family and fulfill their inheritance responsibilities. The application for

child care nursery in 2017 is as follows:

Item	Boy	%	Girl	%
A Qualified for childcare applications (2014~2017)	582	83%	139	19%
B Actual application for nursery retention in 2017	11	2%	33	25%
C Number of applicant reinstated from nursery in 2017	7	67%	19	52%
D Actual applicants reinstated from nursery in 2017	3		12	
E Nursery reinstatement rate	43%		63%	
F Number of applicant reinstated from nursery in 2016	5		19	
G Actual applicants reinstated from nursery in 2016	3		16	
H Nursery reinstatement rate	60%		84%	

It praises model employees annually and provides big bonuses to encourage them.

Considering the economic burden and traffic safety of colleagues from other places, it provides fully functioning and comfortable dormitories.

It provides employees with the parking lot, canteen, overtime meals and desserts for free.

It provides massage to relax and relieve stress for free.

It holds a sports meeting every May to unite employees.

It holds a year-end banquet and lottery drawing to appreciate employees' service in the past year.

It provides employee bonuses based on its business conditions.

The Articles of Association stipulates that it shall allocate employee bonuses if there is a surplus to make employees and the employer share the operating results.

## (2) Subsidiaries

It carries out employee welfare measures according to local laws and the labor market condition, and hands out performance bonuses based on the business conditions of its subsidiaries.

## 2. Further education and trainings:

### (1) Parent Company

Excellent talents are the cornerstone of the sustainable operation of an enterprise; to improve employees' ability and quality and maintain the long-term competitive edge, the Company's chairman, general managers and senior managers act as the internal lecturers and it spends tens of millions on employees' educational training every year. The Company has a complete training system, including new employee training, core competency training, professional competency training, management competency training and external training, etc. Employees can be trained properly through classroom training, on-the-job training, external training, reading party, lecture, further education, job rotation and project appointment; the training content and methods are diverse and rich.

For colleagues who want to continue education to take their degrees, it provides tuition subsidy schemes. It has cooperated with schools to open two-year junior college/technical college for colleagues to further their education.

(2) Subsidiaries

Each subsidiary provides new employee training, core competency training and professional competency training, and gives colleagues opportunities to further their education depending on the situation.

3. Retirement system:

HIWIN has a sound financial system, and establishes pension plans and retirement programs and allocates stable pension and payments according to Labor Standard Laws and Labor Pension Act. It commissions an actuary to provide pension reports regularly so as to ensure the pension balance and guarantee colleagues will be pensionable in the future.

(1) Parent Company

According to Labor Standard Laws and Labor Pension Act, it has established defined-benefit and defined-contribution pension plans and retirement programs. As for the former, it allocates 2% of the employee's gross salary every month as the pension fund, which is saved in the special account in Bank of Taiwan in the name of Supervisory Committee of Workers' Retirement Fund; as to the latter, it allocates 6% of the employee's gross salary every month as the pension fund, which is saved in the individual account in Bureau of Labor Insurance.

(2) Subsidiaries

Each subsidiary implements pension rules according to local laws.

4. Labor agreement and employee equity protection measures

The Company and its subsidiaries always attaches importance to employee benefits; labor problems are solved through two-way communications; they convene labor meetings regularly to coordinate labor relations, promote employee-employer cooperation and working conditions and plan labor welfare, so the labor relation has been harmonious since the factories were opened and no major labor dispute has occurred.

In addition to insured group insurance, the company occasionally organizes environmental and safety lectures and occupational safety and health courses, and regularly publishes environmental, health and safety electronic newspapers to protect the personal safety of colleagues and handle them in an emergency.

(ii) Losses Caused by Labor Disputes in the Last Year and as of the Publication Date of the Annual Report:

None

(iii) Any establishment on employee behavior or code of ethics?

The company and its subsidiaries have working rules to regulate the work hours, rewards and penalties, promotions and welfare measures of colleagues.

## vi. Important Contracts

Contract Nature	Parties	Duration	Main Content	Restrictions
Contract of Factory Lease	William Tools Co., Ltd.	2014.11.16-2019.11.15	Factory Lease	None
	UDIFA CO., Ltd.	2017.01.01-2019.12.31	Factory Lease	None
Long-Term Loan Contract	Bank of Taiwan	2011.05.23-2018.05.23	Secured Loan	None
	Bank of Taiwan	2011.06.16-2026.06.16	Secured Loan	None
	Bank of Taiwan	2011.12.28-2026.12.28	Secured Loan	None
	Bank of Taiwan	2012.08.22-2027.08.22	Secured Loan	None
	Bank of Taiwan	2012.08.22-2019.08.22	Secured Loan	None
	Bank of Taiwan	2013.10.30-2028.10.30	Secured Loan	None
	Bank of Taiwan	2014.06.20-2029.06.20	Secured Loan	None
	Bank of Taiwan	2014.07.21-2029.07.21	Secured Loan	None
	Bank of Taiwan	2014.07.30-2029.07.30	Secured Loan	None
	Bank of Taiwan	2015.03.09-2020.03.09	Secured Loan	None
	Bank of Taiwan	2015.05.04-2022.05.04	Secured Loan	None
	Bank of Taiwan	2015.05.04-2030.05.04	Secured Loan	None
	Bank of Taiwan	2015.11.24-2020.11.24	Secured Loan	None
	Bank of Taiwan	2015.11.24-2030.11.24	Secured Loan	None
	Bank of Taiwan	2015.11.24-2022.11.24	Secured Loan	None
	Bank of Taiwan	2016.02.04-2031.02.04	Secured Loan	None
	Bank of Taiwan	2018.02.22-2025.02.22	Secured Loan	None
	Bank of Taiwan	2018.02.22-2033.02.22		
	Land Bank of Taiwan	2007.06.04-2020.06.04	Secured Loan	None
	The Export-Import Bank of ROC	2016.02.01-2022.02.01	Secured Loan	None
	The Export-Import Bank of ROC	2017.12.18-2023.12.18	Unsecured Loan	None
	KGI Bank	2017.11.22-2019.11.22	Unsecured Loan	None

## VI. Financial Overview

### i. Condensed Balance Sheets and Statements of Income for the Past Five Years

#### (i) Condensed Balance Sheet-International Financial Reporting Standards (Consolidated)

Unit: NTD Thousands

Item \ Year		2013	2014	2015	2016	2017	Jan. 1, to March 31, 2018
Liquid Assets		10,385,388	12,964,755	13,572,645	11,668,110	13,111,622	14,907,004
Immovable Property, Plant and Equipment		13,902,937	15,258,375	15,930,786	17,796,029	21,303,831	22,307,278
Intangible Assets		18,496	14,473	192,388	192,388	177,915	177,915
Other Assets		3,304,167	2,090,160	3,070,400	3,309,998	2,980,190	3,427,248
Total Assets		27,610,988	30,327,763	32,766,219	32,966,525	37,573,558	40,819,445
Liquid Liabilities	Before Distribution	9,818,585	9,974,387	11,526,855	10,656,204	13,318,739	15,721,678
	After Distribution	10,503,901	10,810,980	12,092,340	10,656,204	Note 2	Not applicable
Non-Current Liabilities		5,996,805	6,681,091	6,738,634	7,510,403	7,654,970	7,138,602
Total Liabilities	Before Distribution	15,815,390	16,655,478	18,265,489	18,166,607	20,973,709	22,860,280
	After Distribution	16,500,706	17,492,071	18,830,974	18,166,607	Note 2	Not applicable
Equity Attributable to Owners of the Parent Company		11,231,756	12,928,141	13,646,037	14,101,611	16,293,096	17,719,548
Capital Stock		2,538,208	2,614,354	2,692,785	2,746,640	2,801,573	2,801,573
Capital Reserve		308,630	308,630	311,955	308,630	308,630	308,630
Retained Earnings	Before Distribution	8,382,764	10,019,718	10,732,921	11,311,874	13,433,833	14,685,198
	After Distribution	7,621,302	9,104,694	10,167,436	11,311,874	Note 3	Not applicable
Other Equities		2,154	(14,561)	(91,624)	(265,533)	(250,940)	(75,853)
Non-Controlling Equities		563,842	744,144	854,693	698,307	306,753	239,617
Total Equity	Before Distribution	11,795,598	13,672,285	14,500,730	14,799,918	17,959,165	17,959,165
	After Distribution	11,110,282	12,835,692	13,935,245	14,799,918	Note 2	Not applicable

Note 1: The consolidated balance sheet is based on International Financial Reporting Standards and audited and certified by accountants.

Note 2: The 2017 dividend distribution case was approved by the board of directors on March 22, 2018, but it has not yet been approved by the shareholders meeting.

(ii) Condensed Balance Sheet-International Financial Reporting Standards (Individual)

Unit: NTD Thousands

Item \ Year		2013	2014	2015	2016	2017
Liquid Assets		9,199,643	10,928,330	10,616,368	9,063,997	10043806
Immovable Property, Plant and Equipment		13,447,052	13,137,766	13,147,415	14,289,991	16833733
Intangible Assets		-	-	-	-	-
Other Assets		3,493,316	4,196,536	5,990,436	6,332,876	6249042
Total Assets		26,140,011	28,262,632	29,754,219	29,686,864	33126581
Liquid Liabilities	Before Distribution	9,300,080	9,123,638	9,888,427	8,783,530	10466752
	After Distribution	9,985,396	9,960,231	10,453,912	8,783,530	Note 2
Non-Current Liabilities		5,608,175	6,210,853	6,219,755	6,801,723	6366733
Total Liabilities	Before Distribution	14,908,255	15,334,491	16,108,182	15,585,253	16833485
	After Distribution	15,593,571	16,171,084	16,673,667	15,585,253	Note 2
Equity Attributable to Owners of the Parent Company		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Capital Stock		2,538,208	2,614,354	2,692,785	2,746,640	2801573
Capital Reserve		308,630	308,630	311,955	308,630	308630
Retained Earnings	Before Distribution	8,382,764	10,019,718	10,732,921	11,311,874	13433833
	After Distribution	7,621,302	9,104,694	10,167,436	11,311,874	Note 2
Other Equities		2,154	(14,561)	(91,624)	(265,533)	(250940)
Non-Controlling Equities		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total Equity	Before Distribution	11,231,756	12,928,141	13,646,037	14,101,611	16293096
	After Distribution	10,546,440	12,091,548	13,080,552	14,101,611	Note 2

Note 1: The individual balance sheet is based on International Financial Reporting Standards and audited and certified by accountants.

Note 2: The 2017 dividend distribution case was approved by the board of directors on March 22, 2018, but it has not yet been approved by the shareholders meeting.

(iii) Condensed Consolidated Income Statement -International Financial Reporting Standards (Consolidated)

Unit: NTD Thousands

Item \ Year	2013	2014	2015	2016	2017	Jan. 1, to March 31, 2018
Operating Revenue	12,442,866	15,087,336	14,881,048	16,118,298	21,164,764	6,553,070
Operating Margin	4,608,062	5,790,752	5,333,619	5,302,045	7,582,638	2,624,062
Operating Profit and Loss	2,368,870	2,847,835	1,902,617	1,450,907	3,345,101	1,400,367
Non-Operating Income and Expenses	135,440	63,107	(68,431)	(261,210)	(532,966)	52,819
Net Profit Before Tax	2,504,310	2,910,942	1,834,186	1,189,697	2,812,135	1,453,186
Net Profit of the Term	1,912,824	2,267,350	1,394,559	960,777	2,251,520	1,148,215
Other Consolidated Profit and Loss of the Term (Net of Tax)	52,406	(22,356)	(91,926)	(173,357)	(30,303)	37,739
Total Consolidated Profit and Loss of the Term	1,965,230	2,244,994	1,302,633	787,420	2,221,217	1,185,954
Net Profits Attributable to Owners of the Parent Company	2,021,585	2,404,906	1,642,238	1,326,815	2,738,019	1,215,298
Net Profit Attributable to Non-Controlling Equities	(108,761)	(137,556)	(247,679)	(366,038)	(488,499)	(67,083)
Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	2,073,991	2,382,550	1,551,550	1,152,567	2,709,808	1,253,090
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	(108,761)	(137,556)	(248,917)	(365,147)	(488,591)	(67,136)
Earnings per Share	7.36	8.76	5.98	4.83	9.77	4.34

Note: The consolidated income statement is based on International Financial Reporting Standards and audited and certified by accountants.

(iv) Condensed Consolidated Income Statement -International Financial Reporting Standards (Individual)

Unit: NTD Thousands

Item \ Year	2013	2014	2015	2016	2017
Operating Revenue	10,315,847	12,924,054	12,489,325	12,541,259	17,053,792
Operating Margin	3,474,254	4,517,573	4,242,859	3,975,130	6,121,731
Operating Profit and Loss	2,370,399	2,987,335	2,500,500	2,412,824	3,852,729
Non-Operating Income and Expenses	138,945	(55,165)	(479,752)	(917,680)	(671,682)
Net Profit Before Tax	2,509,344	2,932,170	2,020,748	1,495,144	3,181,047
Net Profit of the Term	2,021,585	2,404,906	1,642,238	1,326,815	2,738,019
Other Consolidated Profit and Loss of the Term (Net of Tax)	52,406	(22,356)	(90,688)	(174,248)	(28,211)
Total Consolidated Profit and Loss of the Term	2,073,991	2,382,550	1,551,550	1,152,567	2,709,808
Net Profits Attributable to Owners of the Parent Company	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Net Profit Attributable to Non-Controlling Equities	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Earnings per Share	7.22	8.58	5.86	4.74	9.77
--------------------	------	------	------	------	------

Note: The consolidated income statement is based on International Financial Reporting Standards and audited and certified by accountants.

(v) CPA Name and Audit Opinions of the Last 5 Years

Year	CPA	Name	Audit Opinions
2012	Deloitte & Touche	Yan Xiaofang, Cheng Derui	Clean Opinion
2013	Deloitte & Touche	Yan Xiaofang, Cheng Derui	Clean Opinion
2014	Deloitte & Touche	Yan Xiaofang, Cheng Derui	Clean Opinion
2015	Deloitte & Touche	Yan Xiaofang, Zeng Dongyun	Clean Opinion
2016	Deloitte & Touche	Yan Xiaofang, Zeng Dongyun	Clean Opinion
2017	Deloitte & Touche	Yan Xiaofang, Zeng Dongyun	Clean Opinion



## ii. Financial Analyses for the Last Five Years

### (i) International Financial Reporting Standards (Consolidated)

Item \ Year		2013	2014	2015	2016	2017	Jan. 1 to March 31, 2017
Financial Structure (%)	Debt Asset Ratio	57.28	54.97	55.74	55.11	55.82	56.00
	Ratio of Long Term Capital to Immovable Property, Plant and Equipment	127.98	133.39	133.32	125.37	113.85	112.51
Debt-Paying Ability	Liquidity Ratio (%)	105.77	129.98	117.75	109.50	98.44	94.82
	Quick Ratio (%)	64.59	88.42	68.81	66.19	56.99	53.85
	Interest Protection Multiples	17.80	17.91	11.74	8.43	22.41	48.17
Operating Ability	Receivables Turnover Ratio	2.57	2.83	2.61	3.13	4.63	5.57
	Average Collection Period	142	129	140	117	79	66
	Inventory Turnover Ratio	1.93	2.20	1.88	1.98	2.48	2.48
	Payables Turnover Ratio	4.17	4.38	4.18	4.75	4.14	3.44
	Inventory Conversion Period	189	166	194	184	147	147
	Immovable Property, Plant and Equipment Turnover Ratio	0.95	1.03	0.95	0.96	1.08	1.20
	Total Assets Turnover Ratio	0.47	0.52	0.47	0.49	0.60	0.67
Profitability	Return on Assets (%)	7.70	8.31	4.87	3.33	6.69	11.98
	Return on Equity (%)	17.31	17.81	9.90	6.56	14.34	26.58
	Net Profit Before Tax to Paid-up Capital Ratio (%)	98.66	111.34	68.11	43.31	100.38	207.48
	Net Profit Ratio (%)	15.37	15.03	9.37	5.96	10.64	17.52
	Earnings per Share (NT\$)	7.36	8.76	5.98	4.83	9.77	4.34
Cash Flow (%)	Cash Flow Ratio	26.67	32.15	9.07	41.56	49.30	31.00
	Cash Flow Adequacy Ratio (Note 1)	54.46	63.54	43.02	51.73	80.06	77.92
	Cash Reinvestment Ratio	10.98	12.45	0.99	17.32	25.26	4.76
Degree of Leverage	Degree of Operating Leverage	2.04	2.03	2.84	3.61	2.29	1.88
	Degree of Financial Leverage	1.07	1.06	1.10	1.12	1.04	1.02
Reasons why each financial ratio has changed by 20% in the last two years: The financial ratios of Interest Protection Multiples and Profitability increased because the profits this year were more than that of last year. Receivables Turnover Ratio increased mainly because of business growth, clear inventory and because receivables were collected well. The turnover rate of total assets increased mainly because the revenue this year were more than that of last year. Cash flow rate ratio and cash reinvestment ratio increased mainly because the operating net cash flow of this year increased. Degree of Operating Leverage reduced because the operating profit of this year increased.							

Note: The consolidated financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

## (ii) International Financial Reporting Standards (Individual)

Item \ Year		2013	2014	2015	2016	2017
Financial Structure (%)	Debt Asset Ratio	57.03	54.26	54.14	52.5	50.82
	Ratio of Long Term Capital to Immovable Property, Plant and Equipment	125.23	145.68	151.10	146.28	134.61
Debt-Paying Ability	Liquidity Ratio (%)	98.92	119.78	107.36	103.19	95.96
	Quick Ratio (%)	64.18	85.45	69.12	70.16	62.67
	Interest Protection Multiples	19.40	20.54	14.72	11.99	32.27
Operating Ability	Receivables Turnover Ratio	2.03	2.29	2.15	2.46	3.44
	Average Collection Period	180	159	170	148	106
	Inventory Turnover Ratio	2.24	2.63	2.35	2.51	3.32
	Payables Turnover Ratio	3.86	4.22	4.01	4.39	3.83
	Inventory Conversion Period	163	139	155	146	110
	Immovable Property, Plant and Equipment Turnover Ratio	0.81	0.97	0.95	0.91	1.10
	Total Assets Turnover Ratio	0.41	0.48	0.43	0.42	0.54
Profitability	Return on Assets (%)	8.58	9.30	6.08	4.84	8.99
	Return on Equity (%)	19.20	19.91	12.36	9.56	18.02
	Net Profit Before Tax to Paid-up Capital Ratio (%)	98.86	112.16	75.04	54.44	113.55
	Net Profit Ratio (%)	19.60	18.61	13.15	10.58	16.06
	Earnings per Share (NT\$)	7.36	8.76	5.98	4.83	9.77
Cash Flow (%)	Cash Flow Ratio	26.59	36.07	24.60	47.02	64.10
	Cash Flow Adequacy Ratio(Note 1)	51.33	58.13	52.28	60.94	89.06
	Cash Reinvestment Ratio	10.73	13.61	8.04	17.05	27.67
Degree of Leverage	Degree of Operating Leverage	1.78	1.73	1.98	1.97	1.79
	Degree of Financial Leverage	1.06	1.05	1.06	1.06	1.03
Reasons why each financial ratio has changed by 20% in the last two years:						
1. The increase in the interest protection ratio and the profitability of various financial ratios was mainly attributable to the increase in profit this year compared to last year.						
2. The increase in the turnover rate of accounts receivable and inventory turnover, the clearing of inventory development of the main operations, and the good collection of receivables.						
3. The increase in the total assets turnover rate was mainly due to the increase in revenue this year were more than last year.						
4. The increase in cash flow ratios was mainly due to the increase in operating net cash flow during the year.						

Note: The individual financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

1. Financial Structure
  - (1) Debt Asset Ratio= $\text{Total Liabilities} / \text{Total Assets}$
  - (2) Ratio of Long Term Capital to Immovable Property, Plant and Equipment =  $(\text{Total Equity} + \text{Non-Current Liabilities}) / \text{Net Amount of Immovable Property, Plant and Equipment}$
2. Debt-Paying Ability
  - (1) Liquid Ratio =  $\text{Liquid Assets} / \text{Liquid Liabilities}$
  - (2) Quick Ratio =  $(\text{Liquid Assets} - \text{Inventory} - \text{Upfront Fees}) / \text{Liquid Liabilities}$
  - (3) Interest Protection Multiples =  $\text{Profit before Income Tax and Interest Expense} / \text{Interest Expense of This Period}$
3. Operating Ability
  - (1) Receivables (Including Receivables and Notes Receivable from Operating Activities) Turnover Ratio =  $\text{Net Sales} / \text{Balance of Average Receivables of Each Period (Including Receivables and Notes Receivable from Operating Activities)}$
  - (2) Average Collection Period =  $365 / \text{Receivables Turnover Ratio}$
  - (3) Inventory Turnover Ratio =  $\text{Cost of Sales} / \text{Average Inventory}$
  - (4) Payables (Including Payables and Notes Payable from Operating Activities) Turnover Ratio =  $\text{Cost of Sales} / \text{Balance of Average Payables of Each Period (Including Payables and Notes Payable from Operating Activities)}$
  - (5) Inventory Conversion Period =  $365 / \text{Inventory Turnover Ratio}$
  - (6) Ratio of Long Term Capital to Immovable Property, Plant and Equipment =  $(\text{Total Equity} + \text{Non-Current Liabilities}) / \text{Net amount of Immovable Property, Plant and Equipment}$
  - (7) Total Assets Turnover Ratio =  $\text{Net Sales} / \text{Total Assets}$
4. Profitability
  - (1) Return on Assets =  $[\text{Profit and Loss After Tax} + \text{Interest Expense} * (1 - \text{Tax Rate})] / \text{Average Total Assets}$
  - (2) Return on Equity =  $\text{Profit and Loss After Tax} / \text{Average Net Shareholders' Equity}$
  - (3) Net Profit Ratio =  $\text{Profit and Loss After Tax} / \text{Net Sales}$
  - (4) Earnings per Share =  $(\text{Profit And Loss Attributable to the owners of the parent company} - \text{Dividend on Preferred Stock}) / \text{Weighted Average Outstanding Shares}$
5. Cash Flow
  - (1) Cash Flow Ratio =  $\text{Cash Flow from Operating Activities} / \text{Liquid Liabilities}$
  - (2) Cash Flow Adequacy Ratio =  $\text{Cash Flow from Operating Activities of the last 5 years} / (\text{Capital Expenditure} + \text{Inventory Increase} + \text{Cash Dividend}) \text{ of the last 5 years}$
  - (3) Cash Reinvestment Ratio =  $(\text{Cash Flow from Operating Activities} - \text{Cash Dividend}) / (\text{Gross Amount of Immovable Property, Plant and Equipment} + \text{Permanent Investment} + \text{Other Non-liquid Assets} + \text{Working Capital})$
6. Degree of Leverage
  - (1) Degree of Operating Leverage =  $(\text{Net Operating Revenue} - \text{Variable Operating Costs})$

and Expenses)/Operating Profit

(2) Degree of Financial Leverage=Operating Profit/ (Operating Profit-Interest Expense)

### **iii. The Audit Committee's Audit Report of the Financial Report for the Past Year**

#### **HIWIN Technologies Corp. The Audit Committee's Audit Report**

We have checked the Financial Statements 2017 (audited by Yan Xiaofang and Zeng Dongyun from Deloitte & Touche, who issued an audit report with clean opinions on the record), Business Report 2017 and Earning Distribution Plan 2017 prepared by the Board of Directors. In our opinion, all statements and reports referred to above are prepared according to law. This report is submitted in accordance with Article 14.4 of Securities Exchange Act and Article 219 of the Company Law. For your review and approval.

HIWIN Technologies Corporation  
Audit Committee Convener: Jiang Zhenghe

Mar 22, 2018

**iv. The Financial Report and the Accountant's Audit Report for the Past Year**

Please refer to Appendix i.

**v. Consolidated Financial Statements Audited by CPA for the Past Year**

Please refer to Appendix ii.

**vi. The Impacts of Any Financial Difficulties Encountered by the Company or Its Affiliates in the Past Year and up to the Annual Report Publication Date on the Company's Financial Status: none.**

## VII. Review and Analysis of Financial Status, Financial Performance, and Risk Management

### i. Financial Status

#### (i) Financial Position Analysis

Unit: NTD Thousands

Item \ Year	2016	2017	Difference	
			Sum	%
Liquid Assets	11,668,110	13,111,622	1,443,512	12.37
Fund and Investment	495,917	485,293	(10,624)	(2.14)
Immovable Property, Plant and Equipment	17,796,029	21,303,831	3,507,802	19.71
Other Assets	3,006,469	2,672,812	(333,657)	(11.10)
Total Assets	32,966,525	37,573,558	4,607,033	13.97
Liquid Liabilities	10,656,204	13,318,739	2,662,535	24.99
Long-Term Liabilities	7,051,379	7,087,273	35,894	0.51
Other Liabilities	459,024	567,697	108,673	23.67
Total Liabilities	18,166,607	20,973,709	2,807,102	15.45
Equity Attributable to Owners of the Parent Company	14,101,611	16,293,096	2,191,485	15.54
Equity	2,746,640	2,801,573	54,933	2.00
Capital Reserve	308,630	308,630	-	-
Retained Earnings	11,311,874	13,433,833	2,121,959	18.76
Other Equities	(265,533)	(250,940)	14,593	(5.50)
Non-Controlling Equities	698,307	306,753	(391,554)	(56.07)
Total Equity	14,799,918	16,599,849	1,799,931	12.16

Note: The consolidated financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

#### (ii) Analysis for the Change over 20%:

1. The increase in current liabilities, the increase in the number of good orders, and the increase in stocking resulted in an increase in accounts payable.
2. Other liabilities increased due to the salary and number of employees in the main department increased the pension liabilities.
3. The decrease in non-controlling equity was due to the increase in investment losses in non-controlling equity during the year.

### ii. Financial Performance

#### (i) Operating Results Analysis

Unit: NTD Thousands

Item \ Year	2016	2017	Increased (Decreased)	
			Amount	Rate of Change (%)
Net Operating Revenue	16,118,298	21,164,764	5,046,466	31.31
Operating Costs	10,816,253	13,582,126	2,765,873	25.57
Operating Margin	5,302,045	7,582,638	2,280,593	43.01

Operating Expenses	3,851,138	4,237,537	386,399	10.03
Operating Profit	1,450,907	3,345,101	1,894,194	130.55
Non-Operating Income and Expenses	(261,210)	(532,966)	(271,756)	104.04
Profit Before Tax	1,189,697	2,812,135	1,622,438	136.37
Income Tax Expense	228,920	560,615	331,695	144.90
Net Profit of This Year	960,777	2,251,520	1,290,743	134.34
Other Consolidated Profit and Loss of the Term (Net of Tax)	(173,357)	(30,303)	143,054	(82.52)
Total Consolidated Profit and Loss of the Term	787,420	2,221,217	1,433,797	182.09
Net Profits Attributable to Owners of the Parent Company	1,326,815	2,738,019	1,411,204	106.36
Net Profit Attributable to Non-Controlling Equities	(366,038)	(486,499)	(120,461)	32.91
Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	1,152,567	2,709,808	1,557,241	135.11
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	(365,147)	(488,591)	(123,444)	33.81

Note: The consolidated financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

(ii) Analysis for the Change over 20%:

1. Operating income, Operating costs, Operating margin, Operating Profit, Income Tax Expense, Profit Before Tax, Net Profit of This Year, Total Consolidated Profit and Loss of the Term, Net Profits Attributable to Owners of the Parent Company, Total Consolidated Profit and Loss Attributable to the owners of the parent company: The main reason is having a good economy in the current period, with a substantial increase in production capacity and an increase in sales volume.
2. Non-Operating Income and Expenses: The main cause is due to subsidiary listed assets impairment for the current period.
3. Income Tax Expense: The main cause is due to the increase in net profit before tax for the current period, and the estimated increase in income tax expenses payable.
4. Other comprehensive income of this period: The main cause is due to the increase in the value of the Taiwan dollar in the previous period resulted in a decrease in the exchange loss in the financial statements of foreign operating institutions.
5. Net Profit Attributable to Non-Controlling Equities and Total Consolidated Profit and Loss Attributable to Non-Controlling Equities: the losses on investments of Non-Controlling Equities increased this year.

(iii) Possible Effects of Expected Sales Quantity and Its Basis on the Company's Future Financial Business and the Company's Counterplan:

Please refer to "Letter to Shareholders".



### iii. Cash Flow

#### (i) Liquidity Analysis of the Last 2 Years

Item \ Year	2016	2017	Increase (Decrease) Percentage (%)
Cash Flow Ratio (%)	41.56	49.30	18.62
Cash Flow Adequacy Ratio (%)	51.73	80.06	54.77
Cash Reinvestment Ratio (%)	17.32	25.26	45.84
Analysis for the Change over 20%: Cash Flow Adequacy Ratio and Cash Reinvestment Ratio increased mainly because the operating net cash flow of this year increased.			

Note: The consolidated financial statement is based on International Financial Reporting Standards.

#### (ii) Improvement Plan for Liquidity Shortage: Not Applicable °

#### (iii) Cash Flow Analysis for the Coming Year:

Unit: NTD Thousands

Cash Balance at the Beginning of the Year (A)	Estimated Yearly Net Cash Flow from Operating Activities (B)	Estimated Yearly Cash Outflow (C)	Estimated Cash Surplus (Shortage) (A) + (B) - (C)	Remedies for Estimated Cash Shortage	
				Investment Plan	Financial Plan
2,752,876	7,975,000	12,605,596	(1,877,720)	—	Financing

### ii. Effects of Major Capital Expenditure on Financial Business of the Past Year

#### (i) Major Capital Expenditure and Capital Source

Projects	Actual or Expected Capital Source	Actual or Expected Completion Date	Total Capital Required in 2017 and 2018	Actual Capital Expenditure in 2017 and Planned Capital Expenditure in 2018	
				2017	2018
Building factories	Own funds, financing	2018.12	6,355,507	3,275,047	3,080,460
Purchasing land to build factories	Own funds, financing	2018.12	742,000	-	742,000
Increasing production equipment	Own funds, financing	2018.12	4,226,664	2,066,664	2,160,000

#### (ii) Estimated Benefits

The capital expenditure is mainly for capacity expansion for future business growth and vertical integration of the manufacturing process so as to strengthen the quality, the elasticity of the delivery time and the optimum cost competitiveness continuously.

### V. Investment Policy of the Past Year, Main Causes for Profits or Losses, Improvement Plan and Investment Plan for the Coming Year

HIWIN's investment strategy is to strengthen its all-round development in technology, capacity, marketing and customer service. We hope to replicate the company's successful production and management experience through investment transfer, rapidly expand the scale, achieve immediate customer service in the nearest market, expand market share, and accelerate

globalization.

HIWIN Germany, HIWIN China and Mega Fabs profited in 2017 due to global economic recovery, demand for key components exceeds demand. The Japanese subsidiary entered the supply chain of major auto plants, semiconductors, and well-known mid-sized companies in Japan. The revenue for the current period has grown significantly. However, due to continued expansion of scale and increased marketing, it is still showing slight losses. It is expected that in 2018 it will turn lost into profit. The subsidiaries in Italy, Singapore and South Korea have gradually developed their markets and their businesses have seen significant growth. However, due to the continuing economic deficits, they have shown annual losses, but the 2017 year has been significantly improved compared to 2016. It is expected that under the multiple benefits of continuous deepening of the market, the introduction of outstanding talents and a more complete product line, the operating status is expected to gradually improve. Other overseas markets for which no subsidiary is currently established, the Company will also assess at the appropriate time whether or not to establish direct units in suitable locations in the locations in the region to support agents in various regions and to sell customers in real time.

In year 2017, Eterbright Solar Corporation increased losses due to loss of listed assets, as compared with the previous year. However, its current efforts to increase conversion rates and develop niche products to expand the market are expected to improve its operating conditions. Luren Precision has recently successfully developed a new mass production model, with the help of the superior sales channels of the HIWIN Group and the advantages of the supply of machine tools and components, and integrating the robotic arm of the Group with smart devices with the concept of Industry 4.0, it is expected that the Group will perform well in 2018.

In response to the surge in orders from semiconductors, automobiles, automotive batteries, optoelectronics, and machine tools. HIWIN's investment plan for the coming year will continue to assess investment plans at home and abroad. In addition to the expansion of production capacity. It is expected to invest in the company Matrix to strengthen its core competitiveness.

#### **iv. Risk Analysis**

(i) Risk Factors: analyze and evaluate the following items in the last year and as of the publication date of the annual report.

1. Impact of interest rate, change in exchange rate and inflation on company profit and loss, the Company's countermeasures

(1) Interest Rate:

As of the date of publication of the annual report, HIWIN's long-term and short-term borrowings can be used cyclically within the contract period as stipulated in the contract, under the precondition of improving the financial structure and reducing the risk of interest rate changes. The Company evaluates the bank lending rate regularly and compares it with the market rate; it keeps close contact with the bank to get a favorable rate, so the interest rate change has no major effects on it. Therefore, the change in interest rates did not have a significant impact on HIWIN.

(2) Exchange Rate:

Its revenue in 2017 mainly came from RMB, followed by ERUO and US Dollars; its main raw materials and machinery equipment were paid for in dollars, euro and yen; it has been implementing foreign exchange risk management policies of “Assets and Liabilities Management” over the years and also used the forward foreign exchange contract to reduce the exchange rate risk produced by assets and liabilities. To cope with exchange rate change risk, it collects information regarding to exchange rate changes at any time to know and analyze the exchange movements, interact with the bank well and take proper countermeasures against exchange rate movement to avoid exchange rate risk.

(3) Inflation and Deflation:

The annual growth rate of Taiwan's CPI announced in 2017 and estimated by 2018 is respectively 0.62% and 1.21%. The assessment of inflation risk is still within an acceptable range. It reduces costs through raw materials inventory management, procurement strategy, product design and research innovation of the manufacturing process so that it can cope with environmental changes so as to reduce effects of the external environment.

2. Policies of Engagement in High-Risk and High Leveraged Investment, Lending Funds to Other Parties, Endorsements and Guarantees and Derivatives Transaction, Main Causes for Profits or Losses and Future Countermeasures

(1) HIWIN has never been engaged in high-risk and high leveraged investment deals.

(2) As of the publication date of the annual report, it has never lent funds to other parties but HIWIN Japan, HIWIN Italy and Eterbright Solar Corporation according to Procedures for Lending Funds to Other Parties and with approval of the Board, the balance was NT\$ 582,178, 000, and the actual expenditure was NT\$72,178,000 at the end 2017.

(3) It made endorsements and guarantees according to Procedures for Endorsements and Guarantees, which was also approved by the Board; the balance at the end of 2017 was NT\$1,133,920,000, The actual amount of expenditure is NT\$1,003,478,000; this endorsement and guarantee can effectively reduce subsidiaries’ capital increase demand for the parent company and is also beneficial to tax planning.

(4) HIWIN performs the financial derivatives transaction steadily and conservatively to avoid risks (using actual foreign exchange receipts and payments to avoid actual exchange rate fluctuation risk produced by purchases and sales), and hasn’t been engaged in speculative transaction.

3. Future R&D Plan and Estimated R & D Costs

R&D costs of HIWIN (parent company and its subsidiaries) in 2017 were NT\$ 1,191,309,000, accounting for 6% of the revenue. It’ll be engaged in R & D positively in the future to lay a solid foundation for a long-term development potential; it develops new products, such as medical robot and various multi-axis robots, and its key items of R&D

are listed below:

Plan Title	Current progress	Important factors that decide the success of future R&D
Intelligent Screw Development	Four major intelligent function bases have been built, and the application side is being developed according to requirements of customers and conducting internal testing verification.	It should be able to be developed smoothly.
Ball screw shared dustproof module development	In development °	It should be able to be developed smoothly.
New cooled ball screw development	In development °	It should be able to be developed smoothly.
Spindle head R&D	In development °	It should be able to be expanded smoothly.
Walking Training Machine	In development °	It should be able to be developed smoothly.
Bath & Shower chair	In development °	It should be able to be developed smoothly.
Teaching upper limb training machine	In development °	It should be able to be developed smoothly.
Lower Limb Rehabilitation Robot MRG-A100	In development °	Volume production can begin after it passes the factory test, so it should be able to be developed smoothly.
Robotic Endoscope Holder for ENT Surgery	In development °	It should be able to be developed smoothly.
Development of R-EPS Automobile Screws	In development °	It should be able to be developed smoothly.
Development of New Structured Ball Linear Guideway	6 specifications have been imported and currently testing for volume production	It should be able to be developed smoothly.
Development of Ultra low-profile Ball Linear Guideway	2 specifications under development	It should be able to be developed smoothly.
Wafer transmission system	Four specifications have been imported into volume production and the specifications are being expanded by customer needs.	It should be able to be developed smoothly.
Panel robot arm	In development °	It should be able to be developed smoothly.
Crystal box transport arm	In development °	It should be able to be developed smoothly.
Food Industry Delta Robot arms	In development °	It should be able to be developed smoothly.

It's estimated the Company's R&D costs in 2018 will be about NT\$ 1,300,000,000~ NT\$ 1,400,000, 000, up 10%~15% from 2017; with the goal of R&D costs accounting for 10% of the revenue, its R&D marches towards Industry 4.0 and the future environmental, green and intelligent automation industry; besides meeting customer requirements, it will continue to integrate the manufacturing processes, reengineer the internal process and reduce costs to expand its competitive advantage in the marketplace.

#### 4. Effects of Changes in Major Policies and Laws at Home and Abroad on HIWIN's Business and Finance and Its Countermeasures

The Company is a professional maker of drive control and system products, which are key

parts and also necessities in the economic development; Changes in major policies and laws at home and abroad have little effects on its business and finance and no such changes have affected its business and finance in the last year and as of the publication date of the annual report. The Company's management team always pays attention to changes in major policies and laws at home and abroad, know the development status and cope with market conditions change to reduce possible adverse effects in the future.

5. Effects of Technology and Industry Changes on the Company's Business and Finance and Its Countermeasures

With the development of Industry 4.0, the demand for intelligent manufacturing and robot fields will rise rapidly and the demand for various robots in the future will explode.

Different research institutions define robot equipment differently; for example, some institutions include automation equipment to calculate the output value. Therefore, Japan Robot Association (JARA), International Federation of Robotics (IFR) and research institutions estimate the future output value of the global robots differently. However, all the institutes estimate that the output value of the global robots will reach about 70 billion dollars in 2018. Now the industrial robots are widely used in different industrial production fields, such as charge-in, spraying, welding and assembling and mainly used in manufacturing industries, such as automobile, electronics, machinery, chemical engineering and food. To meet the demand of population aging and low birth rate for home automation.

To meet the demand of population aging and low birth rate, human needs for welfare equipment, medical equipment and rehabilitation equipment are increasing. HIWIN will continue to research and develop new products besides robots for lower limb muscle training, bathing spa systems, and endoscope-supporting robot arms. In addition, due to the awareness rise on Co<sub>2</sub> emission reduction and energy saving, HIWIN also accelerate the development and deployment of green energy products also expands the industry category client base.

The technology and industry evolution aims at promoting human well-being, which coincides with HIWIN's management ideas. Therefore, HIWIN produces the most complete robot types in the world, and the global layout has been gradually put into place, it will continue to improve the R&D ability, increase the variety and the added value of the products, grasp the long-term development trends of technology and industry and adjust its short-term, mid-term and long-term development strategies in due time to realize the sustainable operation.

6. Effects of Corporate Image Change on Corporate Crisis Management and Its Countermeasures

HIWIN has a long term commitment to corporate social responsibility, public benefits and educational activities (please refer to iii (v) for details); it has won many awards over the years; it won the 26<sup>th</sup> and the 25<sup>th</sup> "Taiwan Excellence Silver Award" in 2017, and was awarded Gold Award of Electronic Information Manufacturing section under Taiwan

Corporate Sustainability Reports by TCSA; all these show HIWIN has a good corporate image; in case of situations that will change the corporate image, the crisis response team will take necessary countermeasures.

7. Anticipated Benefits, Possible Risks and Countermeasures of Mergers

HIWIN has conducted no mergers and acquisitions up to the publication date of the annual report.

8. Anticipated Benefits, Possible Risks and Countermeasures of Plant Expansion, please refer to VII. iv of the annual report. HIWIN has been laying a solid foundation over the years, rich experience and good results in investing R&D and process improvement. In addition to continuing to extend the process forward to capture the source of raw materials and reduce the cost of material purchases, the continuous improvement of the process has been put into production in the most profitable way. Therefore, the efficiency of the expansion of the plant is expected to be significantly higher than that of the existing plant.

Although the expansion of the plant requires capital investment, the developed product can also reduce the production cost in addition to meeting the scale, and it can also complete the product line of the company, to provide one-stop shopping for products such as customer components and sub-systems. The financial analysis also shows that in addition to increasing production capacity, the expansion of the plant can also reduce product costs and increase gross profit margin due to economies of scale. In summary, even if the economy temporarily declines, the company can flexibly control the production line and the configuration of each product's production capacity due to the advantages of key technologies. The risk of expanding the plant should be limited.

9. Risks and Countermeasures of Centralized Purchases or Sales

HIWIN didn't purchase over 10% of its materials from any manufacturer in 2016 or 2017, so centralized purchases didn't exist; the net sales of its largest customer accounted for 9% and 12% of the annual net sales respectively in 2017 and 2016, which show little change, so centralized sales didn't exist, either.

10. Effects of Huge Transfer or Change of Stock Rights of Directors, Supervisors or

Shareholders Holding over 10% of the Shares on HIWIN, the Risks and Countermeasures  
They haven't transferred or changed their stock rights in large quantities in the last year and as of the publication date of the annual report.

11. Effects of the Change of Management Right on the Company, Risks and Countermeasures

HIWIN's management right hasn't changed in the last year and as of the publication date of the annual report.

12. Litigation & Non-Litigation

There have been no litigation & non-litigation cases as of the publication date of the annual report.

13. Other Important Risks and Countermeasures

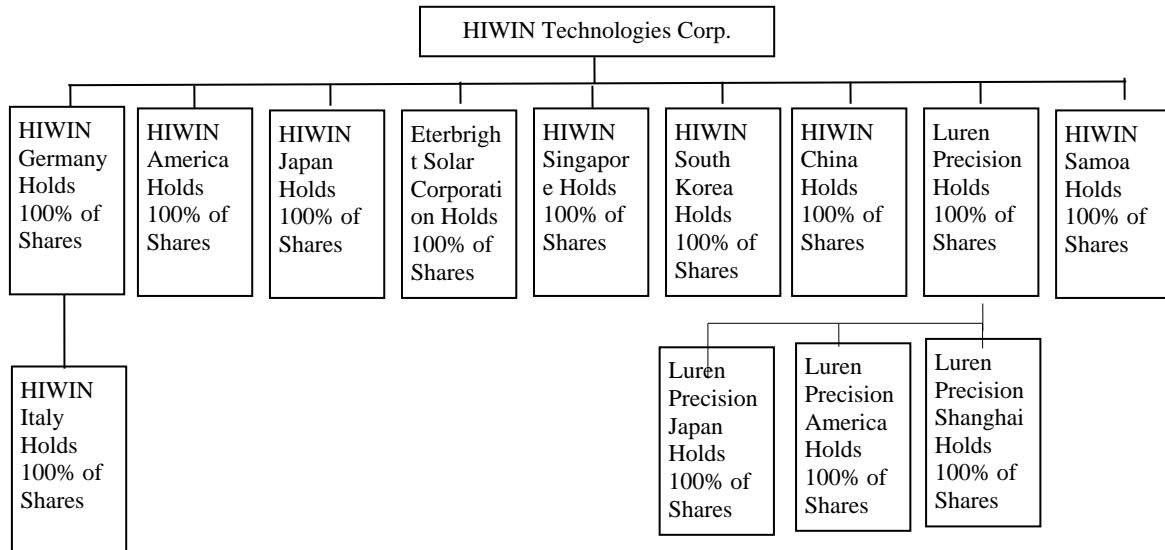
There have been no such risks in the last year and as of the publication date of the annual report.

**v. Other Important Matters: None.**

## VI. Special Disclosures

### i. Information on Affiliates

#### (i) Organizational Structure of Affiliates



Note: the organizational structure of affiliates as of April 30, 2018

#### (ii) Basic Information of Affiliates

Company Name	Establishment Date	Address	Paid-in Capital (Note)	Major Business or Production Items
Hiwin Germany GmbH	April 1, 1993	Brücklesbünd 2 D-77654 Offenburg, Germany	EUR12,135,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
Hiwin Corporation, U.S.A	Sep. 15, 1992	12455 Jim Dhamer Drive, Huntley, IL 60142, U.S.A.	USD10,740,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
Hiwin Corporation, Japan	Nov. 1, 1999	3F, Sannomiya-Chuo Bldg., 4-2-20 Goko-dori, Chuo-ku, Kobe-shi, Hyogo, 651-0087, Japan	JPY440,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
Eterbright Solar Corporation	Dec. 1, 2010	No. 442-1, Zhonghua Rd., Toufen City, Miaoli County 351, Taiwan	NTD2,148,686,000	Research, development, design, manufacture and sale of solar cells, electronic components, generation, transmission and power distribution products, etc.
Hiwin Singapore Pte. Ltd.	Aug. 7, 2013	Block 203 Woodlands Avenue 9 #06-51 Woodlands Spectrum II Singapore 738956	SGD5,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
Hiwin Corporation, South Korea	Oct. 8, 2013	125-25 Saneop-ro, 156beon-gil, Gwonseon-gu, Suwon-si, Gyeonggi-do 441-811, Korea	KRW7,200,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots



HIWIN Italy	March 29, 2013	RHO (MI) VIA DE GASPERI 85 cap 20017	EUR8,500,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Shanghai	April 8, 2014	No. 2, Xiazhuang Road, Suzhou Industrial Park	CNY300,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
Luren Precision	May 2, 1994	No. 1-1, Li Hsin 1st Rd., Hsinchu Science Park, Hsinchu City	NTD241,470,520	Development, design, manufacturing and sale of high precision gear cutter and gear lapping machine tool
Hiwin Healthcare Corp., Samoa	April 21, 2015	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	USD100,000	Sale of medical robots
Luren Precision, Japan	Oct. 23, 2003	O' s 520 ATC Bldg North Wing 5F 2-1-10, Nanko-Kita, Suminoe-KU, OSAKA5590034 JAPAN	JPY25,000,000	Sale of high precision gear cutter and gear lapping machine tool
Luren Precision Chicago Co., Ltd	April 22, 2010	707 REMINGTON ROAD, UNIT1 SCHAUMBURG IL 60173	USD460,000	Sale of high precision gear cutter and gear lapping machine tool
Luren Precision Shanghai	Jan. 9, 2009	B, Floor 6, Building 2, No.401, Caobao Road, Xuhui District, Shanghai	CNY3,010,000	Sale of high precision gear cutter and gear lapping machine tool

Note: the base date of paid-in capital is April 30, 2017.

(iii) Information of the Same Shareholders of Affiliates Deemed to Be Controlling Corporates and Subsidiary Corporates: None.

(vi) The Industries Covered by Business of Affiliates; If Business of Affiliates Is Connected, State the Division of Work:

The industries covered by business of HIWIN's affiliates are mainly "Drive Control and System Technology Products Manufacturing Service", "Gear tools machine industry" and "Solar photovoltaic industry"; as a whole, the affiliates create the maximum comprehensive benefits through mutual support in technology, capacity, marketing and service, and provide customers with "Global Innovative Value-Added Service" to ensure HIWIN's leading position in the global market.

(v) Information of Directors, Supervisors and General Managers of Affiliates

Unit: Shares; %				
Company Name	Title	Name or Representative	Number of Shares Held	Shareholding Ratio
Hiwin Corporation, U.S. A	Chairman	Representative of HIWIN Technologies Corp.: Eric Y. T. Chuo	2,148,000	100%
	Directors	Tsai Huichin, Chuo Wenheng, Qiu Shirong	-	-
	General Manager	Qiu Shirong	-	-
Hiwin Germany GmbH	Chairman	Representative of HIWIN Technologies Corp.: Eric Y. T. Chuo	Note 1	100%
	General Manager	Werner Mäurer	-	-
Luren Precision, Japan	Chairman	Representative of HIWIN Technologies Corp.: Eric Y. T. Chuo	54,200	100%

	Directors	Chuo Wenheng, Nakada, Huang Lihong	-	-
	Supervisor	Lin Yifeng	-	-
	General Manager	Huang Lihong	-	-
Eterbright Solar Corporation	Chairman	Representative of HIWIN Investment Corp.: Eric Y. T. Chuo	25,811,669	12%
	General Manager	Lin Mingyao	119,250	0%
	Director	Li Xunqin	2,967,688	1%
	Director	Chuo Wenheng	1,589,838	1%
	Director	Chen Shaowei	337,338	0%
	Director	Chuo Xiuyu	1,077,956	1%
	Supervisor	Representative of HIWIN Technologies Corp.: Wu Yueqin	138,838,559	65%
	Supervisor	Liao Kehuang	88,503	0%
HIWIN Italy	Chairman	Representative of HIWIN Technologies Corp.: Chuo Wenheng	Note 1	100%
	General Manager	Yang Chuangbao	-	-
Hiwin Singapore Pte. Ltd.	Chairman	Representative of HIWIN Technologies Corp.: Eric Y. T. Chuo	5,000,000	100%
	Director	Chuo Wenheng, You Kaisheng, Chen Yongxiang	-	-
	General Manager	Chen Yongxiang	-	-
Hiwin CorpORation, South Korea	Chairman	Representative of HIWIN Technologies Corp.: Eric Y. T. Chuo	1,440,000	100%
	Directors	Chuo Wenheng, You Kaisheng	-	-
	Supervisor	Lin Yifeng	-	-
	General Manager	Yang Shengzhi	-	-
Hiwin China	Chairman	Representative of HIWIN Technologies Corp.: Eric Y. T. Chuo	Note 1	100%
	Directors	Tsai Huichin, You Kaisheng	-	-
	Supervisor	Lin Yifeng	-	-
	General Manager	Peng Yanqi	-	-
Luren Precision	Chairman	Representative of HIWIN Technologies Corp.: Eric Y. T. Chuo	11,651,778	48%
	Director	Representative of HIWIN Technologies Corp.: Song Xiande		
	Director	Representative of HIWIN Technologies Corp.: Tsai Huichin		
	Director	Taiwan Gong Ji Chang Co., Ltd.	329,504	1%
	Director	All Horng Gear Industry Co., LTD.	1,386,066	6%
	Director	Chen Shirui	642,000	3%
	Director	Chuo Wenheng	-	-
	Supervisor	Zengda Investment Co., Ltd.	1,413,498	6%
	Supervisor	Xu Yujun	286,233	1%
	General Manager	Chen Shirui	642,000	3%

Hiwin Healthcare Corp.	Chairman	Tsai Huichin	100,000	100%
Luren Precision(Japan)	President	Chen Shirui	500	100%
	Vice President	Lin Tianfa		
Luren Precision Chicago Co.,Ltd	Chairman	Chen Shirui	460,000	100%
	General Manager	Guo Zhiwei		
Luren Precision Shanghai	Chairman	Chen Shirui	Note 1	100%
	General Manager	Hong Qixiong		

Note 1: unissued shares.

Note 2: data as of April 30, 2018

## (vi) Business Status of Affiliates

Unit: NTD Thousands

Company Name	Paid-in Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit (Loss)	Profit (Loss) of the Current Period	Earnings per Share (NT\$)
Hiwin CorpoRation, U.S.A	303,495	984,212	540,044	444,168	1,046,183	54,115	30,373	14.14
Hiwin Germany GmbH	452,797	2,285,198	890,972	1,394,226	2,571,402	146,219	131,287	Note 1
Luren Precision, Japan	121,676	697,192	618,454	78,738	1,170,696	(8,913)	(11,406)	(210.44)
Eterbright Solar Corporation	2,148,686	2,087,278	1,476,921	610,357	266,298	(726,023)	(1,241,729)	(5.78)
HIWIN Italy	309,254	584,689	514,117	70,572	659,518	(30,348)	(30,050)	Note 1
Hiwin Singapore Pte. Ltd.	117,550	62,445	71,932	(9,487)	104,664	(28,628)	(25,355)	(5.07)
Hiwin CorpoRation, South Korea	202,945	203,147	148,353	54,794	293,291	(40,543)	(27,783)	(19.29)
Hiwin China	1,498,040	2,845,141	1,198,655	1,646,486	1,592,343	168,650	160,100	Note 1
Luren Precision	241,471	1,256,544	1,073,969	182,575	637,982	(28,471)	(70,310)	(2.91)
Hiwin Healthcare Corp., Samoa	3,108	2,904	-	2,904	23,891	(54)	(44)	(0.44)
Luren Precision, Japan	7,956	11,498	12,529	(1,031)	30,731	(2,712)	(2,772)	(5,543.80)
Luren Precision Shanghai	14,721	5,381	15,348	(9,967)	15,881	(10,381)	(13,580)	(29.52)
Luren Precision Shanghai	14,047	24,442	34,166	(9,724)	100,108	(3,337)	(4,249)	Note 1

Note 1: unissued shares.

Note 2: If the Affiliates are foreign companies, convert the related figures to NT\$ at the rate on the report day:

	Closing Rate	Average Rate
1 USD:	NT\$ 27.760	NT\$ 30.432
1 EUR:	NT\$ 35.57	NT\$ 34.35
1 JPY:	NT\$ 0.2642	NT\$ 0.2713
1 SDG:	NT\$ 22.26	NT\$ 22.04
1 KRW:	NT\$ 0.02812	NT\$ 0.02713
1 CNY:	NT\$ 4.565	NT\$ 4.507

Note 3: the base date of the financial information of Affiliates' business status is Dec. 31, 2017.

(vii) Consolidated Financial Statements of Affiliates: Please refer to Appendix i.

(viii) Related Reports: None.

**ii. Private Placement of Securities during the Past Year and up to the Annual Report Publication Date: None.**

**iii. Holding or Disposal of Stocks of the Company by Subsidiaries in the Past Year and up to the Annual Report Publication Date: None.**

**iv. Other Necessary Supplemental Information: None.**

**v. Events Having Significant Impacts on Shareholders' Equity or Security Price According to Article 36.2.2 of Securities Exchange Act in the Past Year and up to the Issuance of Annual Report: None.**