

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2022
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number 001-33383



Super Micro Computer, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

77-0353939
(I.R.S. Employer
Identification No.)

980 Rock Avenue
San Jose, CA 95131
(Address of principal executive offices, including zip code)
(408) 503-8000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	SMCI	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2022 there were 52,922,886 shares of the registrant's common stock, \$0.001 par value, outstanding, which is the only class of common stock of the registrant issued.

SUPER MICRO COMPUTER, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022

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Unless the context requires otherwise, the words "Super Micro," "Supermicro," "we," "Company," "us" and "our" in this document refer to Super Micro Computer, Inc. and where appropriate, our wholly owned subsidiaries. Supermicro, the Company logo and our other registered or common law trademarks, service marks, or trade names appearing in this Quarterly Report on Form 10-Q are the property of Super Micro Computer, Inc. or its affiliates. Other trademarks, service marks, or trade names appearing in this Quarterly Report on Form 10-Q are the property of their respective owners.

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

SUPER MICRO COMPUTER, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)
(unaudited)

	September 30, 2022	June 30, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 238,268	\$ 267,397
Accounts receivable, net of allowance for credit losses of \$510 and \$1,753 at September 30, 2022 and June 30, 2022, respectively (including accounts receivable from related parties of \$10,249 and \$8,398 at September 30, 2022 and June 30, 2022, respectively)	736,312	834,513
Inventories	1,736,055	1,545,606
Prepaid expenses and other current assets (including receivables from related parties of \$34,551 and \$24,412 at September 30, 2022 and June 30, 2022, respectively)	169,245	158,799
Total current assets	2,879,880	2,806,315
Investment in equity investee	4,352	5,329
Property, plant and equipment, net	290,752	285,972
Deferred income taxes, net	89,155	69,929
Other assets	37,144	37,532
Total assets	\$ 3,301,283	\$ 3,205,077
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable (including amounts due to related parties of \$94,029 and \$87,355 at September 30, 2022 and June 30, 2022, respectively)	\$ 785,025	\$ 655,403
Accrued liabilities (including amounts due to related parties of \$28,261 and \$18,676 at September 30, 2022 and June 30, 2022, respectively)	213,521	212,419
Income taxes payable	68,411	41,743
Short-term debt	101,173	449,146
Deferred revenue	185,225	111,313
Total current liabilities	1,353,355	1,470,024
Deferred revenue, non-current	134,625	122,548
Long-term debt	148,551	147,618
Other long-term liabilities	39,549	39,140
Total liabilities	1,676,080	1,779,330
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock and additional paid-in capital, \$0.001 par value		
Authorized shares: 100,000; Outstanding shares: 52,851 and 52,311 at September 30, 2022 and June 30, 2022, respectively		
Issued shares: 52,851 and 52,311 at September 30, 2022 and June 30, 2022, respectively	497,183	481,741
Accumulated other comprehensive income	514	911
Retained earnings	1,127,339	942,923
Total Super Micro Computer, Inc. stockholders' equity	1,625,036	1,425,575
Noncontrolling interest	167	172
Total stockholders' equity	1,625,203	1,425,747
Total liabilities and stockholders' equity	\$ 3,301,283	\$ 3,205,077

See accompanying notes to condensed consolidated financial statements.

SUPER MICRO COMPUTER, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended September 30,	
	2022	2021
Net sales (including related party sales of \$25,055 and \$30,922 in the three months ended September 30, 2022 and 2021, respectively)	\$ 1,852,130	\$ 1,032,730
Cost of sales (including related party purchases of \$96,536 and \$87,687 in the three months ended September 30, 2022 and 2021, respectively)	1,504,595	894,591
Gross profit	347,535	138,139
Operating expenses:		
Research and development	74,243	65,143
Sales and marketing	29,363	21,624
General and administrative	23,806	22,244
Total operating expenses	127,412	109,011
Income from operations	220,123	29,128
Other income, net	8,054	50
Interest expense	(3,938)	(804)
Income before income tax provision	224,239	28,374
Income tax provision	(38,934)	(3,325)
Share of (loss) income from equity investee, net of taxes	(889)	388
Net income	\$ 184,416	\$ 25,437
Net income per common share:		
Basic	\$ 3.51	\$ 0.50
Diluted	\$ 3.35	\$ 0.48
Weighted-average shares used in the calculation of net income per common share:		
Basic	52,598	50,796
Diluted	55,017	52,916

See accompanying notes to condensed consolidated financial statements.

SUPER MICRO COMPUTER, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended September 30,	
	2022	2021
Net income	\$ 184,416	\$ 25,437
Other comprehensive loss, net of tax:		
Foreign currency translation loss	(397)	(4)
Total other comprehensive (loss), net of tax	(397)	(4)
Total comprehensive income	<u>\$ 184,019</u>	<u>\$ 25,433</u>

See accompanying notes to condensed consolidated financial statements.

SUPER MICRO COMPUTER, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)
(unaudited)

	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount				
<i>Three Months Ended September 30, 2022</i>						
Balance at June 30, 2022	52,311,014	\$ 481,741	\$ 911	\$ 942,923	\$ 172	\$ 1,425,747
Exercise of stock options, net of taxes	405,226	8,144	—	—	—	8,144
Release of common stock shares upon vesting of restricted stock units	193,532	—	—	—	—	—
Shares withheld for the withholding tax on vesting of restricted stock units	(58,303)	(3,716)	—	—	—	(3,716)
Stock-based compensation	—	11,014	—	—	—	11,014
Other comprehensive loss	—	—	(397)	—	—	(397)
Net income (loss)	—	—	—	184,416	(5)	184,411
Balance at September 30, 2022	<u>52,851,469</u>	<u>\$ 497,183</u>	<u>\$ 514</u>	<u>\$ 1,127,339</u>	<u>\$ 167</u>	<u>\$ 1,625,203</u>

	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount				
<i>Three Months Ended September 30, 2021</i>						
Balance at June 30, 2021	50,582,078	\$ 438,012	\$ 453	\$ 657,760	\$ 173	\$ 1,096,398
Exercise of stock options, net of taxes	370,066	6,018	—	—	—	6,018
Release of common stock shares upon vesting of restricted stock units	173,771	—	—	—	—	—
Shares withheld for the withholding tax on vesting of restricted stock units	(54,071)	(2,069)	—	—	—	(2,069)
Stock-based compensation	—	7,015	—	—	—	7,015
Other comprehensive loss	—	—	(4)	—	—	(4)
Net income	—	—	—	25,437	3	25,440
Balance at September 30, 2021	<u>51,071,844</u>	<u>\$ 448,976</u>	<u>\$ 449</u>	<u>\$ 683,197</u>	<u>\$ 176</u>	<u>\$ 1,132,798</u>

See accompanying notes to condensed consolidated financial statements.

SUPER MICRO COMPUTER, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended September 30,	
	2022	2021
OPERATING ACTIVITIES:		
Net income	\$ 184,416	\$ 25,437
Reconciliation of net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,547	7,548
Stock-based compensation expense	11,014	7,015
Allowance (recovery) for credit losses	233	(124)
Provision for excess and obsolete inventories	9,625	3,478
Share of loss (income) from equity investee	889	(388)
Foreign currency exchange (gain) loss	(9,203)	45
Deferred income taxes, net	(19,226)	19
Other	(306)	5
Changes in operating assets and liabilities:		
Accounts receivable, net (including changes in related party balances of \$(1,851) and \$(5,315) during the three months ended September 30, 2022 and 2021, respectively)	94,855	5,859
Inventories	(200,074)	(147,087)
Prepaid expenses and other assets (including changes in related party balances of \$(10,139) and \$(2,446) during the three months ended September 30, 2022 and 2021, respectively)	(11,991)	6,109
Accounts payable (including changes in related party balances of \$6,674 and \$7,658 during the three months ended September 30, 2022 and 2021, respectively)	132,302	(54,343)
Income taxes payable	26,668	1,532
Deferred revenue	85,989	13,115
Accrued liabilities (including changes in related party balances of \$9,585 and \$1,575 during the three months ended September 30, 2022 and 2021, respectively)	8	(1,330)
Other long-term liabilities (including changes in related party balances of \$(105) and \$0 during the three months ended September 30, 2022 and 2021, respectively)	(159)	(1,461)
Net cash provided by (used in) operating activities	<u>313,587</u>	<u>(134,571)</u>
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment (including payments to related parties of \$729 and \$400 during the three months ended September 30, 2022 and 2021, respectively)	(10,746)	(10,802)
Investment in a privately-held company	—	(1,100)
Net cash used in investing activities	<u>(10,746)</u>	<u>(11,902)</u>
FINANCING ACTIVITIES:		
Proceeds from borrowings	79,141	269,806
Repayment of debt	(414,737)	(89,476)
Proceeds from exercise of stock options, net of taxes	8,144	6,018
Payment of withholding tax on vesting of restricted stock units	(3,716)	(2,069)
Other	(15)	(17)
Net cash (used in) provided by financing activities	<u>(331,183)</u>	<u>184,262</u>
Effect of exchange rate fluctuations on cash	(1,472)	(11)
Net (decrease) increase in cash, cash equivalents and restricted cash	(29,813)	37,778
Cash, cash equivalents and restricted cash at the beginning of the period	268,559	233,449
Cash, cash equivalents and restricted cash at the end of the period	<u>\$ 238,746</u>	<u>\$ 271,227</u>

Supplemental disclosure of cash flow information:

Cash paid for interest	\$	4,076	\$	508
Cash paid for taxes, net of refunds	\$	27,274	\$	2,732

Non-cash investing and financing activities:

Unpaid property, plant and equipment purchases (including due to related parties of \$3,782 and \$1,360 as of September 30, 2022 and 2021, respectively)	\$	6,599	\$	13,063
Right of use ("ROU") assets obtained in exchange for operating lease commitments	\$	750	\$	6,119

See accompanying notes to condensed consolidated financial statements.

SUPER MICRO COMPUTER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Significant Accounting Policies and Estimates

No material changes have been made to the significant accounting policies of Super Micro Computer, Inc., a corporation incorporated under the laws of Delaware, and its consolidated entities (together, the "Company"), disclosed in Part II, Item 8, Note 1, "Organization and Summary of Significant Accounting Policies," in its Annual Report on Form 10-K, filed on August 29, 2022, for the year ended June 30, 2022. Management's estimates take into consideration, as applicable, general macroeconomic conditions, inflation, changes in interest rates and geopolitical events.

Basis of Presentation

The unaudited condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations.

The unaudited condensed consolidated financial statements included herein reflect all adjustments, including normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the consolidated financial position, results of operations and cash flows for the periods presented. The consolidated results of operations for the three months ended September 30, 2022 are not necessarily indicative of the results that may be expected for future quarters or for the fiscal year ending June 30, 2023.

Concentration of Supplier Risk

Certain materials used by the Company in the manufacturing of its products are available from a limited number of suppliers. Shortages could occur in these materials due to an interruption of supply or increased demand in the industry. Two suppliers accounted for 16.1% and 25.7% of total purchases for the three months ended September 30, 2022, and two suppliers accounted for 20.1% and 6.3% of total purchases for the three months ended September 30, 2021. Purchases from Ablecom, and Compuware, related parties of the Company (see Part I, Item 1, Note 8, "Related Party Transactions") accounted for a combined 6.4% and 9.6% of total cost of sales for the three months ended September 30, 2022 and 2021, respectively.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents, restricted cash, investment in an auction rate security and accounts receivable. One customer accounted for 21.9% of the net sales for the three months ended September 30, 2022 and no single customer accounted for 10% or more of the net sales for the three months ended September 30, 2021. Two customers accounted for greater than 10% of the Company's accounts receivable, net as of September 30, 2022 which accounted for 11.0% and 10.3%. One customer accounted for 21.7% of the Company's accounts receivable, net as of June 30, 2022.

Accounting Pronouncements Recently Adopted

There were no new pronouncements recently adopted.

SUPER MICRO COMPUTER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued authoritative guidance, Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The new guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. The guidance also establishes (1) a general contract modification principle that entities can apply in other areas that may be affected by reference rate reform and (2) certain elective hedge accounting expedients. The amendments in this update do not apply to contract modifications made after December 31, 2022, new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022, except for hedging relationships existing as of December 31, 2022 that apply certain optional expedients in which the accounting effects are recorded through the end of the hedging relationship. The amendments are effective for all entities through December 31, 2022. In January 2021, the FASB issued further guidance on this topic, which clarified the scope and application of the original guidance. In April 2022, FASB issued a proposed accounting standard update for the deferral of the sunset date of Topic 848 and amendments to the definition of secured overnight financing rate ("SOFR"). The proposed amendment defers the sunset date of Topic 848 to December 31, 2024. The Company has loans and lines of credit with various financial institutions. Benchmark interest rates are used to calculate the interest on borrowings under the Chang Hwa Bank, CTBC, HSBC, Mega Bank Credit Facilities. LIBOR was used to calculate the interest on borrowings under the Company's 2018 Bank of America Credit Facility and E.SUN Credit Facility. The 2018 Bank of America Credit Facility was amended on June 28, 2021 to provide for a new maturity date of June 28, 2026 and fallback terms related to LIBOR replacement mechanics. On March 3, 2022, the 2018 Bank of America Credit Facility was amended to, among other items, increase the size of the facility from \$200.0 million to \$350.0 million and update provisions relating to payments and LIBOR replacement mechanics to SOFR. As these amendments had other contemporaneous changes to the facility, including the amount of borrowings permitted under the facility and not just directly related to LIBOR replacement, optional expedients under this guidance cannot be elected. The Company is currently evaluating the overall impact of the adoption of this guidance and does not expect it to have material impact on its consolidated financial statements and disclosures.

Note 2. Revenue

Disaggregation of Revenue

The Company disaggregates revenue by type of product and by the geographical market in order to depict the nature, amount, and timing of revenue and cash flows. Service revenues, which are less than 10%, are not a significant component of total revenue, and are aggregated within the respective categories.

The following is a summary of net sales by product type (in thousands):

	Three Months Ended September 30,	
	2022	2021
Server and storage systems	\$ 1,713,056	\$ 849,856
Subsystems and accessories	139,074	182,874
Total	<u>\$ 1,852,130</u>	<u>\$ 1,032,730</u>

Server and storage systems constitute an assembly and integration of subsystems and accessories, and related services. Subsystems and accessories are comprised of server boards, chassis and accessories.

SUPER MICRO COMPUTER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

International net sales are based on the country and geographic region to which the products were shipped. The following is a summary for the three months ended September 30, 2022 and 2021, of net sales by geographic region (in thousands):

	Three Months Ended September 30,	
	2022	2021
United States	\$ 1,295,504	\$ 560,948
Asia	270,024	263,086
Europe	235,074	179,694
Other	51,528	29,002
Total	<u>\$ 1,852,130</u>	<u>\$ 1,032,730</u>

Contract Balances

Generally, the payment terms of the Company's offerings range from 30 to 60 days. In certain instances, customers may prepay for products and services in advance of delivery. Receivables relate to the Company's unconditional right to consideration for performance obligations either partially or fully completed.

Contract assets are rights to consideration in exchange for goods or services that the Company has transferred to a customer when such right is conditional on something other than the passage of time. Such contract assets are insignificant to the Company's condensed consolidated financial statements.

Contract liabilities consist of deferred revenue and relate to amounts invoiced to or advance consideration received from customers, which precede the Company's satisfaction of the associated performance obligations. The Company's deferred revenue primarily results from customer payments received upfront for extended warranties and on-site services because these performance obligations are satisfied over time. Additionally, at times, deferred revenue may fluctuate due to the timing of advance consideration received from non-cancellable non-refundable contract liabilities relating to the sale of future products. Revenue recognized during the three months ended September 30, 2022, which was included in the deferred revenue balance as of June 30, 2022, of \$233.8 million, was \$33.5 million.

Deferred revenue increased \$86.0 million as of September 30, 2022 as compared to the fiscal year ended June 30, 2022 of which \$69.6 million was due to the increase in non-cancellable non-refundable advance consideration or cash consideration received from customers which preceded the Company's satisfaction of the associated performance obligations relating to product sales expected to be fulfilled in the next 12 months.

Transaction Price Allocated to the Remaining Performance Obligations

Remaining performance obligations represent in aggregate the amount of transaction price that has been allocated to performance obligations not delivered, or only partially delivered, as of the end of the reporting period. The Company applies the exemption to not disclose information about remaining performance obligations that are part of a contract that has an original expected duration of one year or less. These performance obligations generally consist of services, such as on-site services, including integration services and extended warranty services that are contracted for one year or less, and products for which control has not yet been transferred. The value of the transaction price allocated to remaining performance obligations as of September 30, 2022 was \$319.8 million. The Company expects to recognize approximately 58% of remaining performance obligations as revenue in the next 12 months, and the remainder thereafter.

SUPER MICRO COMPUTER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Capitalized Contract Acquisition Costs and Fulfillment Cost

Contract acquisition costs are those incremental costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Contract acquisition costs consist primarily of incentive bonuses. Contract acquisition costs are considered incremental and recoverable costs of obtaining and fulfilling a contract with a customer and are therefore capitalizable. The Company applies the practical expedient to expense incentive bonus costs as incurred if the amortization period would be one year or less, generally upon delivery of the associated server and storage systems or components. Where the amortization period of the contract cost would be more than a year, the Company applies judgment in the allocation of the incentive bonus cost asset between hardware and service performance obligations and expenses the cost allocated to the hardware performance obligations upon delivery of associated server and storage systems or components and amortizes the cost allocated to service performance obligations over the period the services are expected to be provided. Contract acquisition costs allocated to service performance obligations that are subject to capitalization are insignificant to the Company's condensed consolidated financial statements.

Contract fulfillment costs consist of costs paid in advance for outsourced services provided by third parties to the extent they are not in the scope of other guidance. Fulfillment costs paid in advance for outsourced services provided by third parties are capitalized and amortized over the period the services are expected to be provided. Such fulfillment costs are insignificant to the Company's condensed consolidated financial statements.

Note 3. Net Income Per Common Share

The following table shows the computation of basic and diluted net income per common share for the three months ended September 30, 2022 and 2021 (in thousands, except per share amounts):

	Three Months Ended September 30,	
	2022	2021
Numerator:		
Net income	\$ 184,416	\$ 25,437
Denominator:		
Weighted-average shares outstanding	52,598	50,796
Effect of dilutive securities	2,419	2,120
Weighted-average diluted shares	55,017	52,916
Basic net income per common share	\$ 3.51	\$ 0.50
Diluted net income per common share	\$ 3.35	\$ 0.48

For the three months ended September 30, 2022 and 2021, the Company had stock options, restricted stock units ("RSUs") and performance based restricted stock units ("PRSUs") outstanding that could potentially dilute basic earnings per share in the future, but were excluded from the computation of diluted net income per share in the periods presented, as their effect would have been anti-dilutive. The anti-dilutive common share equivalents resulting from outstanding equity awards were 307,395 and 694,211 for the three months ended September 30, 2022 and 2021, respectively.

SUPER MICRO COMPUTER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Note 4. Balance Sheet Components

The following tables provide details of the selected balance sheet items (in thousands):

Inventories:

	September 30, 2022	June 30, 2022
Finished goods	\$ 1,096,811	\$ 1,025,555
Work in process	333,092	209,576
Purchased parts and raw materials	306,152	310,475
Total inventories	<u>\$ 1,736,055</u>	<u>\$ 1,545,606</u>

During the three months ended September 30, 2022 and 2021, the Company recorded a net provision for excess and obsolete inventory to cost of sales totaling \$9.6 million and \$3.5 million, respectively. The Company classifies subsystems and accessories that may be sold separately or incorporated into systems as finished goods.

Prepaid Expenses and Other Current Assets:

	September 30, 2022	June 30, 2022
Other receivables ⁽¹⁾	\$ 150,082	\$ 138,054
Prepaid expenses	7,534	5,632
Deferred service costs	6,113	5,562
Prepaid income tax	—	2,352
Restricted cash	—	251
Others	5,516	6,948
Total prepaid expenses and other current assets	<u>\$ 169,245</u>	<u>\$ 158,799</u>

(1) Other receivables are receivables from contract manufacturers based on certain buy-sell arrangements of \$120.3 million and \$98.9 million as of September 30, 2022 and June 30, 2022, respectively.

Cash, Cash equivalents and Restricted cash:

	September 30, 2022	June 30, 2022
Cash and cash equivalents	\$ 238,268	\$ 267,397
Restricted cash included in prepaid expenses and other current assets	—	251
Restricted cash included in other assets	478	911
Total cash, cash equivalents and restricted cash	<u>\$ 238,746</u>	<u>\$ 268,559</u>

SUPER MICRO COMPUTER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Property, Plant, and Equipment:

	September 30, 2022	June 30, 2022
Buildings	\$ 143,496	\$ 143,509
Machinery and equipment	119,978	113,665
Land	84,616	84,616
Furniture and fixtures	47,600	43,282
Building and leasehold improvements	45,709	45,169
Software	23,273	23,186
Building construction in progress	303	303
	<u>464,975</u>	<u>453,730</u>
Accumulated depreciation and amortization	(174,223)	(167,758)
Property, plant and equipment, net	<u>\$ 290,752</u>	<u>\$ 285,972</u>

Other Assets:

	September 30, 2022	June 30, 2022
Operating lease right-of-use asset	\$ 22,497	\$ 23,679
Deferred service costs, non-current	7,518	6,316
Prepaid expense, non-current	1,949	2,011
Investment in auction rate security	1,590	1,590
Deposits	1,215	1,069
Restricted cash, non-current	478	911
Others	1,897	1,956
Total other assets	<u>\$ 37,144</u>	<u>\$ 37,532</u>

Accrued Liabilities:

	September 30, 2022	June 30, 2022
Accrued payroll and related expenses	\$ 48,779	\$ 57,736
Contract manufacturers liabilities	48,579	41,125
Customer deposits	35,099	30,421
Accrued legal liabilities (Note 11)	18,250	18,250
Accrued cooperative marketing expenses	9,722	8,757
Accrued warranty costs	8,540	9,073
Operating lease liability	6,960	7,139
Accrued professional fees	3,130	4,281
Others	34,461	35,637
Total accrued liabilities	<u>\$ 213,521</u>	<u>\$ 212,419</u>

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Performance Awards Liability

In March 2020, the Board of Directors (the “Board”) approved performance bonuses for the Chief Executive Officer, a senior executive and two members of the Board, which payments will be earned when specified market and performance conditions are achieved.

The Chief Executive Officer’s total cash bonus opportunity was \$8.1 million, divided into two equal tranches. Each tranche would be earned if the average closing price for the Company’s common stock reached specified targets. The Board retained the flexibility to reduce the amount payable under the first tranche (but not the second tranche) based on performance goals. Both price targets were reached during the fiscal year ended June 30, 2021, and the second tranche totaled \$4.0 million was paid in full. As of June 30, 2021, the Company also expected it would likely pay the first tranche in full, and therefore recorded an expense of \$3.6 million since March 2020 relating to the first tranche.

In September 2021, after the Company had closed its books for the year ended June 30, 2021, the Board decided to exercise its discretion to reduce the amount to be paid to the Chief Executive Officer for the first tranche to \$2.0 million, which was paid in the quarter ended December 31, 2021. As a result of the Board’s decision to reduce the amount to be paid under the first tranche, the Company adjusted the \$3.6 million expense previously recorded for the first tranche to the new amount of \$2.0 million, which resulted in the Company recognizing a \$1.6 million benefit from this adjustment during the quarter ended September 30, 2021. This performance award to the Chief Executive Officer was concluded in the year ended June 30, 2022. As such, there is no further transaction thereafter. The benefit recognized during the three months ended September 30, 2022 and 2021 was none and \$1.6 million, respectively.

Other Long-term Liabilities:

	September 30, 2022	June 30, 2022
Accrued unrecognized tax benefits including related interests and penalties, non-current	\$ 19,686	\$ 18,866
Operating lease liability, non-current	15,218	16,661
Accrued warranty costs, non-current	4,163	3,064
Other	482	549
Total other long-term liabilities	\$ 39,549	\$ 39,140

Product Warranties:

	Three Months Ended September 30,	
	2022	2021
Balance, beginning of the period	\$ 12,136	\$ 12,863
Provision for warranty	8,617	6,386
Costs utilized	(8,473)	(7,199)
Change in estimated liability for pre-existing warranties	423	183
Balance, end of the period	12,703	12,233
Current portion	8,540	9,532
Non-current portion	\$ 4,163	\$ 2,701

Note 5. Fair Value Disclosure

The financial instruments of the Company measured at fair value on a recurring basis are included in cash equivalents, other assets and accrued liabilities. The Company classifies its financial instruments, except for its investment in an auction rate security, within Level 1 or Level 2 in the fair value hierarchy because the Company uses quoted prices in active markets or alternative pricing sources and models using market observable inputs to determine their fair value.

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The Company's investment in an auction rate security is classified within Level 3 of the fair value hierarchy as the determination of its fair value was not based on observable inputs as of September 30, 2022 and June 30, 2022. The Company is using the discounted cash flow method to estimate the fair value of the auction rate security at each period end and the following assumptions: (i) the expected yield based on observable market rate of similar securities, (ii) the security coupon rate that is reset monthly, (iii) the estimated holding period and (iv) a liquidity discount. The liquidity discount assumption is based on the management estimate of lack of marketability discount of similar securities and is determined based on the analysis of financial market trends over time, recent redemptions of securities and other market activities.

Financial Assets and Liabilities Measured on a Recurring Basis

The following table sets forth the Company's financial instruments as of September 30, 2022 and June 30, 2022, which are measured at fair value on a recurring basis by level within the fair value hierarchy. These are classified based on the lowest level of input that is significant to the fair value measurement (in thousands):

<u>September 30, 2022</u>	Level 1	Level 2	Level 3	Asset at Fair Value
<i>Assets</i>				
Money market funds ⁽¹⁾	\$ 20,550	\$ —	\$ —	\$ 20,550
Certificates of deposit ⁽²⁾	—	553	—	553
Auction rate security	—	—	1,590	1,590
Total assets measured at fair value	\$ 20,550	\$ 553	\$ 1,590	\$ 22,693

<u>June 30, 2022</u>	Level 1	Level 2	Level 3	Asset at Fair Value
<i>Assets</i>				
Money market funds ⁽¹⁾	\$ 20,220	\$ —	\$ —	\$ 20,220
Certificates of deposit ⁽²⁾	—	832	—	832
Auction rate security	—	—	1,590	1,590
Total assets measured at fair value	\$ 20,220	\$ 832	\$ 1,590	\$ 22,642

(1) \$20.4 million and \$20.0 million in money market funds are included cash and cash equivalents and \$0.2 million and \$0.2 million in money market funds are included in restricted cash, non-current in other assets in the condensed consolidated balance sheets as of September 30, 2022 and June 30, 2022, respectively.

(2) \$0.2 million and \$0.2 million in certificates of deposit are included in cash and cash equivalents, \$0.1 million and \$0.3 million in certificates of deposit are included in prepaid expenses and other assets, and \$0.3 million and \$0.3 million in certificates of deposit are included in restricted cash, non-current in other assets in the condensed consolidated balance sheets as of September 30, 2022 and June 30, 2022, respectively.

On a quarterly basis, the Company also evaluates the current expected credit loss by considering factors such as historical experience, market data, issuer-specific factors, and current economic conditions. For the three months ended September 30, 2022, the credit losses related to the Company's investments were not significant.

There was no movement in the balances of the Company's financial assets measured at fair value on a recurring basis, consisting of investment in an auction rate security, using significant unobservable inputs (Level 3) for the three months ended September 30, 2022 and 2021.

There were no transfers between Level 1, Level 2 or Level 3 financial instruments in the three months ended September 30, 2022 and 2021.

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The following is a summary of the Company's investment in an auction rate security as of September 30, 2022 and June 30, 2022 (in thousands):

	Cost Basis	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Auction rate security	\$ 1,750	\$ —	\$ (160)	\$ 1,590

No gain or loss was recognized in other comprehensive income for the auction rate security for the three months ended September 30, 2022 and 2021.

The Company measures the fair value of outstanding debt for disclosure purposes on a recurring basis. As of September 30, 2022 and June 30, 2022, total debt of \$249.7 million and \$596.8 million, respectively, was reported at amortized cost. This outstanding debt was classified as Level 2 as it was not actively traded. The amortized cost of the outstanding debt approximates the fair value.

Other Financial Assets - Investments into Non-Marketable Equity Securities

The Company's non-marketable equity securities are investments in privately held companies without readily determinable fair values in the amount of \$1.2 million as of September 30, 2022 and June 30, 2022. The Company accounts for these investments at cost less impairment, if any, plus or minus changes from observable price changes in orderly transactions for the identical or similar investments by the same issuer. During the three months ended September 30, 2022 and 2021, the Company did not record any upward or downward adjustments to the carrying values of the non-marketable equity securities related to observable price changes. The Company also did not record any impairment to the carrying values of the non-marketable equity securities during the three months ended September 30, 2022 and 2021.

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Note 6. Short-term and Long-term Debt

Short-term and long-term debt obligations as of September 30, 2022 and June 30, 2022 consisted of the following (in thousands):

	September 30, 2022	June 30, 2022
Line of credit:		
2018 Bank of America Credit Facility	\$ 60,284	\$ 268,245
2022 Bank of America Credit Facility	—	9,500
Cathay Bank Line of Credit	—	30,000
2021 CTBC Credit Lines	—	84,800
HSBC Bank Credit Facility	11,000	30,000
2021 E.SUN Bank Credit Facility	9,000	7,800
Mega Bank Credit Facility	—	3,500
Total line of credit	80,284	433,845
Term loan facilities:		
Chang Hwa Bank Credit Facility due October 15, 2026	31,487	33,643
CTBC Bank term loan, due June 4, 2030	37,785	40,372
2021 CTBC Credit Lines, due August 15, 2026	5,706	5,468
2021 E.SUN Bank Credit Facility, due September 15, 2026	40,304	43,064
2022 ESUN Bank Credit Facility, due August 15, 2027	16,373	—
Mega Bank Credit Facility, due September 15, 2026	37,785	40,372
Total term loans	169,440	162,919
Total debt	249,724	596,764
Short-term debt and current portion of long-term debt	101,173	449,146
Debt, non-current	\$ 148,551	\$ 147,618

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Activities under Revolving Lines of Credit and Term Loans

Available borrowings and interest rates as of September 30, 2022 and June 30, 2022 consisted of the following (in thousands except for percentages):

Line of credit:	September 30, 2022		June 30, 2022	
	Available borrowings	Interest rate	Available borrowings	Interest rate
2018 Bank of America Credit Facility	\$ 289,716	4.03%	\$ 81,755	2.53%
2022 Bank of America Credit Facility	\$ 20,000	3.36%	\$ 10,500	1.85%
Cathay Bank Line of Credit	\$ 132,000	4.328%	\$ 102,000	4.004%
2021 CTBC Credit Lines	\$ 105,000	1.80% - 2.52%	\$ 20,200	1.80% - 2.52%
Chang Hwa Bank Credit Facility	\$ 20,000	5.14%	\$ 20,000	3.50%
HSBC Bank Credit Facility	\$ 19,000	3.84%	\$ —	1.95% - 2.20%
2021 E.SUN Bank Credit Facility	\$ —	1.81%	\$ 22,200	1.81%
2022 E.SUN Bank Credit Facility	\$ 21,000	4.18%	\$ —	—
Mega Bank Credit Facility	\$ 20,000	2.55%	\$ 16,500	1.85%
Term loan facilities:				
Chang Hwa Bank Credit Facility due October 15, 2026	\$ —	1.30%	\$ —	1.175%
CTBC Bank term loan, due June 4, 2030	\$ —	0.95%	\$ —	0.825%
2021 CTBC Credit Lines, due August 15, 2026	\$ 5,193	1.15%	\$ 6,308	1.025%
2021 E.SUN Bank Credit Facility, due September 15, 2026	\$ —	1.495%	\$ 10,766	1.37%
2022 ESUN Bank Credit Facility, due August 15, 2027	\$ —	1.495%	\$ —	—
Mega Bank Credit Facility, due September 15, 2026	\$ —	1.145% - 1.345%	\$ —	1.02% - 1.22%

The Company entered into a new General Credit Agreement with ESUN Bank during the three months ended September 30, 2022 with the following terms:

E.SUN Bank

2022 E.SUN Bank Credit Facility

On August 9, 2022 (the “New E.SUN Bank Effective Date”), the Company through its Taiwan subsidiary entered into a new General Credit Agreement with E.SUN Bank, which replaced the 2021 E.SUN Bank Credit Facility (the “New E.SUN Bank Credit Facility”). The New E.SUN Bank Credit Facility permits borrowings of up to (i) NTD 1.8 billion (\$61.0 million U.S. dollar equivalent) and (ii) US\$30.0 million. Other terms of the New E.SUN Bank Credit Facility are substantially identical to the Prior E.SUN Bank Credit Facility. Generally, interest for base rate loans made under the New E.SUN Bank Credit Facility are based upon an average interbank overnight call loan rate in the finance industry (such as TAIFX) plus a fixed margin, and is subject to occasional adjustment. The New E.SUN Bank Credit Facility has customary default provisions permitting E.SUN Bank to terminate or reduce the credit limit, shorten the credit period, or deem all liabilities due and payable, including in the event the Taiwan subsidiary has an overdue liability at another financial organization. The Company is not a guarantor of the New E.SUN Bank Credit Facility.

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Terms for specific drawdown instruments issued under the New E.SUN Bank Credit Facility, such as credit amount, term of use, mode of drawdown, specific lending rate, and other relevant terms, are to be set forth in Notifications and Confirmation of Credit Conditions (a “Notification and Confirmation”) negotiated with E.SUN Bank. Under a Notification and Confirmation entered into on the New E.SUN Bank Effective Date, the Subsidiary and E.SUN Bank have agreed to both a medium term credit loan of NTD 680.0 million (\$23.0 million U.S. dollar equivalent) with a tenor of five years (the “Medium Term Loan”) and a drawdown of US \$30.0 million under the E.SUN Bank Credit Facility for an import loan with a tenor of 120 days (the “Import O/A Loan”). With respect to the Medium Term Loan, the period of use is between April 28, 2022 and April 28, 2023. The interest rate thereunder is based upon a floating annual rate plus a fixed margin, subject to adjustment under certain circumstances. Interest payments are due on a monthly basis. Principal is amortized evenly on a monthly basis, with principal payments subject to a one year grace period prior to the commencement of repayment. The Medium Term Loan will be used by the Taiwan subsidiary to support its manufacturing activities (such as purchase of materials and components) (“Use of Proceeds”). Drawdowns may be in amounts of up to 80% of permitted Use of Proceeds expenses. The Subsidiary is subject to various financial covenants in connection with the Medium Term Loan, including a current ratio, net debt to equity ratio, and interest coverage ratio. The current Medium Term Loan and the prior medium term loan under the Prior E.SUN Bank Credit Facility shall not exceed in aggregate NTD 1.8 billion. With respect to the Import O/A Loan, the period of use is between April 28, 2022 and April 28, 2023. The interest rate thereunder is based on TAIFX3 plus a fixed margin, subject to negotiation on a monthly basis and adjustment under certain circumstances. Interest payments are due on a monthly basis, and principal is repayable on the due date. Neither the Medium Term Loan nor Import O/A loan are secured. As of September 30, 2022 the amount outstanding under the Import O/A Loan was \$16.4 million. The interest rate as of September 30, 2022 was 1.495% per annum. As of September 30, 2022 and June 30, 2022, the amounts outstanding under the Import O/A Loan were \$9.0 million and \$7.8 million, respectively. The interest rate as of September 30, 2022 and June 30, 2022 was 4.18% and 1.81% per annum, respectively. As of September 30, 2022, the amount available for future borrowing under the Import O/A Loan was \$21.0 million.

Principal payments on short-term and long-term obligations are due as follows (in thousands):

Fiscal Year: Principal Payments

Remainder of 2023	\$	94,631
2024		37,660
2025		41,491
2026		41,491
2027		18,025
2028 and thereafter		16,426
Total short-term and long-term debt	\$	<u>249,724</u>

The Company is in compliance with all the covenants for the outstanding debt.

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Note 7. Leases

The Company leases offices, warehouses and other premises, vehicles and certain equipment leased under non-cancelable operating leases. Operating lease expense recognized and supplemental cash flow information related to operating leases for the three months ended September 30, 2022 and 2021 were as follows (in thousands):

	Three Months Ended September 30,	
	2022	2021
Operating lease expense (including expense for lease agreements with related parties of \$143 and \$246 for the three months ended September 30, 2022 and 2021, respectively)	\$ 2,110	\$ 2,182
Cash payments for operating leases (including payments to related parties of \$130 and \$279 for the three months ended September 30, 2022 and 2021, respectively)	\$ 2,038	\$ 2,205
New operating lease assets obtained in exchange for operating lease liabilities	\$ 750	\$ 6,119

During the three months ended September 30, 2022 and 2021, the Company's costs related to short-term lease arrangements for real estate and non-real estate assets were immaterial. Non-lease variable payments expensed in the three months ended September 30, 2022 and 2021 were immaterial.

As of September 30, 2022, the weighted average remaining lease term for operating leases was 3.6 years and the weighted average discount rate was 3.0%. Maturities of operating lease liabilities under noncancelable operating lease arrangements as of September 30, 2022 were as follows (in thousands):

Fiscal Year:	Maturities of operating leases	
2023	\$	5,828
2024		6,664
2025		6,252
2026		2,542
2027		1,563
2028 and beyond		535
Total future lease payments		23,384
Less: Imputed interest		(1,206)
Present value of operating lease liabilities	\$	22,178

As of September 30, 2022, commitments under short-term lease arrangements, and operating and financing leases that have not yet commenced were immaterial.

The Company has entered into lease agreements with related parties. See Part I, Item 1, Note 8, "Related Party Transactions," for a further discussion.

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Note 8. Related Party Transactions

The Company has a variety of business relationships with Ablecom and Compuware. Ablecom and Compuware are both Taiwan corporations. Ablecom is one of the Company's major contract manufacturers; Compuware is both a distributor of the Company's products and a contract manufacturer for the Company. Ablecom's Chief Executive Officer, Steve Liang, is the brother of Charles Liang, the Company's President, Chief Executive Officer and Chairman of the Board. Steve Liang and his family members owned approximately 28.8% of Ablecom's stock and Charles Liang and his spouse, Sara Liu, who is also an officer and director of the Company, collectively owned approximately 10.5% of Ablecom's capital stock as of September 30, 2022. Bill Liang, a brother of both Charles Liang and Steve Liang, is a member of the Board of Directors of Ablecom. Bill Liang is also the Chief Executive Officer of Compuware, a member of Compuware's Board of Directors and a holder of a significant equity interest in Compuware. Steve Liang is also a member of Compuware's Board of Directors and is an equity holder of Compuware. Neither Charles Liang nor Sara Liu own any capital stock of Compuware and the Company does not own any of Ablecom or Compuware's capital stock.

Dealings with Ablecom

The Company has entered into a series of agreements with Ablecom, including multiple product development, production and service agreements, product manufacturing agreements, manufacturing services agreements and lease agreements for warehouse space.

Under these agreements, the Company outsources to Ablecom a portion of its design activities and a significant part of its server chassis manufacturing as well as an immaterial portion of other components. Ablecom manufactured approximately 88.4% and 92.5% of the chassis included in the products sold by the Company during the three months ended September 30, 2022 and 2021, respectively. With respect to design activities, Ablecom generally agrees to design certain agreed-upon products according to the Company's specifications, and further agrees to build the tools needed to manufacture the products. The Company pays Ablecom for the design and engineering services, and further agrees to pay Ablecom for the tooling. The Company retains full ownership of any intellectual property resulting from the design of these products and tooling.

With respect to the manufacturing aspects of the relationship, Ablecom purchases most of materials needed to manufacture the chassis from third parties and the Company provides certain components used in the manufacturing process (such as power supplies) to Ablecom through consignment or sales transactions. Ablecom uses these materials and components to manufacture the completed chassis and then sell them back to the Company. For the components purchased from the Company, Ablecom sells the components back to the Company at a price equal to the price at which the Company sold the components to Ablecom. The Company and Ablecom frequently review and negotiate the prices of the chassis the Company purchases from Ablecom. In addition to inventory purchases, the Company also incurs other costs associated with design services, tooling and other miscellaneous costs from Ablecom.

The Company's exposure to financial loss as a result of its involvement with Ablecom is limited to potential losses on its purchase orders in the event of an unforeseen decline in the market price and/or demand of the Company's products such that the Company incurs a loss on the sale or cannot sell the products. Outstanding cancellable and non-cancellable purchase orders from the Company to Ablecom on September 30, 2022 were \$37.1 million and \$28.7 million, respectively, and outstanding cancellable and non-cancellable purchase orders from the Company to Ablecom on June 30, 2022 were \$39.5 million and \$36.0 million, respectively, effectively representing the exposure to financial loss. The Company does not directly or indirectly guarantee any obligations of Ablecom, or any losses that the equity holders of Ablecom may suffer. Since Ablecom manufactures substantially all the chassis that the Company incorporates into its products, if Ablecom were to suddenly be unable to manufacture chassis for the Company, the Company's business could suffer if the Company is unable to quickly qualify substitute suppliers who can supply high-quality chassis to the Company in volume and at acceptable prices.

Dealings with Compuware

The Company has entered into a distribution agreement with Compuware, under which the Company appointed Compuware as a non-exclusive distributor of the Company's products in Taiwan, China and Australia. Compuware assumes the responsibility to install the Company's products at the site of the end customer, if required, and administers customer support in exchange for a discount from the Company's standard price for its purchases.

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The Company also has entered into a series of agreements with Compuware, including multiple product development, production and service agreements, product manufacturing agreements, and lease agreements for office space.

Under these agreements, the Company outsources to Compuware a portion of its design activities and a significant part of its power supplies manufacturing as well as an immaterial portion of other components. With respect to design activities, Compuware generally agrees to design certain agreed-upon products according to the Company's specifications, and further agrees to build the tools needed to manufacture the products. The Company pays Compuware for the design and engineering services, and further agrees to pay Compuware for the tooling. The Company retains full ownership of any intellectual property resulting from the design of these products and tooling. With respect to the manufacturing aspects of the relationship, Compuware purchases most of materials needed to manufacture the power supplies from outside markets and uses these materials to manufacture the products and then sell those products to the Company. The Company and Compuware frequently review and negotiate the prices of the power supplies the Company purchases from Compuware.

Compuware also manufactures motherboards, backplanes and other components used on printed circuit boards for the Company. The Company sells to Compuware most of the components needed to manufacture the above products. Compuware uses the components to manufacture the products and then sells the products back to the Company at a purchase price equal to the price at which the Company sold the components to Compuware, plus a "manufacturing value added" fee and other miscellaneous material charges and costs including overhead and labor. The Company and Compuware frequently review and negotiate the amount of the "manufacturing value added" fee that will be included in the price of the products the Company purchases from Compuware. In addition to the inventory purchases, the Company also incurs costs associated with design services, tooling assets, and miscellaneous costs.

The Company's exposure to financial loss as a result of its involvement with Compuware is limited to potential losses on its purchase orders in the event of an unforeseen decline in the market price and/or demand of the Company's products such that the Company incurs a loss on the sale or cannot sell the products. Outstanding cancellable and non-cancellable purchase orders from the Company to Compuware on September 30, 2022 were \$198.9 million and \$69.0 million, respectively, and outstanding cancellable and non-cancellable purchase orders from the Company to Compuware on June 30, 2022 were \$213.3 million and \$44.3 million, respectively, effectively representing the exposure to financial loss. The Company does not directly or indirectly guarantee any obligations of Compuware, or any losses that the equity holders of Compuware may suffer.

Dealings with Investment in a Corporate Venture

In October 2016, the Company entered into agreements pursuant to which the Company contributed certain technology rights in connection with an investment in a privately-held company (the "Corporate Venture") located in China to expand the Company's presence in China. The Corporate Venture is 30% owned by the Company and 70% owned by another company in China. The transaction was closed in the third fiscal quarter of 2017 and the investment is accounted for using the equity method. As such, the Corporate Venture is also a related party.

The Company recorded a deferred gain related to the contribution of certain technology rights. As of September 30, 2022 and June 30, 2022, the Company had no unamortized deferred gain balance in accrued liabilities and none in other long-term liabilities in the Company's condensed consolidated balance sheets.

The Company monitors the investment for events or circumstances indicative of potential impairment and makes appropriate reductions in carrying values if it determines that an impairment charge is required. In June 2020, the third-party parent company that controls the Corporate Venture was placed on a U.S. government export control list, along with several of such third-party parent's related entities and a separate listing for one of its subsidiaries. The Corporate Venture is not itself a restricted party. The Company has concluded that the Corporate Venture is in compliance with the new restrictions. The Company does not believe that the equity investment carrying value is impacted as of September 30, 2022. No impairment charge was recorded for the three months ended September 30, 2022 or 2021.

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The Company sold products worth \$11.6 million and \$15.2 million to the Corporate Venture for the three months ended September 30, 2022 and 2021, respectively, and the Company's share of intra-entity profits on the products that remained unsold by the Corporate Venture as of September 30, 2022 and June 30, 2022 have been eliminated and have reduced the carrying value of the Company's investment in the Corporate Venture. To the extent that the elimination of intra-entity profits reduces the investment balance below zero, such amounts are recorded within accrued liabilities. The Company had \$9.4 million and \$8.0 million due from the Corporate Venture in accounts receivable, net as of September 30, 2022 and June 30, 2022, respectively.

The Company had the following balances related to transactions with its related parties as of September 30, 2022 and June 30, 2022 (in thousands):

	Ablecom		Compuware		Corporate Venture		Total	
	September 30, 2022	June 30, 2022	September 30, 2022	June 30, 2022	September 30, 2022	June 30, 2022	September 30, 2022	June 30, 2022
Accounts receivable	\$ 2	\$ 2	\$ 882	\$ 404	\$ 9,365	\$ 7,992	\$ 10,249	\$ 8,398
Other receivable ⁽¹⁾	\$ 3,540	\$ 4,816	\$ 31,011	\$ 19,596	\$ —	\$ —	\$ 34,551	\$ 24,412
Accounts payable	\$ 43,127	\$ 42,463	\$ 50,902	\$ 44,892	\$ —	\$ —	\$ 94,029	\$ 87,355
Accrued liabilities ⁽²⁾	\$ 1,999	\$ 3,531	\$ 26,262	\$ 15,145	\$ —	\$ —	\$ 28,261	\$ 18,676

- (1) Other receivables include receivables from vendors included in prepaid and other current assets.
(2) Includes current portion of operating lease liabilities included in other current liabilities.

The Company's results from transactions with its related parties for each of the three months ended September 30, 2022 and 2021, are as follows (in thousands):

	Ablecom		Compuware		Corporate Venture		MPS ⁽¹⁾		Total	
	Three months ended September 30,		Three months ended September 30,		Three months ended September 30,		Three months ended September 30,		Three months ended September 30,	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Net sales	\$ 2	\$ 7	\$ 13,760	\$ 15,702	\$ 11,293	\$ 15,213	\$ —	\$ —	\$ 25,055	\$ 30,922
Purchases - inventory	\$ 47,847	\$ 50,788	\$ 48,689	\$ 35,229	\$ —	\$ —	\$ —	\$ 1,670	\$ 96,536	\$ 87,687
Purchases - other miscellaneous items	\$ 4,763	\$ 2,116	\$ 258	\$ 339	\$ —	\$ —	\$ —	\$ —	\$ 5,021	\$ 2,455

- (1) MPS ceased to be a related party in the quarter ended September 30, 2022.

SUPER MICRO COMPUTER, INC.
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(Unaudited)

The Company's cash flow impact from transactions with its related parties for each of the three months ended September 30, 2022 and 2021, are as follows (in thousands):

	Ablecom		Compuware		Corporate Venture		MPS ⁽¹⁾		Total	
	Three months ended September 30,		Three months ended September 30,		Three months ended September 30,		Three months ended September 30,		Three months ended September 30,	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Changes in accounts receivable	\$ —	\$ —	\$ (478)	\$ (1,134)	\$ (1,373)	\$ (4,181)	\$ —	\$ —	\$ (1,851)	\$ (5,315)
Changes in other receivable	\$ 1,276	\$ 1,147	\$ (11,415)	\$ (3,517)	\$ —	\$ —	\$ —	\$ (76)	\$ (10,139)	\$ (2,446)
Changes in accounts payable	\$ 664	\$ 2,578	\$ 6,010	\$ 5,080	\$ —	\$ —	\$ —	\$ —	\$ 6,674	\$ 7,658
Changes in accrued liabilities	\$ (1,532)	\$ (1,229)	\$ 11,117	\$ 3,304	\$ —	\$ (500)	\$ —	\$ —	\$ 9,585	\$ 1,575
Changes in other long-term liabilities	\$ —	\$ —	\$ (105)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (105)	\$ —
Purchases of property, plant and equipment	\$ 583	\$ 338	\$ 146	\$ 62	\$ —	\$ —	\$ —	\$ —	\$ 729	\$ 400
Unpaid property, plant and equipment	\$ 3,782	\$ 1,360	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,782	\$ 1,360

(1) MPS ceased to be a related party in the quarter ended September 30, 2022.

Tripartite Agreement

On November 8, 2021, Super Micro Computer Inc., Taiwan (the "Subsidiary"), a Taiwan corporation and wholly-owned subsidiary of the Company, entered into a Tripartite Agreement (the "Agreement") with Ablecom and Compuware related to a three-way purchase of land. While the Agreement is currently still in effect, Ablecom has advised that its underlying agreements to acquire land from the third-party landowners in proximity to the Company's campus in Bade, Taiwan have been terminated.

SUPER MICRO COMPUTER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Note 9. Stock-based Compensation and Stockholders' Equity

Equity Incentive Plan

On June 5, 2020, the stockholders of the Company approved the 2020 Equity and Incentive Compensation Plan (the "Original 2020 Plan"). The maximum number of shares available under the Original 2020 Plan is 5,000,000 plus 1,045,000 shares of common stock that remained available for future awards under the 2016 Equity Incentive Plan (the "2016 Plan"), at the time of adoption of the Original 2020 Plan. No other awards can be granted under the 2016 Plan and 7,246,000 shares of common stock remain reserved for outstanding awards issued under the Original 2016 Plan at the time of adoption of the Original 2020 Plan. On May 18, 2022, the stockholders of the Company approved an amendment and restatement of the Original 2020 Plan (as amended and restated, the "2020 Plan") which, among other things, increased the number of shares available for award under the 2020 Plan by an additional 2,000,000 shares.

Under the 2020 Plan, the Company can grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, dividend equivalents, and certain other awards, including those denominated or payable in, or otherwise based on, the Company's common stock. The exercise price per share for incentive stock options granted to employees owning shares representing more than 10% of the Company's outstanding voting stock at the time of grant cannot be less than 110% of the fair value of the underlying shares on the grant date. Nonqualified stock options and incentive stock options granted to all other persons are granted at a price not less than 100% of the fair value. Options generally expire ten years after the date of grant. Stock options and RSUs generally vest over four years; 25% at the end of one year and one sixteenth per quarter thereafter.

As of September 30, 2022, the Company had 3,095,739 authorized shares available for future issuance under the 2020 Plan.

Common Stock Repurchase

On August 3, 2022, after the expiration of a prior share repurchase program on July 31, 2022, a duly authorized subcommittee of the Company's Board approved a new share repurchase program to repurchase shares of the Company's common stock for up to \$200 million at prevailing prices in the open market. The share repurchase program is effective until January 31, 2024 or until the maximum amount of common stock is repurchased, whichever occurs first. No shares were repurchased under any share repurchase programs during the three months ended September 30, 2022.

Determining Fair Value

The Company's fair value of RSUs and PRSUs is based on the closing market price of the Company's common stock on the date of grant. The Company estimates the fair value of stock options granted using the Black-Scholes-option-pricing model. This fair value is then amortized ratably over the requisite service periods of the awards, which is generally the vesting period. The key inputs in using the Black-Scholes-option-pricing model were as follows:

Expected Term—The Company's expected term represents the period that the Company's stock-based awards are expected to be outstanding and was determined based on the Company's historical experience.

Expected Volatility—Expected volatility is based on the Company's implied and historical volatility.

Expected Dividend—The Black-Scholes valuation model calls for a single expected dividend yield as an input and the Company has no plans to pay dividends.

Risk-Free Interest Rate—The risk-free interest rate used in the Black-Scholes valuation method is based on the United States Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of option.

SUPER MICRO COMPUTER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

The fair value of stock option grants for the three months ended September 30, 2022 and 2021 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Three Months Ended September 30,	
	2022	2021
Risk-free interest rate	2.81% - 4.06%	0.81%
Expected term	6.07 years	6.09 years
Dividend yield	—%	—%
Volatility	50.62% - 51.30%	49.71%
Weighted-average fair value	\$28.67	\$17.94

The following table shows total stock-based compensation expense included in the condensed consolidated statements of operations for the three months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,	
	2022	2021
Cost of sales	\$ 884	\$ 447
Research and development	6,118	3,880
Sales and marketing	809	517
General and administrative	3,203	2,171
Stock-based compensation expense before taxes	11,014	7,015
Income tax impact	(1,339)	(1,888)
Stock-based compensation expense, net	<u>\$ 9,675</u>	<u>\$ 5,127</u>

As of September 30, 2022, \$14.5 million of unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 3.20 years and \$73.1 million of unrecognized compensation cost related to unvested RSUs is expected to be recognized over a weighted-average period of 2.52 years. Additionally, as described below, \$4.3 million of unrecognized compensation cost related to the 2021 CEO Performance Stock Option is expected to be recognized over a period of 2.75 years.

Stock Option Activity

In March 2021, the Company's Compensation Committee of the Board of Directors (the "Compensation Committee") approved the grant of a stock option award for 1,000,000 shares of common stock to the Company's CEO (the "2021 CEO Performance Stock Option"). The 2021 CEO Performance Stock Option has five vesting tranches with a vesting schedule based entirely on the attainment of operational milestones (performance conditions) and market conditions, assuming (1) continued employment either as the CEO or in such capacity as agreed upon between the Company's CEO and the Board and (2) service through each vesting date. Each of the five vesting tranches of the 2021 CEO Performance Stock Option will vest upon certification by the Compensation Committee that both (i) the market price milestone for such tranche, which begins at \$45.00 per share for the first tranche and increases up to \$120.00 per share thereafter (based on a 60 trading day average stock price), has been achieved, and (ii) any one of five operational milestones focused on total revenue, as reported under U.S. GAAP, have been achieved for the previous four consecutive fiscal quarters. Upon vesting and exercise, including the payment of the exercise price of \$45.00 per share, prior to March 2, 2024, the Company's CEO must hold shares that he acquires until March 2, 2024, other than those shares sold pursuant to a cashless exercise where shares are simultaneously sold to pay for the exercise price and any required tax withholding.

SUPER MICRO COMPUTER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

The achievement status of the operational and stock price milestones as of September 30, 2022 was as follows:

Annualized Revenue Milestone (in billions)	Achievement Status	Stock Price Milestone	Achievement Status
\$4.0	Achieved	\$45	Achieved ⁽¹⁾
\$4.8	Achieved	\$60	Achieved ⁽²⁾
\$5.8	Probable	\$75	Not yet achieved
\$6.8	Probable	\$95	Not yet achieved
\$8.0	Probable	\$120	Not yet achieved

- (1) The vesting of the first tranche of 200,000 option shares under the 2021 CEO Performance Stock Option, representing one-fifth of such award, was certified by the Company's Compensation Committee in August 2022.
- (2) The vesting of the second tranche of 200,000 option shares under the 2021 CEO Performance Stock Option representing one-fifth of such award was certified by the Company's Compensation Committee on October 25, 2022.

On the grant date, a Monte Carlo simulation was used to determine for each tranche (i) a fixed expense amount for such tranche and (ii) the future time when the market price milestone for such tranche was expected to be achieved, or its "expected market price milestone achievement time." Separately, based on a subjective assessment of the Company's future financial performance, each quarter, the Company will determine whether achievement is probable for each operational milestone that has not previously been achieved or deemed probable of achievement, and, if so, the future time when the Company expects to achieve that operational milestone, or its "expected operational milestone achievement time." When the Company first determines that an operational milestone has become probable of being achieved, the Company will allocate the entire expense for the related tranche over the number of quarters between the grant date and the then-applicable "expected vesting time." The "expected vesting time" at any given time is the later of (i) the expected operational milestone achievement time (if the related operational milestone has not yet been achieved) and (ii) the expected market price milestone achievement time (if the related market price milestone has not yet been achieved). The Company will immediately recognize a catch-up expense for all accumulated expenses from the grant date through the quarter in which the operational milestone was first deemed probable of being achieved. Each quarter thereafter, the Company will recognize the prorated portion of the then-remaining expense for the tranche based on the number of quarters between such quarter and the then-applicable expected vesting time, except that upon vesting of a tranche, all remaining expenses for that tranche will be immediately recognized.

During the three months ended September 30, 2022 and 2021, the Company recognized compensation expense related to the 2021 CEO Performance Stock Option of \$1.3 million and \$0.9 million, respectively. As of September 30, 2022 and June 30, 2022, the Company had \$4.3 million and \$5.6 million, respectively, in unrecognized compensation cost related to the 2021 CEO Performance Stock Option. The unrecognized compensation cost as of September 30, 2022 is expected to be recognized over a period of more than 2.75 years.

SUPER MICRO COMPUTER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

The following table summarizes stock option activity during the three months ended September 30, 2022 under all plans:

	Options Outstanding	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (in Years)
Balance as of June 30, 2022	4,311,416	\$ 29.99	
Granted	123,750	\$ 55.67	
Exercised	(405,226)	\$ 20.10	
Forfeited/Cancelled	(9,238)	\$ 26.61	
Balance as of September 30, 2022	<u>4,020,702</u>	\$ 31.79	5.77
Options vested and exercisable at September 30, 2022	<u>2,373,832</u>	\$ 24.87	3.78

RSU and PRSU Activity

In March 2020, the Compensation Committee granted a PRSU award to one of the Company's senior executives. The award vests in two tranches and includes service and performance conditions. Each tranche has 15,000 RSUs that vest in May 2021 and November 2021 based on service conditions only. Additional units were earned based on revenue growth percentage in fiscal year 2020 compared to fiscal year 2019, which units vested in May 2021, and based on revenue growth percentage in fiscal year 2021 compared to fiscal year 2020, which units vested in November 2021. No additional units were earned for fiscal year 2020 as revenue decreased from fiscal year 2019. An additional 2,939 units were earned for fiscal year 2021 that was vested on November 10, 2021.

The following table summarizes RSU and PRSU activity during the three months ended September 30, 2022 under all plans:

	Time-Based RSUs Outstanding	Weighted Average Grant-Date Fair Value per Share
Balance as of June 30, 2022	1,879,073	\$ 33.72
Granted	446,309	\$ 59.84
Released	(193,532)	\$ 29.61
Forfeited	(52,535)	\$ 36.99
Balance as of September 30, 2022	<u>2,079,315</u>	\$ 39.63

SUPER MICRO COMPUTER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Note 10. Income Taxes

The Company recorded a provision for income taxes of \$38.9 million and \$3.3 million for the three months ended September 30, 2022 and 2021, respectively. The effective tax rate was 17.4% and 11.7% for the three months ended September 30, 2022 and 2021, respectively. The effective tax rate for the three months ended September 30, 2022 is higher than that for the three months ended September 30, 2021, primarily due to significant increase in taxable income in the first quarter of fiscal year 2023, whereas the income tax deduction items such as R&D credit and foreign tax deduction comparably did not increase in the same proportion.

The Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development (“R&D”) expenses in the year incurred and instead requires taxpayers to capitalize R&D expenses, including software development cost, and subsequently amortize such expenses over five years for R&D activities conducted in the United States and over fifteen years for R&D activities conducted outside of the United States beginning in the Company’s fiscal year 2023. Although Congress has considered legislation that would defer, modify, or repeal the capitalization and amortization requirement, there is no assurance the provision will be deferred, repealed, or otherwise modified.

As of September 30, 2022, the Company had gross unrecognized tax benefits of \$41.7 million, of which, \$23.9 million if recognized, would affect the Company’s effective tax rate. During the three months ended September 30, 2022, there was a \$3.7 million increase in gross unrecognized tax benefits. The Company’s policy is to include interest and penalties related to unrecognized tax benefits within the provision for taxes on the condensed consolidated statements of operations. As of September 30, 2022, the Company had accrued \$3.2 million of interest and penalties relating to unrecognized tax benefits.

The Company believes that it has adequately provided reserves for all uncertain tax positions; however, amounts asserted by tax authorities could be greater or less than the Company’s current position. Accordingly, the Company’s provision on federal, state and foreign tax related matters to be recorded in the future may change as revised estimates are made or as the underlying matters are settled or otherwise resolved.

The federal statute of limitations remains open in general for tax years ended June 30, 2019 through 2022. Various states statutes of limitations remain open in general for tax years ended June 30, 2018 through 2022. Certain statutes of limitations in major foreign jurisdictions remain open in general for the tax years ended June 30, 2017 through 2022. It is reasonably possible that the Company’s gross unrecognized tax benefits will decrease by approximately \$3.0 million, in the next 12 months, due to the lapse of the statute of limitations. These adjustments, if recognized, would positively impact the Company’s effective tax rate, and would be recognized as additional tax benefits.

SUPER MICRO COMPUTER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Note 11. Commitments and Contingencies

Litigation and Claims— On February 8, 2018, two putative class action complaints were filed against the Company, the Company's Chief Executive Officer, and the Company's former Chief Financial Officer in the U.S. District Court for the Northern District of California (Hessefort v. Super Micro Computer, Inc., et al., No. 18-cv-00838 and United Union of Roofers v. Super Micro Computer, Inc., et al., No. 18-cv-00850). The complaints contain similar allegations, claiming that the defendants violated Section 10(b) of the Securities Exchange Act due to alleged misrepresentations and/or omissions in public statements regarding recognition of revenue. The court subsequently appointed New York Hotel Trades Council & Hotel Association of New York City, Inc. Pension Fund as lead plaintiff. The lead plaintiff then filed an amended complaint naming the Company's Senior Vice President of Investor Relations as an additional defendant. On June 21, 2019, the lead plaintiff filed a further amended complaint naming the Company's former Senior Vice President of International Sales, Corporate Secretary, and Director as an additional defendant. On July 26, 2019, the Company filed a motion to dismiss the complaint. On March 23, 2020, the Court granted the Company's motion to dismiss the complaint, with leave for lead plaintiff to file an amended complaint within 30 days. On April 22, 2020, lead plaintiff filed a further amended complaint. On June 15, 2020, the Company filed a motion to dismiss the further amended complaint, the hearing for which was calendared for September 23, 2020; however, the Court held a conference on September 15 to discuss how the Court could efficiently address the recent SEC settlement agreement. The parties stipulated to allow plaintiffs to further amend the complaint solely to add allegations relating to the SEC settlement. On October 14, 2020, plaintiffs filed a Fourth Amended Complaint. On October 28, 2020, defendants filed a supplemental motion to dismiss. On March 29, 2021, the Court granted in part and denied in part defendants' motions to dismiss. Plaintiffs' claims under Sections 10(b) and 20 of the Exchange Act were dismissed with prejudice as against the Company's former head of Investor Relations, Perry Hayes. Plaintiffs' Section 10(b) claim, but not the Section 20 claim, was likewise dismissed as to Wally Liaw, a founder, former director, and former SVP of International Sales. The Court denied the motions to dismiss the Section 10(b) and Section 20 claims against the Company, Charles Liang, and Howard Hideshima, the Company's former CFO. On March 11, 2022, the Company, together with the individual defendants, agreed in principle with plaintiff's counsel to settle the action. On April 8, 2022, the parties entered into a stipulation of settlement, pursuant to which and subject to Court approval, plaintiff will dismiss with prejudice and release on behalf of a class of shareholders all claims against defendants, including the Company, in exchange for payment of \$18,250,000, of which sum \$2,000,000 will be funded by the Company. On May 25, 2022, the Court vacated the hearing on preliminary approval of the proposed settlement scheduled for June 2, 2022, stating that the unopposed motion was suitable for disposition without oral argument. Consequently, the parties expect the Court will grant preliminary approval and calendar a future hearing for final approval. This settlement, if finally approved by the Court, will fully resolve the action.

Other legal proceedings and indemnifications

From time to time, the Company has been involved in various legal proceedings arising from the normal course of business activities. The resolution of any such matters have not had a material impact on the Company's consolidated financial condition, results of operations or liquidity as of September 30, 2022 and any prior periods.

The Company has entered into indemnification agreements with its current and former directors and executive officers.

Under these agreements, the Company has agreed to indemnify such individuals to the fullest extent permitted by law against liabilities that arise by reason of their status as directors or officers and to advance expenses incurred by such individuals in connection with related legal proceedings. It is not possible to determine the maximum potential amount of payments the Company could be required to make under these agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each claim. However, the Company maintains directors and officers liability insurance coverage to reduce its exposure to such obligations.

Purchase Commitments— The Company has agreements to purchase inventory and non-inventory items primarily through the next 12 months. As of September 30, 2022, these remaining noncancelable commitments were \$512.3 million, including \$97.7 million for related parties.

Lease Commitments - See Part I, Item 1, Note 7, "Leases," for a discussion of the Company's operating lease and financing lease commitments.

SUPER MICRO COMPUTER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Note 12. Segment Reporting

The Company operates in one operating segment that develops and provides high-performance server solutions based upon an innovative, modular and open-standard architecture. The Company's chief operating decision maker is the Chief Executive Officer.

The following is a summary of property, plant and equipment, net (in thousands):

	September 30, 2022	June 30, 2022
Long-lived assets:		
United States	\$ 183,428	\$ 180,846
Asia	104,482	102,241
Europe	2,842	2,885
	<u>\$ 290,752</u>	<u>\$ 285,972</u>

The Company's revenue is presented on a disaggregated basis in Part I, Item 1, Note 2, "Revenue," by type of product and by geographical market.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section and other parts of this Quarterly Report contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that involve risks and uncertainties. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology including "would," "could," "may," "will," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "potential," or "continue," the negative of these terms or other comparable terminology. In evaluating these statements, you should specifically consider various factors, including the risks discussed under "Risk Factors" in Part II, Item 1A of this filing. These factors may cause our actual results to differ materially from those anticipated or implied in the forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We cannot guarantee future results, levels of activity, performance or achievements.

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with our condensed consolidated financial statements and related footnotes included elsewhere in this Quarterly Report and included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022 (the "2022 10-K"), which includes our condensed consolidated financial statements for the fiscal years ended June 30, 2022 and 2021.

Overview

We are a Silicon Valley-based provider of accelerated compute platforms that are application-optimized high performance and high-efficiency server and storage systems for a variety of markets, including enterprise data centers, cloud computing, artificial intelligence, 5G and edge computing. Our Total IT Solutions include complete servers, storage systems, modular blade servers, blades, workstations, full rack scale solutions, networking devices, server sub-systems, server management and security software. We also provide global support and services to help our customers install, upgrade and maintain their computing infrastructure.

We commenced operations in 1993 and have been profitable every year since inception. Our net income for the three months ended September 30, 2022 increased to \$184.4 million from \$25.4 million for the corresponding period in the prior year. In order to increase our sales and profits, we believe that we must continue to develop flexible and application optimized server and storage solutions and be among the first to market with new features and products. We must also continue to expand our software and customer service and support offerings, particularly as we increasingly focus on larger enterprise customers. Additionally, we must focus on development of our sales partners and distribution channels to further expand our market share. We measure our financial success based on various indicators, including growth in net sales, gross profit margin and operating margin. Among the key non-financial indicators of our success is our ability to rapidly introduce new products and deliver the latest application-optimized server and storage solutions. In this regard, we work closely with microprocessor and other key component vendors to take advantage of new technologies as they are introduced. Historically, our ability to introduce new products rapidly has allowed us to benefit from technology transitions such as the introduction of new microprocessors and storage technologies, and as a result, we monitor the introduction cycles of NVIDIA Corporation, Intel Corporation, Advanced Micro Devices, Inc., Samsung Electronics Company Limited, Micron Technology, Inc. and others closely and carefully. This also impacts our research and development expenditures as we continue to invest more in our current and future product development efforts.

Financial Highlights

The following is a summary of our financial highlights of the first quarter of fiscal year 2023:

- Net sales increased by 79.3% in the three months ended September 30, 2022 as compared to the three months ended September 30, 2021.
- Gross margin increased to 18.8% in the three months ended September 30, 2022 from 13.4% in the three months ended September 30, 2021.
- Operating expenses increased by 16.9% as compared to the three months ended September 30, 2021 and were equal to 6.9% and 10.6% of net sales in the three months ended September 30, 2022 and 2021, respectively.
- Effective tax rate increased to 17.4% in the three months ended September 30, 2022 from 11.7% in the three months ended September 30, 2021.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses. We evaluate our estimates and assumptions on an ongoing basis, and base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for the judgments we make about the carrying value of assets and liabilities that are not readily apparent from other sources. Because these estimates can vary depending on the situation, actual results may differ from these estimates. Making estimates and judgments about future events is inherently unpredictable and is subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, it could have a material impact on our results of operations, financial position and statement of cash flows.

There have been no material changes to our critical accounting policies and estimates as compared to those disclosed in our 2022 10-K. For a description of our critical accounting policies and estimates, see Part I, Item 1, Note 1, "Summary of Significant Accounting Policies" in our notes to condensed consolidated financial statements in this Quarterly Report.

Results of Operations

The following table presents certain items of our condensed consolidated statements of operations expressed as a percentage of revenue.

	Three Months Ended September 30,	
	2022	2021
Net sales	100.0 %	100.0 %
Cost of sales	81.2 %	86.6 %
Gross profit	18.8 %	13.4 %
Operating expenses:		
Research and development	4.0 %	6.3 %
Sales and marketing	1.6 %	2.1 %
General and administrative	1.3 %	2.2 %
Total operating expenses	6.9 %	10.6 %
Income from operations	11.9 %	2.8 %
Other income, net	0.4 %	— %
Interest expense	(0.2)%	(0.1)%
Income before income tax provision	12.1 %	2.7 %
Income tax provision	(2.1)%	(0.3)%
Share of income (loss) from equity investee, net of taxes	— %	— %
Net income	10.0 %	2.5 %

Net Sales

Net sales consist of sales of our server and storage solutions, including systems and related services and subsystems and accessories. The main factors that impact net sales of our server and storage systems are the number of compute nodes sold and the average selling prices per node. The main factors that impact net sales of our subsystems and accessories are units shipped and the average selling price per unit. The prices for our server and storage systems range widely depending upon the configuration, including the number of compute nodes in a server system as well as the level of integration of key components such as SSDs and memory. The prices for our subsystems and accessories can also vary widely based on whether a customer is purchasing power supplies, server boards, chassis or other accessories.

A compute node is an independent hardware configuration within a server system capable of having its own CPU, memory and storage and that is capable of running its own instance of a non-virtualized operating system. The number of compute nodes sold, which can vary by product, is an important metric we use to track our business. Measuring volume using compute nodes enables more consistent measurement across different server form factors and across different vendors. As with most electronics-based product life cycles, average selling prices typically are highest at the time of introduction of new products that utilize the latest technology and tend to decrease over time as such products mature in the market and are replaced by next generation products. Additionally, in order to remain competitive throughout all industry cycles, we actively change our selling price per unit in response to changes in costs for key components such as CPU/GPU, memory and storage.

The following table presents net sales by product type for the three months ended September 30, 2022 and 2021 (dollars in millions):

	Three Months Ended September 30,		Change	
	2022	2021	\$	%
Server and storage systems	\$ 1,713.1	\$ 849.9	\$ 863.2	101.6 %
<i>Percentage of total net sales</i>	92.5 %	82.3 %		
Subsystems and accessories	\$ 139.0	\$ 182.9	\$ (43.9)	(24.0)%
<i>Percentage of total net sales</i>	7.5 %	17.7 %		
Total net sales	\$ 1,852.1	\$ 1,032.8	\$ 819.3	79.3 %

Server and storage systems constitute an assembly and integration of subsystems and accessories and related services. Subsystems and accessories are comprised of server-boards, chassis and accessories.

Comparison of Three Months Ended September 30, 2022 and 2021

The period-over-period increase in net sales of our server and storage systems was due to a 36.2% increase in the number of units of compute nodes sold and a 50.4% increase in the average selling price.

The period-over-period decrease in net sales for our subsystems and accessories of 24.0% is primarily due to recent supply chain constraints and higher sales of complete systems.

The following table presents net sales by geographic region for the three months ended September 30, 2022 and 2021 (dollars in millions):

	Three Months Ended September 30,		Change	
	2022	2021	\$	%
United States	\$ 1,295.5	\$ 560.9	\$ 734.6	131.0 %
<i>Percentage of total net sales</i>	69.9 %	54.3 %		
Asia	\$ 270.0	\$ 263.1	\$ 6.9	2.6 %
<i>Percentage of total net sales</i>	14.6 %	25.5 %		
Europe	\$ 235.1	\$ 179.7	\$ 55.4	30.8 %
<i>Percentage of total net sales</i>	12.7 %	17.4 %		
Others	\$ 51.5	\$ 29.0	\$ 22.5	77.6 %
<i>Percentage of total net sales</i>	2.8 %	2.8 %		
Total net sales	\$ 1,852.1	\$ 1,032.7		

Comparison of Three Months Ended September 30, 2022 and 2021

The period-over-period increase in overall net sales is the result of increased selling prices, led by higher GPU based products and quantities of product shipments. The increase in the United States is primarily due to higher sales driven by high demand of GPU based server and storage systems. The increase of net sales in Europe was primarily due to increases in net sales in the Netherlands, UK and Germany.

Cost of Sales and Gross Margin

Cost of sales primarily consists of the costs to manufacture our products, including the costs of materials, contract manufacturing, shipping, personnel expenses, including salaries, benefits, stock-based compensation and incentive bonuses, equipment and facility expenses, warranty costs and inventory excess and obsolescence provisions. The primary factors that impact our cost of sales are the mix of products sold and cost of materials, which include purchased parts and material costs, shipping costs, salary and benefits and overhead costs related to production. Cost of sales as a percentage of net sales may increase or decrease over time if the changes in average selling prices are not matched by corresponding changes in our costs. Our cost of sales as a percentage of net sales is also impacted by the extent to which we are able to efficiently utilize our expanding manufacturing capacity. Because we generally do not have long-term fixed supply agreements, our cost of sales is subject to change based on the cost of materials and market conditions.

We use several suppliers and contract manufacturers to design and manufacture subsystems in accordance with our specifications, with most final assembly and testing performed at our manufacturing facilities in the same region where our products are sold. We work with Ablecom, one of our key contract manufacturers and also a related party to optimize modular designs for our chassis and certain of other components. We also outsource to Compuware, also a related party, a portion of our design activities and a significant part of the manufacturing of components, particularly power supplies.

Cost of sales and gross margin for the three months ended September 30, 2022 and 2021 are as follows (dollars in millions):

	Three Months Ended September 30,		Change	
	2022	2021	\$	%
Cost of sales	\$ 1,504.6	\$ 894.6	\$ 610.0	68.2 %
Gross profit	\$ 347.5	\$ 138.1	\$ 209.4	151.6 %
Gross margin	18.8 %	13.4 %		5.4 %

Comparison of Three Months Ended September 30, 2022 and 2021

The period-over-period increase in cost of sales was primarily attributed to an increase of \$583.8 million in costs of materials and contract manufacturing expenses primarily related to the increase in net sales volume, a \$19.4 million increase in overhead costs, a \$6.2 million increase in excess and obsolete inventory charges and a \$0.6 million increase in freight costs.

The period-over-period increase in the gross margin percentage was primarily due to sales price increases and recent price drop in key components. Throughout the COVID-19 pandemic, we experienced an increase in costs of sales, logistics costs as well as direct labor costs to retain our employees. For the quarter ended September 30, 2022, the cost of freight and some components started to decrease.

Operating Expenses

Research and development expenses consist of personnel expenses, including salaries, benefits, stock-based compensation and incentive bonuses, and related expenses for our research and development personnel, as well as product development costs such as materials and supplies, consulting services, third-party testing services and equipment and facility expenses related to our research and development activities. All research and development costs are expensed as incurred. We occasionally receive non-recurring engineering funding from certain suppliers and customers for joint development. Under these arrangements, we are reimbursed for certain research and development costs that we incur as part of the joint development efforts with our suppliers and customers. These amounts offset a portion of the related research and development expenses and have the effect of reducing our reported research and development expenses.

Sales and marketing expenses consist primarily of personnel expenses, including salaries, benefits, stock-based compensation and incentive bonuses, and related expenses for our sales and marketing personnel, cost for tradeshow, independent sales representative fees and marketing programs. From time to time, we receive marketing development funding from certain suppliers. Under these arrangements, we are reimbursed for certain marketing costs that we incur as part of the joint promotion of our products and those of our suppliers. These amounts offset a portion of the related expenses and have the effect of reducing our reported sales and marketing expenses. The timing, magnitude and estimated usage of these programs can result in significant variations in reported sales and marketing expenses from period to period. Spending on cooperative marketing, reimbursed by our suppliers, typically increases in connection with new product releases by our suppliers.

General and administrative expenses consist primarily of general corporate costs, including personnel expenses such as salaries, benefits, stock-based compensation and incentive bonuses, and related expenses for our general and administrative personnel, financial reporting, information technology, corporate governance and compliance, outside legal, audit, tax fees, insurance and bad debt reserves on accounts receivable.

Operating expenses for the three months ended September 30, 2022 and 2021 are as follows (dollars in millions):

	Three Months Ended September 30,		Change	
	2022	2021	\$	%
Research and development	\$ 74.2	\$ 65.1	\$ 9.1	14.0 %
Percentage of total net sales	4.0 %	6.3 %		
Sales and marketing	\$ 29.4	\$ 21.6	\$ 7.8	36.1 %
Percentage of total net sales	1.6 %	2.1 %		
General and administrative	\$ 23.8	\$ 22.2	\$ 1.6	7.2 %
Percentage of total net sales	1.3 %	2.2 %		
Total operating expenses	\$ 127.4	\$ 109.0	\$ 18.4	16.9 %
Percentage of total net sales	6.9 %	10.6 %		

Comparison of Three Months Ended September 30, 2022 and 2021

Research and development expenses. The period-over-period increase in research and development expenses was primarily due to a \$7.6 million increase in personnel expenses and a higher headcount, a \$1.4 million increase in product development costs and \$0.1 million lower research and development credits from certain suppliers and customers towards our development efforts.

Sales and marketing expenses. The period-over-period increase in sales and marketing expenses was primarily due to a \$5.6 million increase in personnel expenses and a higher headcount and a \$2.2 million increase in advertising and other expenses.

General and administrative expenses. The period-over-period increase in general and administrative expenses was primarily due to a \$1.6 million increase in personnel expenses and a higher headcount.

Interest Expense and Other Income, Net

Other income, net consists primarily of interest earned on our investment and cash balances and foreign exchange gains and losses.

Interest expense represents interest expense on our term loans and lines of credit.

Interest expense and other income, net for the three months ended September 30, 2022 and 2021 are as follows (dollars in millions):

	Three Months Ended September 30,		Change	
	2022	2021	\$	%
Other income, net	\$ 8.1	\$ 0.1	\$ 8.0	8,000.0 %
Interest expense	(3.9)	(0.8)	(3.1)	387.5 %
Interest expense and other income, net	\$ 4.2	\$ (0.7)	\$ 4.9	(700.0)%

Comparison of Three Months Ended September 30, 2022 and 2021

The change of \$4.9 million in interest expense and other income, net was primarily attributable to a \$8.0 million increase in foreign exchange gain due to favorable currency fluctuations offset by a \$3.1 million increase in interest expense due to increase in average loan balances and interest rates.

Income Tax Provision

Our income tax provision is based on our taxable income generated in the jurisdictions in which we operate, which primarily include the United States, Taiwan, and the Netherlands. Our effective tax rate differs from the statutory rate primarily due to research and development tax credits, certain non-deductible expenses, tax benefits from foreign derived intangible income and stock based compensation.

Provision for income taxes and effective tax rates for the three months ended September 30, 2022 and 2021 are as follows (dollars in millions):

	Three Months Ended September 30,		Change	
	2022	2021	\$	%
Income tax provision	\$ 38.9	\$ 3.3	\$ 35.6	1,078.8 %
Percentage of total net sales	2.1 %	0.3 %		
Effective tax rate	17.4 %	11.7 %		

Comparison of Three Months Ended September 30, 2022 and 2021

Our quarterly effective income tax rate is based on the estimated annual income tax rate forecast and discrete tax items recognized in the period. The income tax provision and effective tax rate for the three months ended September 30, 2022 is higher than that for the three months ended September 30, 2021, primarily due to a significant increase in annual forecasted taxable income while the deductible expenses and the quarter discrete items kept at a much lower rate of growth.

Share of (Loss) Income from Equity Investee, Net of Taxes

Share of (loss) income from equity investee, net of taxes represents our share of income from the Corporate Venture in which we have 30% ownership.

Share of (loss) income from equity investee, net of taxes for the three months ended September 30, 2022 and 2021 are as follows (dollars in millions):

	Three Months Ended September 30,		Change	
	2022	2021	\$	%
Share of (loss) income from equity investee, net of taxes	\$ (0.9)	\$ 0.4	\$ (1.3)	(325.0)%
Percentage of total net sales	— %	— %		

Comparison of Three Months Ended September 30, 2022 and 2021

The period-over-period decrease of \$1.3 million in share of (loss) income from equity investee, net of taxes was primarily due to less net income recognized by the Corporate Venture.

Liquidity and Capital Resources

We have financed our growth primarily with funds generated from operations, in addition to utilizing borrowing facilities. The credit facilities were related to an increase in the need for working capital due to increasing sales, longer supply chain manufacturing and delivery times as well as the financing of property, plant and equipment acquisitions. We also received funds from the exercise of employee stock options. Our cash and cash equivalents were \$238.3 million and \$267.4 million as of September 30, 2022 and June 30, 2022, respectively. Our cash in foreign locations was \$128.2 million and \$169.5 million as of September 30, 2022 and June 30, 2022, respectively.

Amounts held outside of the U.S. are generally utilized to support non-U.S. liquidity needs. Repatriations generally will not be taxable from a U.S. federal tax perspective but may be subject to state income or foreign withholding tax. Where local restrictions prevent an efficient intercompany transfer of funds, our intent is to keep cash balances outside of the U.S. and to meet liquidity needs through operating cash flows, external borrowings, or both. We do not expect restrictions or potential taxes incurred on repatriation of amounts held outside of the U.S. to have a material effect on our overall liquidity, financial condition or results of operations.

We believe that our current cash, cash equivalents, borrowing capacity available from our credit facilities and internally generated cash flows will be sufficient to support our operating businesses and maturing debt and interest payments for the 12 months following the issuance of these consolidated financial statements. In August 2022, we entered into a new general credit agreement with E.SUN Bank. This New E.SUN Bank Credit Facility permits borrowings of up to (i) NTD 1.8 billion (\$61.0 million U.S. dollar equivalent) and (ii) US\$30.0 million in loans that will support the growth of our Taiwan business.

On August 3, 2022, after the expiration of a prior share repurchase program on July 31, 2022, a duly authorized subcommittee of our Board approved a new share repurchase program to repurchase shares of our common stock for up to \$200 million at prevailing prices in the open market. The share repurchase program is effective until January 31, 2024 or until the maximum amount of common stock is repurchased, whichever occurs first.

Our key cash flow metrics were as follows (dollars in millions):

	Three Months Ended September 30,		Change
	2022	2021	
Net cash provided by (used in) operating activities	\$ 313.6	\$ (134.6)	\$ 448.2
Net cash (used in) investing activities	\$ (10.7)	\$ (11.9)	\$ 1.2
Net cash (used in) provided by financing activities	\$ (331.2)	\$ 184.3	\$ (515.5)
Net (decrease) increase in cash, cash equivalents and restricted cash	\$ (29.8)	\$ 37.8	\$ (67.6)

Operating Activities

Net cash provided by operating activities increased by \$448.2 million for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021. The increase was primarily due to an increase of net income of \$160.2 million offset by \$9.2 million of unrealized gain and \$6.8 million of various non-cash items, faster collection of accounts receivable as well as the prepayment by customers for products.

Investing Activities

Net cash used in investing activities increased by \$1.2 million for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021 due to an investment made in a privately held company in the three months ended September 30, 2021.

Financing Activities

Net cash used by financing activities for the three months ended September 30, 2022 was \$331.2 million while net cash provided by financing activities for the three months ended September 30, 2021 was \$184.3 million. The change in cash flows from financing activities was primarily due to a decrease of \$190.7 million in proceeds from borrowings and a decrease of \$325.3 million in repayment of debt.

Other Factors Affecting Liquidity and Capital Resources

Refer to Part I, Item 1, Note 6, “Short-term and Long-term Debt,” in our notes to condensed consolidated financial statements in this Quarterly Report on Form 10-Q for further information on our outstanding debt.

Capital Expenditure Requirements

We anticipate our capital expenditures for the remainder of fiscal year 2023 will be approximately \$35 million, relating primarily to costs associated with our manufacturing capabilities, including tooling for new products, new information technology investments, and facilities upgrades. We will continue to evaluate new business opportunities and new markets. As a result, our future growth within the existing business or new opportunities and markets may dictate the need for additional facilities and capital expenditures to support that growth. We evaluate capital expenditure projects based on a variety of factors, including expected strategic impacts (such as forecasted impact on revenue growth, productivity, expenses, service levels and customer retention) and our expected return on investment.

We intend to continue to focus our capital expenditures in fiscal year 2023 to support the growth of our operations. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced software and services offerings, the investments in our office facilities and our systems infrastructure, the continuing market acceptance of our offerings and our planned investments, particularly in our product development efforts, applications or technologies.

Recent Accounting Pronouncements

For a description of recent accounting pronouncements, including the expected dates of adoption and estimated effects, if any, on our condensed consolidated financial statements, see Part I, Item 1, Note 1, “Summary of Significant Accounting Policies,” to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Item 3. *Quantitative and Qualitative Disclosure About Market Risk*

Interest Rate Risk

The primary objectives of our investment activities are to preserve principal, provide liquidity and maximize income without significantly increasing the risk. Some of the securities we invest in are subject to market risk. This means that a change in prevailing interest rates may cause the fair value of the investment to fluctuate. To minimize this risk, we maintain our portfolio of cash equivalents and short-term investments in money market funds and certificates of deposit, all of which are held for purposes other than trading. Our investment in an auction rate security has been classified as non-current due to the lack of a liquid market for these securities. Since our results of operations are not dependent on investments, the risk associated with fluctuating interest rates is limited to our investment portfolio, and we believe that a 10% change in interest rates would not have a significant impact on our results of operations. As of September 30, 2022, our investments were in money market funds, certificates of deposits and auction rate securities.

We are exposed to changes in interest rates as a result of our borrowings under our term loans and revolving lines of credit. The interest rates for the term loans and the revolving lines of credit ranged from 0.95% to 4.03% at September 30, 2022 and June 30, 2022. Based on the outstanding principal indebtedness of \$249.7 million under our credit facilities as of September 30, 2022, we believe that a 10% change in interest rates would not have a significant impact on our results of operations.

Foreign Currency Risk

To date, our international customer and supplier agreements have been denominated primarily in U.S. dollars and accordingly, we have limited exposure to foreign currency exchange rate fluctuations from customer agreements, and do not currently engage in foreign currency hedging transactions. The functional currency of our subsidiaries in the Netherlands and Taiwan is the U.S. dollar. However, certain loans and transactions in these entities are denominated in a currency other than the U.S. dollar, and thus we are subject to foreign currency exchange rate fluctuations associated with re-measurement to U.S. dollars. Such fluctuations have not been significant historically. Realized and unrealized foreign exchange gain for the three months ended September 30, 2022 and 2021 was \$7.8 million and \$0.1 million, respectively.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision, and with the participation, of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), we evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of September 30, 2022. Based on this evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of September 30, 2022.

Changes in Internal Control over Financial Reporting

Under applicable SEC rules (Exchange Act Rules 13a-15(d) and 15d-15(d)), management is required to evaluate, with the participation of our CEO and CFO, any changes in internal control over financial reporting that occurred during each fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. There were no changes in our internal control over financial reporting during the quarter ended September 30, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

The effectiveness of any system of internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting can only provide reasonable, not absolute, assurances that its objectives will be met. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but we cannot assure that such improvements will be sufficient to provide us with effective internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this item is incorporated herein by reference to the information set forth under the caption “Litigation and Claims” in Part I, Item 1, Note 11 “Commitments and Contingencies” of our notes to condensed consolidated financial statements included in this quarterly report.

Due to the inherent uncertainties of such legal proceedings, we cannot predict the outcome of the proceedings at this time, and we can give no assurance that they will not have a material adverse effect on our financial position or results of operations.

Item 1A. Risk Factors

Important risk factors that could affect our operations and financial performance, or that could cause results or events to differ from current expectations, are described in Part I, Item 1A “Risk Factors” of our 2022 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

During the three months ended September 30, 2022, we did not repurchase shares of our common stock.

On August 3, 2022, after the expiration of a prior share repurchase program on July 31, 2022, a duly authorized subcommittee of our Board approved a new share repurchase program to repurchase shares of our common stock for up to \$200 million at prevailing prices in the open market. The share repurchase program is effective until January 31, 2024 or until the maximum amount of common stock is repurchased, whichever occurs first.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits**(a) Exhibits.**

Exhibit Number	Description
10.1	General Credit Agreement dated as of August 9, 2022, between Super Micro Computer, Inc. Taiwan and E.SUN Bank (Incorporated by reference to Exhibit 10.1 from the Company's Current Report on 8-K (Commission File No. 001-33383) filed with the Securities and Exchange Commission on August 12, 2022)
10.2	Notification and Confirmation of Credit Conditions, dated as of August 9, 2022, between Super Micro Computer, Inc. Taiwan and E.SUN Bank (Incorporated by reference to Exhibit 10.2 from the Company's Current Report on 8-K (Commission File No. 001-33383) filed with the Securities and Exchange Commission on August 12, 2022)
10.3	First Amendment to Loan Agreement dated as of August 17, 2022 by and between Cathay Bank and Super Micro Computer, Inc. (Incorporated by reference to Exhibit 10.58 from the Company's Annual Report on 10-K (Commission File No. 001-33383) filed with the Securities and Exchange Commission on August 29, 2022)
10.4+	Second Amendment to Loan Agreement dated as of October 13, 2022 by and between Cathay Bank and Super Micro Computer, Inc.
10.5+	Agreement for Individually Negotiated Terms and Conditions dated as of October 3, 2022 between Super Micro Computer, Inc. Taiwan and CTBC Bank Co., Ltd. (supersedes the Agreement for Individually Negotiated Terms and Conditions dated as of July 20, 2021 between Super Micro Computer, Inc. Taiwan and CTBC Bank Co., Ltd. previously filed as Exhibit 10.6 to the Company's Quarterly Report on 10-Q (Commission File No. 001-33383) filed with the Securities and Exchange Commission on February 4, 2022)
31.1	Certification of Charles Liang, President and Chief Executive Officer of the Registrant pursuant to Section 302, as adopted pursuant to the Sarbanes-Oxley Act of 2002
31.2	Certification of David Weigand, Chief Financial Officer of the Registrant pursuant to Section 302, as adopted pursuant to the Sarbanes-Oxley Act of 2002
32.1	Certification of Charles Liang, President and Chief Executive Officer of the Registrant pursuant to Section 906, as adopted pursuant to the Sarbanes-Oxley Act of 2002
32.2	Certification of David Weigand, Chief Financial Officer of the Registrant pursuant to Section 906, as adopted pursuant to the Sarbanes-Oxley Act of 2002
101.INS+	XBRL Instance Document
101.SCH+	XBRL Taxonomy Extension Schema Document
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF+	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB+	XBRL Taxonomy Extension Label Linkbase Document
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase Document
104+	The cover page from this Quarterly Report on Form 10-Q, formatted in Inline XBRL

+ Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUPER MICRO COMPUTER, INC.

Date: November 4, 2022

/s/ CHARLES LIANG

Charles Liang
President, Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

Date: November 4, 2022

/s/ DAVID WEIGAND

David Weigand
Senior Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)

**SECOND AMENDMENT
TO
LOAN AGREEMENT**

This Second Amendment to Loan Agreement is entered into as of October 13, 2022 (this "Amendment"), by and between CATHAY BANK ("Lender") and SUPER MICRO COMPUTER, INC. ("Borrower").

RECITALS

Borrower and Lender are parties to that certain Loan Agreement dated as of May 19, 2022 (as amended, restated, or otherwise modified from time to time, the "Agreement"), pursuant to which Lender provided a revolving credit facility to Borrower. The parties desire to amend the Agreement in accordance with the terms of this Amendment. Unless otherwise defined, all initially capitalized terms in this Amendment shall be as defined in the Agreement.

NOW, THEREFORE, the parties agree as follows:

1. AMENDMENT. The Agreement is amended upon the terms set forth below:

(a) Reference to "three (3) months" in the definition of "Term SOFR Interest Period" is revised to refer to "one (1) month." As a result, the following defined term is amended in Exhibit A as follows:

"Term SOFR Interest Period" means a period commencing on the Business Day when the applicable Term SOFR Rate Advance is made and ending on the numerically corresponding day in the calendar month that is one (1) month thereafter; provided, that any such tenor shall not be available to the extent that Lender has deemed the same to be unavailable, undeterminable, non-representative or non-compliant with the International Organization of Securities Commissions (IOSCO) Principles for Finance Benchmarks. If a Term SOFR Interest Period would otherwise end on a day for which there is no numerically corresponding day in the last month of the Term SOFR Interest Period, the Term SOFR Interest Period will end on the last day of such month. For purposes hereof, the date a Term SOFR Rate Advance is made initially shall be the date on which such Term SOFR Rate Advance is disbursed and thereafter shall be the effective date of the most recent conversion or continuation of such Term SOFR Rate Advance. No Term SOFR Interest Period may extend beyond the Maturity Date unless Lender consents otherwise.

2. The Agreement, as amended hereby, shall be and remain in full force and effect in accordance with its terms and hereby is ratified and confirmed in all respects. Except as expressly set forth herein, the execution, delivery, and performance of this Amendment shall not operate as a waiver of, or as an amendment of, any right, power, or remedy of Lender under the Agreement or any of the Loan Documents, as in effect prior to the date hereof. Borrower ratifies and reaffirms the continuing effectiveness of all Loan Documents.

3. Borrower represents and warrants that the representations and warranties contained in the Agreement and other Loan Documents are true and correct in all material respects as of the date of this Amendment, and that no Event of Default has occurred and is continuing.

4. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER; JUDICIAL REFERENCE. This Amendment constitutes a "Loan Document" as defined and set forth in the Agreement and is subject to Section 11 of the Agreement, which is incorporated by reference herein.

5. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original hereof.

6. As a condition to the effectiveness of this Amendment, Lender shall have received, in form and substance satisfactory to Lender, the following:

- (a) this Amendment, duly executed by Borrower;
- (b) an amount equal to all Lender Expenses incurred through the date of this Amendment that remain unpaid; and
- (c) such other documents, and completion of such other matters, as Lender may reasonably deem necessary or appropriate.

[SIGNATURE PAGE FOLLOWS.]

[SIGNATURE PAGE TO SECOND AMENDMENT]

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date first written above.

BORROWER:

SUPER MICRO COMPUTER, INC.

By: 

Name: Charles Liang

Title: Chief Executive Officer

- DocuSigned by:



By: 

Name: David Weigand

Title: Chief Financial Officer

LENDER:

CATHAY BANK

By: 

Name: ~~Jane Ho~~ Kevin Chen

Title: ~~Senior Vice President~~ VP / Loan Portfolio Manager



中國信託銀行
CTBC BANK

中國信託法人金融
CTBC CORPORATE BANKING

個別條款約定書

Agreement for Individually

Negotiated Terms and Conditions

單位 Unit:	台灣環球貿易中心 部 / 區域中心 Department / Regional Center
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訂約日期 Contract Date:	中華民國 111 年 10 月 3 日 Date:
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111.03 版



個別條款約定書

(Agreement for Individually Negotiated Terms and Conditions)

凡立個別約定條款人(以下簡稱立約人),與中國信託商業銀行股份有限公司(包括總行及所屬各分支機構,以下簡稱貴行)之一切往來,經雙方協議,在各適用範圍內,願依照 貴行相關規定,並遵守履行下列條款及應負一切責任:

The parties hereto hereby agree that within the applicable scope all transactions entered or to be entered into by and between the undersigned (the "Customer") and CTBC Bank Co., Ltd. (including its head office and branches, hereinafter the "Bank"), shall be in compliance with the Bank's relevant regulations, guidelines and rules and the following terms and conditions; the Customer further undertakes all responsibilities arising herefrom:

第一章：自動扣帳授權條款 (Chapter One: Authorization for Automatic Deductions From the Account)

第一條 立約人茲因與 貴行業務往來,為清償依約定應繳付之台幣借貸款本息、外幣結匯、國內外手續費或遲延利息、違約金以及其他一切費用等款項,特就立約人設在貴行如下之帳戶內之存款,授權由 貴行逕行提領轉帳繳付上述款項,另涉及不同幣別轉換時,匯率由 貴行依公平市價原則決定,立約人並應儘速將憑證交由 貴行補辦登帳手續,決無異議。勾選如后 (若尚未完成開戶程序,立約人同意授權 貴行於開戶完成後填寫立約人之帳戶號碼於下)。

授信業務： 活期存款 第 901540374476 帳戶。

外匯業務： 外匯活期存款 第 901131073445 帳戶。

另就「金融交易總約定書」或 ISDA 所涉及之各項交易,其所產生之交割款、費用或損失,立約人茲授權貴行於各支付日,特就立約人設在 貴行如下之帳戶內之存款逕行扣除,另涉及不同幣別轉換時,匯率由 貴行依公平市價原則決定,立約人並應儘速將憑證交由 貴行補辦登帳手續,決無異議。勾選如后 (若尚未完成開戶程序,立約人同意授權 貴行於開戶完成後填寫立約人之帳戶號碼於下)。

外匯活期存款 第 帳戶。

新台幣活期存款第 帳戶。

OBU 活期存款 第 帳戶。

Article 1. In connection with the transaction by and between the Customer and the Bank, the Customer hereby authorizes the Bank to debit the deposit of the Customer in the following selected accounts opened with the Bank to repay all principal and interest incurred on any New Taiwan Dollar or foreign currency loans, foreign currency settlement, domestic or international transaction processing fees, default interests, penalties and any other fees, charges, costs and expenses. Any conversion of currency shall be converted at a rate determined by the Bank based on the fair market value principle. The Customer shall promptly deliver to the Bank any requisite certificate or account records thereto, without any objection whatsoever. (If the account is not open yet, the Customer authorizes the Bank to fill in the account number as the account opening process is completed.)

Credit Extension: Demand Deposit

Acct. No. 901540374476

Foreign Exchange: Foreign Currency Demand Deposit

Acct. No. 901131073445

In addition, with respect to any closing payment, fees, charges, costs, expenses, losses or damages arising from any transactions relating to any "General Agreement for Financial Transaction" or ISDA, as the case may be, the Customer hereby authorizes the Bank to deduct and pay any deposit from the Customer's following selected accounts, on each payment or repayment date. Any conversion of currency shall be converted at a rate determined by the Bank based on the fair market value principle. The Customer shall promptly deliver to the Bank any requisite certificate or account records

thereto, without any objection whatsoever. (If the account is not open yet, the Customer authorizes the Bank to fill in the account number as the account opening process is completed.)

Foreign Currency Demand Deposit Acct. No. _____

New Taiwan Dollar Demand Deposit Acct. No. _____

OBU Demand Deposit Acct. No. _____

第二條 貴行依前項授權由立約人帳戶提領轉帳繳付者，不需徵提存款存摺與取款憑條，至於前開帳戶之款餘額，概以貴行帳載餘額或電腦主檔之結存餘額為準。

Article 2. The Bank is not required to provide the demand deposit record book or the withdrawal slip when making the foregoing authorized deduction and payment from the Customer's account. The amount of any balance in the aforementioned account shall be determined by the balance shown on the Bank's record or the balance as reflected in the computer data file.

第三條 立約人對貴行逕行提領轉帳繳付之行為，絕無異議。倘日後有任何糾葛情事(包括但不限於立約人授權以支票存款戶或證券交割帳戶辦理自動扣帳者，因貴行提領轉帳繳付後致存款不足而遭退票或有違約未交割等情事)，悉由立約人負責，概與貴行無涉。

立約人並願放棄前述事項所發生對貴行之一切請求權或抗辯權。

Article 3. The Customer shall not raise any objection to the Bank's foregoing deduction and payment. The Customer shall be solely responsible for any and all disputes and controversies arising from the Bank's foregoing deduction and payment, without any costs or expenses to the Bank (including without limitation any of the Customer's check is dishonored or settlement account defaulted due to insufficient account balance as the Customer authorizes the Bank to debit its checking or settlement account for any payment or settlement.)

The Customer hereby waives any and all claims of rights, objections or defences with respect to the aforementioned items and events.

第二章：備償專戶條款 (Chapter Two: Reserve Account)

第一條 立約人與貴行簽訂應收帳款債權承讓合約、背書讓與應收票據、及其他授信業務，同意為通知第三人償付或票據兌現付款或其他匯(存)入所得款項，悉數存入貴行備償專戶(若尚未完成開戶程序，立約人同意授權貴行於開戶完成後填寫立約人之帳戶號碼於下)：

(活期存款第 _____ 號帳戶，戶名 _____)。

Article 1. The Customer agrees to deposit into the following Reserve Account at the Bank any proceeds from its notification of any third party for payments, any payments received in connection with the acceptance or payment of any notes, and any other remittance (or deposit) in connection with any and all accounts receivable factoring agreement, endorsement or assignment of notes receivable, and other credit extension transactions entered into by and between the Customer and Bank. (If the account is not open yet, the Customer authorizes the Bank to fill in the account number as the account opening process is completed.)

(Demand Deposit Acct No. _____, Acct. Name _____).

第二條 為便利帳務處理，貴行得於第三人償付、票據兌現、匯(存)入款項入帳累積至一定金額後，逕行抵償立約人所負之各宗債務，如有不足，立約人仍負完全清償責任。

Article 2. For the convenience of accounts processing, when the proceeds from third party payments, acceptance or payment of notes, and remittance (or deposit) accrue to a certain amount, the Bank may deduct, apply and set-off the aforementioned proceeds to any and all indebtedness of the Customer. The Customer remains liable for any deficiency thereof.

第三條 立約人聲明所提供之應收票據皆為實際交易行為而取得，如有不實(含借票、換票、預收票、保證票或其他非因交易關係而取得之票據)致貴行不獲兌現付款時，立約人願立即清償。第三人以票據(不限為支票)付款時，貴行得逕以立約人名義於該票據行背書事實，並存入前述備償專戶。

Article 3. The Customer represents that all notes receivable it provides to the Bank have been, or will be, obtained from actual and genuine business transactions. If there is a misrepresentation (including the existence of any borrowed notes, exchanged notes, note collected in advance, guarantee notes or any other notes obtained not in connection with a genuine business transaction) that results in the Bank not being immediately paid upon Bank's presentation for acceptance or payment, the Customer shall promptly repay that amount to the Bank. If any third party makes any payments by notes including, but not limited to, payment by checks, the Bank may endorse those notes in the name of the Customer and deposit those notes into

the aforementioned Reserve Account.

第四條 上述應收票據屆期經 貴行提兌入帳後，如經 貴行同意立約人另以超過或相當於已兌現金額之應收票據，依前述方式交付 貴行時， 貴行得將上述已兌現金額撥入立約人在 貴行之支票存款(或 存款)第 號帳戶，立約人對 貴行所負之一切債務，仍應依其所立具之票據、借據等負完全清償責任。

Article 4. After the aforementioned notes receivable, upon maturity, have been deposited into those accounts by the Bank, subject to the Bank's consent, if the Customer, in accordance with the foregoing procedures, provides to the Bank other notes receivable at equal or greater value than those accepted notes receivable, the Bank may transfer the proceeds collected therefrom into the Customer's checking account (or _____ account) with account No. _____ opened with the Bank. The Customer remains fully liable for any and all indebtedness it owed to the Bank in the form of notes, IOUs, etc.

第五條 上述應收票據，如不獲兌現，經通知立約人處理時，立約人應即以相等現金換回，如立約人不依限辦理或無法通知者， 貴行除得請求立約人清償全部債務外，並得視票據債務人經濟情況以低於票面之任何金額與票據債務人和解。

Article 5. If the aforementioned notes receivable are not accepted, upon notification, the Customer shall replace those notes with cash in the equivalent amount. If the Customer fails to so handle or cannot be notified, in addition to requesting the Customer to immediately repay all indebtedness, the Bank may settle any payment of those notes with the obligors of those notes at an amount lower than their face value depending on the obligor's financial standing.

第三章：額度調整同意條款 (Chapter Three: Adjustment of Credit Line)

立約人向 貴行申辦授信業務，立約人同意於授信期間， 貴行有權依據 貴行授信核定標準調整立約人之授信額度、授信項目及授信承作條件；經 貴行調整後認為立約人有調降授信額度、項目及承作條件時，立約人同意經 貴行通知之日起三十天內償還調降差額或提供差額之全額現金為擔保，並同意將上述授信核定標準及承諾視為貴我雙方所簽訂授信約據之一部，如立約人違反上述承諾條件，經 貴行通知立約人償還期間內未為償還時，立約人對 貴行所負一切債務， 貴行得隨時對立約人停止或減少授信金額，或縮短授信期限，或本息視為全部到期。如因涉及第三人致發生任何糾葛責任或支出時，均由立約人完全負責處理， 貴行因此受有任何損害，亦由立約人立即完全負責賠償。

The Customer has applied to the Bank for the extension of credit lines. The Customer agrees that, within the period of the extension, the Bank has the right to adjust or amend the amount, purpose, or conditions of Customer's credit line in accordance with the Bank's credit approval standards or procedures. If the amount, purpose or conditions of Customer's credit line is adjusted downward, the Customer agrees to repay the difference resulting from that downward adjustment or provide cash guarantee of that difference within 30 days of the date that notice is sent from the Bank. The Customer agrees that its covenant hereof with respect to the aforementioned credit approval standards and procedures constitutes a provision of any credit agreement executed by and between the Customer and the Bank. If the Customer breaches that covenant and fails to repay within the period prescribed by the Bank in the notice, with respect to the entire indebtedness owed by the Customer to the Bank, the Bank may, at any time, cease or decrease the credit line extended to the Customer, shorten the credit line extension period or declare the entire principal and interest immediately due and payable. If any controversy or dispute with a third party arises therefrom, the Customer shall be solely responsible in the handling of those controversies or disputes, and shall compensate and indemnify the Bank for any fees, charges, costs, expenses, losses or damages arising therefrom.

第四章：財務或營運條款 (Chapter Four: Finance or Operation)

第一條 立約人為維持正常營運及確保貴行之還款來源，承諾與 貴行往來期間須維持一定之財務或營運條件，並同意將該條件視為貴我雙方所簽訂授信約據之一部，如立約人違反上述承諾條件，經 貴行通知立約人改善期間內未為改善時，立約人對 貴行所負一切債務， 貴行得隨時對立約人停止或減少授信金額，或縮短授信期限，或本息視為全部到期。

Article 1. For the purpose of maintaining normal operation and securing source of repayment to the Bank, the Customer shall maintain certain financial or operating conditions during the period it transacts with the Bank. The Customer further agrees that such conditions shall be incorporated into any credit agreement entered by and between the Customer and the Bank. If the Customer breaches the foregoing provisions and fails to cure it within the prescribed period set forth in the notice from the Bank, with respect the entire indebtedness owed by the Customer to the Bank, the Bank may at any time cease or decrease the credit line extended to the Customer, shorten the credit line extension period or declare the entire principal and interest immediately due and payable.

立約人承諾之財務或營運條件如下：

(Finance or Operation Conditions Promised by the Customer are as follow):

- (1) 流動比率(流動資產/流動負債)≥100%
 - (2) 本金利息保障倍數(年化EBITDA/(一年內到期長期負債+利息費用))≥130%，其中針對 2022/12/31-2023/12/31 財報期間得檢視不低於 110%。
 - (3) 金融負債比率(金融負債/有形淨值)≤120%，其中針對以下財報期間分階段檢視，(A). 2021/12/31: ≤230%、(B). 2022/06/30: ≤240%、(C). 2022/12/31-2023/06/30: ≤230%、(D). 2023/12/31: ≤200%。
- 若違反財務比率時，(備)需：A. 於次一個財務比率檢視週期前辦理現金增資，或 B. 經核准控(TW00026207+TW00056080+TW00184241 業等3業)動用限 USD 70 佰萬，至財務比率恢復至合格水準。

第二條 立約人同意應於公司董監事任期屆滿後一個月內完成改選，若立約時已屆滿，則應於立約時起一個月內完成改選。於立約人完成董監事改選前， 貴行有權拒絕受理立約人於本約定書所載之各項交易與業務關係之申請，如因此致立約人受有損害，悉由立約人負責，概與 貴行無涉。

Article 2. The Customer agrees that the Bank shall have the right to reject the Customer's application for any transaction stipulated in this Agreement or any new business if the new directors or supervisors of the Customer have not been elected within one month after the end of the directors' or supervisors' term of office or, in the event that the term of office of the directors or supervisors has ended before the execution of this Agreement, one month after the execution of this Agreement. Any damage or adverse impact suffered by the Customer resulting from the Bank's rejection under this Article shall be borne by the Customer and the Bank shall not be held liable therefor.

第五章：不動產條款 (Chapter Five: Real Property)

立約人為擔保對 貴行所負一切債務之清償，已/將提供不動產（詳如抵押契約標示）設定最高限額抵押權予 貴行。茲為保障 貴行權益，立約人願就抵押之不動產（含未保存登記建物），同意下述切結之條款：

To guarantee and secure repayment of all debts owed to the Bank, the Customer has provided, or will provide, the Bank with the real property (the detail as specified in the relevant mortgage agreement) as collateral under a maximum-amount mortgage.

To secure the rights and interests of the Bank, the Customer hereby agrees to the following terms and conditions in connection with the mortgaged real property (including unregistered buildings):

第一條 無租賃切結

供押不動產於提供及辦妥設定抵押權之時，確無任何租賃、借貸關係，及他項權利之存在，亦無被第三人占用等情事，非經 貴行同意，絕不將該不動產設定他項權利或出租、出借等予第三人，或為其他足以減少該不動產價值之一切行為，如有不實，致 貴行受有損害，願負一切賠償責任。

Article 1. No Lease Warranty

At the time the mortgage is created, there are no leases, rights of use, or other rights of a third party with respect to the mortgaged collateral, and the mortgaged collateral was not occupied by any third party. The Customer shall not create any such encumbrance on the collateral, lease, or lend the collateral to any third party or engage in any kind of act that may diminish the value of the collateral without obtaining the prior consent the Bank. If the Customer breaches the foregoing provisions in any way and the Banks suffers losses or damages as a result thereof, the Customer shall be liable to compensation and indemnify the Bank for the full amount thereof.

第二條 租賃切結（擔保物提供者）

立約人承諾將來租賃契約之換約、延長及其他租賃條件之變更等，必須先經 貴行同意始得辦理，不適用民法第四五一條之規定。如 貴行處分抵押品時(查封)，願立即無條件與承租人解除或終止租賃關係，非經 貴行同意，絕不將該不動產設定他項權利予第三人，或為其他足以減少該不動產價值之一切行為，如有不實，致 貴行受有損害，願負一切賠償責任。

Article 2. Warranty on Lease (Collateral Provider)

The Customer covenants not to undertake any change to the lease agreement, extension of the term thereof, or alteration, revision or amendment of any of the leasing conditions thereof without obtaining the Bank's consent first. The Customer shall avoid the application of Article 451 of the Civil Code in all circumstances. If the Bank disposes of (seizes) the collateral, the Customer agrees to promptly and unconditionally cancel or terminate the lease with the tenant. Unless agreed by the Bank, the Customer shall not grant any third party any right on the collateral or engage in any kind of act that diminishes the value of the collateral. If the Customer breaches the foregoing provision and the Bank suffers any losses or damages as a result thereof, the Customer shall be liable to compensate and indemnify the Bank for the full amount thereof.

第三條 租賃切結（承租人）

立約人承諾將來租賃契約之換約、延長及其他租賃條件之變更等，必須先經 貴行同意始得辦理，不適用民法第四五一條之規定。如借款人因債務不履行或違約，經 貴行實行抵押權處分抵押品時，租賃關係即無條件解除或終止，承租人願立即自行遷出，若留有任何物品或財產，視為無條件放棄，該留置物任由 貴行處分或丟棄絕無異議，並願拋棄有關承租人得主張這一切權利。承租人上述不動產，係供_____用途，絕無轉租情事。

Article 3. Warranty on Lease (Tenant)

The Customer covenants not to undertake any change to the lease agreement, extension of the term thereof, or alteration, revision or amendment of any of the leasing conditions thereof without obtaining the Bank's consent first. The Customer shall avoid the application of the Article 451 of the Civil Code in all circumstances. If the Bank disposes of (seizes) the collateral, the lease shall be deemed unconditionally cancelled or terminated, and the tenant shall promptly and voluntarily vacate the premises, any property left behind will be deemed abandoned and relinquished, those properties will be subject to the disposal of the Bank, without objection. All rights or interests of the tenant with respect thereto have been waived. The aforementioned real property owned by the tenant is for the purpose of _____ and has no sub-lease existing thereon.

第四條 空地切結

對供押土地，在 貴行未拋棄抵押權以前，非經 貴行書面同意，決不擅自蓋建房屋或其他建築物，並不變更土地現狀，如經 貴行同意，立約人切結該建物於興建完成後，願提供為 貴行設定第一順位抵押權，並於建造期間，絕不任意變更起造人，倘有違約，則無論 貴行要求拆除所建於抵押土地之未保存登記房屋、建築物或要求損害賠償、或要求清償債務，均願遵照履行。

Article 4. Warranty on Vacant Land

Unless prior written consent from the Bank has been obtained, before the Bank waives its mortgagee rights, no building or other construction may be built on the mortgaged land lots, and the condition of the land lots shall be maintained. Upon

the approval by the Bank, immediately upon the completion of the construction, the Customer shall undertake to mortgage the completed building or construction to the Bank at first priority lien position. The Customer covenants not to change the project applicant during the construction period. If the Customer breaches the foregoing provisions, the Customer shall unconditionally honor any requests from the Bank, which requests may include, but not limited to, demolishing the unregistered buildings or constructions on the mortgaged property, compensate or indemnify the Bank for any losses or damages arising therefrom, or repay the indebtedness immediately.

第五條 未保存登記建物合併供押

供押不動產時所興建之未保存登記建物(含地面層或頂層加蓋部份為供押不動產之從物)為立約人原始起造所有或具處分及使用權,願合併提供為 貴行抵押,如 貴行實行前項抵押權時,聽任 貴行一併處分以抵償債務。

Article 5. Mortgage of Unregistered Buildings

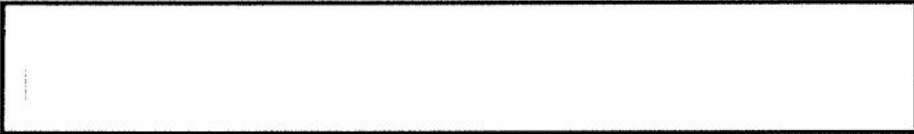
If there is any unregistered building or construction (including accessories at the ground level or additionally built unit on the top) erected on the collateral at the time of the creation of the mortgage, and the Customer is the original project applicant/owner or has the right of use, the Customer agrees to mortgage that unregistered building or construction to the Bank. If the Bank enforces its mortgagee rights, the Customer will comply and cooperate with any disposition of that collateral by the Bank.

第六條 拋棄法定抵押權

因定作人已提供或承諾下列全部土地及建物,或修繕完成之建物,作為向 貴行授信之擔保,承攬人無條件同意,拋棄就承攬定作人上開建物之關係所生債權之法定抵押權及其登記請求權,並不得對 貴行或 貴行之權利繼受人主張法定抵押權等任何權利之存在,絕無異議。

Article 6. Waiver of Construction Lien

With respect to all of the aforementioned land lots, buildings or completed improvements mortgaged to the Bank by the developer/project applicant as collateral for the extension of any credit line, the contractor agrees to unconditionally waive any contractor's lien thereto and the rights to request for the lien registration. Without objections, the contractor shall have no right to claim contractor's lien or any other rights from the Bank or successors of the Bank.

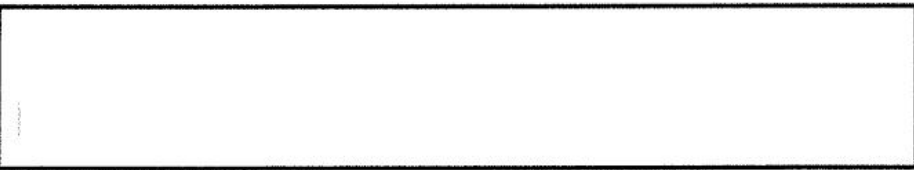


第七條 限期辦理保存登記

供押不動產附邊有下列標示之增建物未經保存登記,茲切結該增建物為立約人原始起造所有或具有處分及使用權,並承諾於 月內就該部份建物辦理保存登記,並提供為擔保品,由 貴行設定第一順位抵押權登記,在未辦妥是項手續以前,如遇 貴行實行前項抵押權時,該部份建物聽任 貴行一併處分以抵償債務。
未保存登記建物標示如下:

Article 7. Ownership Registration within the Prescribed Period of Time

The mortgaged real properties include the following additionally built units whose ownership registration has not been completed. The Customer hereby represents and warrants that the customer is the original project applicant/owner of those buildings or construction and has the right of disposal and use. The Customer covenants to complete ownership registration of that building or construction within _____ months and immediately mortgage it to the Bank at the first priority lien position. If the Bank enforces its mortgagee rights on the collateral prior to completion of the aforementioned process, the Customer will comply and cooperate with any disposition or that collateral by the Bank.
The unregistered buildings are listed as follow:



第八條 使用借貸切結

立約人與所有權人間並無任何租賃關係存在,如一經所有權人或 貴行請求返還抵押物時,或 貴行依法聲請強制執行查封抵押物時,願無條件立即交還下述借用或佔用之不動產。

Article 8. Warranty on Loan for Use

There is no lease between the Customer and the owner. Upon request by the owner or the Bank to return the collateral, or when the Bank applies for compulsory enforcement and foreclose on the collateral in accordance with the law, the Customer agrees to promptly and unconditionally return the following real property borrowed or occupied.



第九條 親屬證明

查 尚未成年(民國 年 月 日生), 茲因其父母為子女長期經營需要, 擬向 貴行借款, 本親屬(父母以外之親屬三人)等爰鄭重聲明, 該借款及抵押權設定, 確為該未成年者之利益而為。

Article 9. Proof Documents for Relatives

_____ is a minor (date of birth: _____). For the needs of long-term development, the parents of that minor wishes to apply for a loan from the Bank; we (three relatives other than the parents) hereby confirm that the aforementioned loan and mortgage are for the benefit of that minor.

第十條 無法定抵押權

對供押不動產, 立約人與所有得享有法定抵押權之承攬人(包括建造或該建築物之重大修繕之人)間, 就基於承攬關係所生之債務, 已全部清償完畢, 並無任何法定抵押權存在。如嗣後發現有不實情事, 願負詐欺之刑責, 並賠償貴行所受之一切損失。

Article 10. No Construction Lien

With respect to the mortgaged collateral, all debts owed by the Customer to all contractors who may hold contractor's liens (including those who built or made major improvements to the collateral building) in relation to construction have been repaid in full, and no construction lien exists. If it is later discovered that the Customer has submitted fraudulent information, the Customer shall be criminally liable and shall compensate and indemnify the Bank for any and all losses or damages suffered by the Bank.

第十一條 無三七五減租

供押土地於提供設定抵押權之時, 確屬自用地, 並無與他人訂立現尚有效之三七五減租條例租約, 亦無其他任何租賃關係之存在。

Article 11. No Rent Control

At the time the mortgage is created, the land lots thereunder are self-owned. There is no effective rent control agreements entered and no other lease relationship has been in existence (including, but not limited to, the 0.375% maximum rent restriction for the statutory farmers).

第十二條 自用住宅切結

供押不動產確為立約人(含配偶及子女)之唯一自用住宅, 此外無其他住宅, 如有不實, 願負詐欺之刑責, 並依 貴行規定, 立即償還超貸之借款。

Article 12. Warranty on Private Residence

The mortgaged collateral is the sole self-owned residence of the Customer (including its spouse and children); the Customer shall be criminally liable for submitting fraudulent information, and shall immediately repay the indebtedness in accordance with the Bank's policies, guidelines, or regulations.

第十三條 擔保債權之確定事由

擔保物若設定為最高限額抵押權及/或最高限額質權時, 當有下列事由發生時, 貴行無須事先通知, 得逕停止授信或交易額度, 不再為其他授信或交易:

- 一、 約定之原債權確定日期屆至者。
- 二、 擔保債權之範圍變更或因其他事由, 致原債權不繼續發生者。
- 三、 擔保債權所由發生之法律關係經終止或因其他事由而消滅者。
- 四、 貴行拒絕繼續發生債權或依民法第八百八十一條之五或第八百八十一條之七之情事, 債務人(含連帶借款人)或擔保物提供者請求確定者。
- 五、 貴行聲請裁定拍賣抵押物, 或依民法第八百七十三條之一之規定為抵押物所有權移轉之請求, 或第八百七十八條規定訂立契約者。
- 六、 抵押物因他債權人聲請強制執行經法院查封, 而為貴行所知悉, 或經執行法院通知貴行者。但抵押物之查封經撤銷時, 不在此限。
- 七、 債務人、連帶債務人或抵押人經裁定宣告破產者。但其裁定經廢棄確定時, 不在此限。
- 八、 有民法第八百八十一條之十之情事。
- 九、 其他事由致原債權確定之情事。

立約人或擔保物提供者不可撤銷地同意於主張最高限額抵押權/或最高限額質權所擔保債權確定者, 須以書面表示並寄交 貴行總行之法金信用風險單位, 且於送達貴行總行之翌日始生效力。

Article 13. Causes of Confirmation of Secured Credit Rights

If the amount of the encumbrance created on the collaterals is the maximum mortgage amount and/or maximum pledge amount, the Bank may unilaterally suspend the credit extensions or transactions and refrain from engaging in other credit extensions or transactions in case of the occurrence of any of the following events:

- (a) The original date of confirmation of the credit rights is due.
- (b) The modification of the scope of the secured credit rights or another event causes the original credit rights to stop arising.
- (c) The legal relationship from which the secured credit rights arise has been terminated or has extinguished as a result of another event.
- (d) The Bank refuses to allow any credit rights to continue to arise, or there is an instance under Article 881-5 or 881-7 of the Civil Code where the Customer (including the jointly and severally liable borrower) or the collateral owner requests for confirmation.

- (e) The Bank petitions for a ruling to auction the collaterals, or requests for the assignment of the ownership of the collaterals according to the provision of Article 873-1 of the Civil Code, or the making of an agreement according to the provision of Article 878 of the Civil Code.
- (f) The collaterals are attached by the court upon another creditor's petition for compulsory execution, and the Bank is aware of, or has been notified by the execution court of this fact. However, this restriction shall not apply to the circumstance where the attachment on the collaterals is revoked.
- (g) The Customer (including the jointly and severally liable debtor) or the mortgagor is adjudicated bankrupt by the court. However, this restriction shall not apply to the circumstance where the court's adjudication is annulled and the annulment is confirmed.
- (h) There is an instance as mentioned in Article 881-10 of the Civil Code.
- (i) There are other circumstances which cause the original credit rights to be confirmed.

The Customer or the collateral provider irrevocably agrees that, where it asserts confirmation of the credit rights secured by a maximum mortgage amount/ maximum pledge amount, such assertion shall be made in writing and posted or delivered to the Credit Risk Unit of the Corporate Banking Department of the Bank's head office, and that the assertion shall become effective only on the day after the date on which it was served on the Bank's head office.

第十四條 擔保債務範圍

立約人確認，其向 貴行提供擔保物設定最高限額抵押權，於抵押權設定契約書所定最高限額內所負擔保之債務範圍包含債務人對 貴行現在（包括過去所負現在尚未清償）及將來所負之債務，包括借款、透支、貼現、買入光票、墊款、承兌、委任保證、開發信用狀、進出口押匯、票據、保證、信用卡契約、應收帳款承購契約、衍生性金融商品交易契約及特約商店契約所發生之債務，並以抵押權設定契約書實際所載者為準。

Article 14. Scope of Debts to be Secured

The Customer acknowledges and confirms that the maximum amount mortgage covers all indebtedness owed by the obligor(s) to the Bank arising from loans, overdraft, discount, purchase of clean bills, advances, acceptance, bank guarantee, issuance of letter of credit, negotiation, bills, guarantee, credit card, factoring, financial derivative transaction, and merchant agreement, which is stipulated in the mortgage agreement.

第十五條 最高限額抵押權擔保債務範圍說明事項

立約人確認，其向 貴行提供擔保物設定最高限額抵押權，擔保之債務範圍包含債務人對 貴行所負之「保證」債務，即「債務人如擔任他人對 貴行借款關係之保證人，則其所保證之債務，於保證期間，或未獲清償前，此保證債務於該最高限額內，為抵押權擔保範圍，須負擔保責任」。

Article 15. Special Instruction of the Scope of Debts to be Secured

The Customer acknowledges and confirms that the maximum amount mortgage covers indebtedness owed by the obligor(s) to the Bank arising from guarantee. If the obligor(s) guarantee the loans of others to the Bank, such loans are also covered by the mortgage.

第十六條 不動產設定、變更登記費用

立約人同意，依土地法第七十六條所定之設定費用及日後變更所涉之各項登記費用，係由 立約人 債務人 擔保物提供者負擔。

Article 16. Fees and Charges for the Mortgage Registration and Amendment

The Customer consents that the relevant fees and charges arising from mortgage registration and amendment, according to article 76 of the Land Act, shall be borne by the Customer obligor(s) collateral provider.

第十七條 第三人為自然人提供不動產擔保品

立約人同意向 貴行提供位於 _____ 之不動產設定抵押權，於最高限額新臺幣 _____ 之範圍內，作為借款人 _____ 對 貴行債務之擔保。

Article 17 The Real Property Collateral Provided by A Third Party

In order to secure all indebtedness to the Bank owed by _____ (the "Borrower"), to the extent under the maximum amount of NTD _____, the Customer hereby provides the Bank the real property located in _____ as a collateral.

第六章：建築融資條款 (Chapter Six: Construction Financing)

第一條 拋棄法定抵押權

立約人（以下簡稱承攬人）茲興建/重大修繕 _____（以下簡稱定作人）所有座落 _____ 縣（市）鄉（鎮市區） _____ 段 _____ 小段 _____ 地號土地上之建物。因定作人已提供或承諾提供上開全部土地暨建物或修繕完成後之建物作為向 貴行授信之擔保，承攬人無條件同意拋棄就承攬定作人上開建物所生債權之法定抵押權，並不得對 貴行主張法定抵押權之存在。

Article 1. Waiver of Construction Lien

The Customer (hereinafter the "Contractor") has constructed/made major improvements to buildings owned by _____ (hereinafter the "Project Applicant") located on land lot No. _____ located in _____ Hsien (City)

_____ Town (District) _____ Sec. _____ Sub-sec. The Project Applicant has provided or has covenanted to provide the aforementioned land lots and buildings or completed buildings after the completion of improvements as collateral to secure the Bank's extension of credit. The Contractor unconditionally agrees to waive any contractor's lien it may have in connection with the aforementioned buildings, and shall not claim the existence of contractor's lien to the Bank.

第二條 不提供設定次順位抵押

立約人提供座落 _____ 縣(市) _____ 鄉(鎮市區) _____ 段 _____ 小段 地號土地共 _____ 筆抵押予貴行，並由起造人(簡稱起造人)於供押土地上蓋建房屋，為保障 貴行權益，茲切結於起造人建造期間，非經 貴行書面同意絕不再供第三者設定次順位抵押權，如有違反願任由 貴行收回該債權。

Article 2. Not to Grant Junior Lien

The Customer has mortgaged to the Bank _____ pieces of land lots with land lots No. _____ located in _____ Hsien (City) _____ Town (District) _____ Sec. _____ Sub-sec, and certain project applicant has constructed buildings on the mortgaged land lots. To secure the Bank's rights, the Customer hereby warrants that, during the period of construction by the project applicant, it shall not grant junior liens on the collateral to any third party; if the Customer breaches this warranty, the Bank is entitled to repossess the mortgaged land lots.

第三條 空地切結

立約人向 貴行申請融資，該筆借款用途係購買座落 _____ 市(縣) _____ 區 _____ 段 _____ 小段 地號之土地。茲切結於 _____ 年 _____ 月 _____ 日前未取得該土地所有權並設定第一順位抵押權予貴行者，同意將原貸得款項之本息於 _____ 年 _____ 月 _____ 日前清償，如有違約者，視同喪失期限利益，此一約定為 貴行得隨時減縮授信期間或債務視為全部到期之加速條款之一款。

Article 3. Warranty on Vacant Land

The Customer has applied to the Bank for the financing to purchase land lots No. _____ located in _____ Hsien (City) _____ Town (District) _____ Sec. _____ Sub-sec. If the Customer fails acquired that land lot prior to _____ year _____ month _____ date and mortgaged it to the Bank at first priority lien position, the Customer shall repay in full the original loan principal and interest before _____ year _____ month _____ date. Any breach of the foregoing provision will result in a waiver of the term or repayment granted therewith. This provision is a part of the acceleration clauses with respect to the Bank's right to lengthen or shorten the credit line extension period as it sees fit, or declare the entire indebtedness immediately due and payable.

土地清冊如下：

The list of land lots is as follows:

--

第四條 起造人切結

原借款人 _____ 提供所有座落 _____ 縣(市) _____ 鄉(鎮市區) _____ 段 _____ 小段 地號土地，計 _____ 筆 _____ 坪為擔保，向 貴行借款新台幣 _____ 元整在案。因立約人在供押之土地上興建房屋，為保障 貴行權益，茲切結在建造期間，非經 貴行書面同意，決不任意變更起造人名義。

Article 4. Warranty by the Project Applicant

The original borrower provided land lot No. _____ (_____ ping) as collateral to the loan with the Bank in the amount of NTD _____. The Customer has or will construct buildings on the mortgaged land lots. To secure the Bank's interests, the Customer hereby warrants that it shall not change the identity of the project applicant without obtaining prior written consent from the Bank.

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第五條 興建後提供抵押切結

立約人為擔保自己或第三人 _____ 對 貴行所負一切債務之清償，經將所有不動產(詳如抵押契約標示)出押予 貴行並設定最高限額新台幣 _____ 元整之第一順位抵押權，經民國 _____ 年 _____ 月 _____ 日由 _____ 地政事務所收件字第 _____ 號登記在案。前項不動產擬興建建物，立約人茲切結該建物於興建完成辦妥保存登記時，願提供為 貴行設定第一順位抵押權登記手續，在未辦妥是項手續以前，如遇 貴行實行前項抵押權時該部分建物應任 貴行一併處分以抵償債務。

Article 5. Warrant on Providing Collateral after Construction

To guarantee the repayment in full of the indebtedness owed by itself or any third party _____ to the Bank, the Customer has mortgaged its real property (please refer to the Mortgage Agreement for details) to the Bank at the first priority lien position with maximum mortgage amount at NTD _____, which mortgage was registered with the Land Registry Office (No. _____) on _____ year _____ month _____ day. The Customer plans to

construct buildings on that collateral land lots. The Customer hereby agrees to immediately mortgage the buildings constructed on the land lots to the Bank at the first priority lien position after the completion of the construction and registration. Prior to completion of such process, in the event that the Bank enforces its mortgagee rights, the Bank may, at its discretion, dispose of the aforementioned buildings to secure repayment.

第六條 承攬人變更通知及拋棄法定抵押權

立約人同意，若營建承攬人有變更時，立約人應立即通知 貴行，並應取得新承攬人之拋棄法定抵押權同意書或相關切結書，如有違約者，貴行有權隨時對立約人停止或減少授信金額，或縮短授信期限，或主張本息喪失期限利益視為全部到期。

Article 6. Notification of Change of Contractor and Abandonment of Right of Detention

The Customer agrees that in case contractor of construction has changed, the Customer shall forthwith notify the Bank of the facts and procure agreement and undertaking from the succeeding contractor, in which the succeeding contractor shall warrant and agree to abandon its right of detention at law. If the Customer fails to observe provision in this (6) Article, the Bank shall have right at any time to terminate or limit the Customer's credit line, shorten the credit line period, and/or enforce the acceleration clause herein to have the principal and accrued interest, if any, become due and payable instantly.

第七章：擔保物提供證暨質權設定契約 (Chapter Seven: Certificate for Provision of Collateral and Pledge Agreement)

立約人為擔保自己或第三人 對 貴行(為本契約之目的，含總行及所屬各海內外分支機構)所負現在(包括過去已發生在尚未清償)及將來所負之下列第一條所示之債務，在最高限額質權新台幣(或等值外幣)元整內，茲提供後開擔保物明細表所列之擔保物及/或信託財產受益權質押與 貴行，並願遵守下列條款：

In order to secure all indebtedness to the Bank (for the purpose of this Chapter, including the head office, domestic branches and overseas branches) under Article 1 below whether present (including debts incurred in the past and currently not yet repaid) or future, owed by the Customer himself or the third party, to the extent under the maximum pledge in an amount of NTD (or its equivalent amount in foreign currency), the Customer hereby provides the collateral or the beneficiary right to the trust asset as listed in the attached collateral list to the Bank, and agrees to comply with the following terms and conditions:

第一條 擔保債務範圍

擔保債務人、連帶債務人及出質人對質權人在最高限額質權金額內，對現在(包括過去所負在尚未清償)及將來所負之債務，包括借款、墊款、承兌、票據、保證、委任保證、透支、貼現、買入光票、開發信用狀、進出口押匯、進出口外匯業務、應收帳款承購契約、衍生性金融商品交易契約、信用卡契約、特約商店契約暨銀行得辦理業務之基礎法律關係所生之債務(包括本金、利息、遲延利息、違約金、手續費)，及取得執行名義之費用、保全質權之費用、質權人墊付質物之保險費、及上述法律關係所生債務不履行之損害賠償。

Article 1. Scope of Debts to be Secured

The indebtedness, to the extent of the maximum amount secured by the pledge, owed by the debtor, the jointly and severally liable debtor and the pledgor to the pledgee at present (including debts incurred in the past and currently not yet repaid) and in future, including loans, advances, acceptance, bills, guarantee, bank guarantee, overdraft, discount, purchase of clean bills, issuance of letters of credit, import and export negotiation, import and export foreign exchange business, accounts receivable financing agreement, financial derivatives trading agreement, credit card agreement, merchant agreement and indebtedness arising from the basic legal relationship in respect of the businesses which may be conducted by a bank (including principal, interest, default interest, penalties, processing fees), and expenses for obtaining the subject of execution, expenses for safeguarding the pledge rights, insurance premium for the collaterals advanced by the pledgee, and indemnity for damages in connection with the non-performance of obligations arising from the aforesaid legal relationship.

第二條 連帶債務

立約人與其他債務人共同出具約據或發票向 貴行連帶借款時，縱 貴行僅對共同出具約據或發票之其他債務人撥款給付，即視同已對立約人撥款給付，立約人仍承認為本身債務，並願負連帶清償責任。對立約人之中其他一人或數人，撥款給付，亦視同已對全體連帶借款人撥款給付，立約人仍承認為本身債務，並願負連帶清償責任。

Article 2. Joint Indebtedness

If the Customer and other debtors jointly issue an agreement, a receipt or bill to the Bank for the purpose of obtaining a loan, notwithstanding that the Bank has appropriated payment only to the other debtors who have jointly issued the agreement, receipt or bill, it shall be deemed that the Bank has appropriated payment to the Customer, and the Customer shall acknowledge the indebtedness as its own and agree to bear the liability for repayment of the indebtedness jointly and severally. An appropriation of payment to one or several of the Customer s shall also be deemed to be an appropriation of payment to all of the jointly and severally liable borrowers, and the Customer shall acknowledge the indebtedness as its own and agree to bear the liability for repayment of the indebtedness jointly and severally.

第三條 擔保債權確定日期

擔保債權確定日期為 年 月 日 (即設定年限後之相當日前一日)

Article 3. Date of Confirmation of Secured Credit Rights

The date of confirmation of the secured credit rights is _____ (year) _____ (month) _____ (day) (i.e., the day preceding the

date of expiry of the term of pledge).

第四條 擔保債權之確定事由

擔保物若設定為最高限額抵押權及/或最高限額質權時，當有下列事由發生時，貴行無須事先通知，得逕停止授信或交易額度，不再為其他授信或交易：

- 一、約定之原債權確定日期屆至者。
- 二、擔保債權之範圍變更或因其他事由，致原債權不繼續發生者。
- 三、擔保債權所由發生之法律關係經終止或因其他事由而消滅者。
- 四、貴行拒絕繼續發生債權或依民法第八百八十一條之五或第八百八十一條之七之情事，債務人(含連帶借款人)或擔保物提供者請求確定者。
- 五、貴行聲請裁定拍賣抵押物，或依民法第八百七十三條之一之規定為抵押物所有權移轉之請求，或第八百七十八條規定訂立契約者。
- 六、抵押物因他債權人聲請強制執行經法院查封，而為貴行所知悉，或經執行法院通知貴行者，但抵押物之查封撤銷時，不在此限。
- 七、債務人、連帶債務人或抵押人經裁定宣告破產者。但其裁定經廢棄確定時，不在此限。
- 八、有民法第八百八十一條之十之情事。
- 九、其他事由致原債權確定之情事。

保證人或擔保物提供者不可撤銷地同意於主張最高限額抵押權/或最高限額質權所擔保債權確定者，須以書面表示並寄交 貴行總行之法金信用風險單位，且於逕達貴行總行之翌日始生效力。

Article 4. Causes of Confirmation of Secured Credit Rights

If the amount of the encumbrance created on the collaterals is the maximum mortgage amount and/or maximum pledge amount, the Bank may unilaterally suspend the credit extensions or transactions and refrain from engaging in other credit extensions or transactions in case of the occurrence of any of the following events:

- (a) The original date of confirmation of the credit rights is due.
- (b) The modification of the scope of the secured credit rights or another event causes the original credit rights to stop arising.
- (c) The legal relationship from which the secured credit rights arise has been terminated or has extinguished as a result of another event.
- (d) The Bank refuses to allow any credit rights to continue to arise, or there is an instance under Article 881-5 or 881-7 of the Civil Code where the Customer (including the jointly and severally liable borrower) or the collateral owner requests for confirmation.
- (e) The Bank petitions for a ruling to auction the collaterals, or requests for the assignment of the ownership of the collaterals according to the provision of Article 873-1 of the Civil Code, or the making of an agreement according to the provision of Article 878 of the Civil Code.
- (f) The collaterals are attached by the court upon another creditor's petition for compulsory execution, and the Bank is aware of, or has been notified by the execution court of this fact. However, this restriction shall not apply to the circumstance where the attachment on the collaterals is revoked.
- (g) The Customer, the jointly and severally liable debtor, or the mortgagor/pledgor is adjudicated bankrupt by the court. However, this restriction shall not apply to the circumstance where the court's adjudication is annulled and the annulment is confirmed.
- (h) There is an instance as mentioned in Article 881-10 of the Civil Code.
- (i) There are other circumstances which cause the original credit rights to be confirmed.

The Customer or the collateral provider irrevocably agrees that, where it asserts confirmation of the credit rights secured by a maximum mortgage amount/ maximum pledge amount, such assertion shall be made in writing and posted or delivered to the Credit Risk Unit of the Corporate Banking Department of the Bank's head office, and that the assertion shall become effective only on the day after the date on which it was served on the Bank's head office.

第五條 加速條款

立約人對貴行所負一切債務，如有下列情形之一者，除下述第6款至第9款應由 貴行先行以合理期間為通知或催告外，貴行得隨時對立約人停止或減少授信金額之給付，或縮短授信期限，或本息視為全部到期：

1. 任何一宗債務不依約清償或攤還本金時。
2. 依破產法聲請和解、聲請宣告破產、聲請公司重整、經票據交換所公告拒絕往來、停止營業，清理債務時。
3. 依約定原負有提供擔保之義務而不提供時。
4. 因死亡而其繼承人聲明為限定繼承或拋棄繼承時。
5. 因刑事而受沒收主要財產之宣告時。
6. 任何一宗債務不依約付息時。
7. 擔保物被查封或擔保物滅失、價值減少或不敷擔保債權時。
8. 立約人對 貴行所負債務，其實際資金用途與貴行核定用途不符時。
9. 受強制執行或假扣押、假處分或其他保全處分，致 貴行有不能受償之虞者。
10. 除前述各款外，貴行因有保全債權之必要，經契約具體約定之情事並明示發生加速期限到期（經通知或無須通知）之效果者。

Article 5. Acceleration

In the event of any of the following circumstances in connection with the indebtedness owed by the Customer to the Bank, except items (f) ~ (i) in which case the Bank shall give a prior notice or demand with a reasonable cure period, the Bank may at any time immediately suspend the credit extension to the Customer, or reduce the credit line, or shorten the credit extension term, or declare all principal and interest amounts immediately due and payable:

- (a) The Customer fails to repay any indebtedness or to repay the principal thereof in installments as agreed.
- (b) The Customer petitions for composition, adjudication of bankruptcy or reorganization; the Clearinghouse has made a public announcement that it has refused dealings with the Customer; the Customer has suspended operation or is in the process of liquidation.
- (c) The Customer fails to provide the collaterals to fulfill its original obligation as agreed.
- (d) The Customer died and his/her successors have declared limited succession or abandonment of succession.
- (e) The court adjudicates confiscation of the Customer's principal assets as a result of a criminal offense.
- (f) The Customer fails to pay interest on any indebtedness as agreed.
- (g) The collaterals have been attached; or have extinguished, decreased in value, or become insufficient to secure the credit rights.
- (h) The Customer's actual use of the funds with respect to the indebtedness owed to the Bank does not conform to the use thereof as approved by the Bank.
- (i) The collaterals are subject to compulsory execution or provisional attachment, provisional disposition or other safeguard measures, which makes it likely that the Bank may not be indemnified.
- (j) In addition to the circumstances specified in the above items, other circumstances which are concertedly stipulated in an agreement as having an acceleration effect (with or without notice), as required by the Bank for the purpose of safeguarding its credit rights.

第六條 假擔擔保

立約人切實聲明提供之擔保物完全為立約人合法所有，他人並無任何權利，如有任何糾葛，概由立約人自行處理，與貴行無涉。

立約人保證下列事項：

- 1、提供擔保之動產及其存放地點，均與擔保物明細表所載相符。
- 2、如擔保品為提單、倉單等物權證券時，該等證券所表彰貨物之名稱、種類、品質、數量、規格及其他狀況，均與該等證券文義所示者相符。
- 3、如擔保品為提單、倉單等物權證券時，其文件內所載貨物之品質、數量，如日後發現品質不符、或數量短少、或有其他虛偽情事者，無論該項貨物係堆存 貴行自營之倉庫，抑在其他倉庫，除能證明係可歸責於 貴行故意或重大過失之情事外，均由立約人立即更換或補足與該文件所載內容相符或相當之擔保品，或清償全部債務。

Article 6. Warranty

The Customer positively represents that it has lawful ownership of all the collaterals provided, and that other persons do not have any rights therein. In the event of any dispute, the Customer shall deal with the dispute unilaterally without involving the Bank.

The Customer warrants that:

- (a) The chattels provided as collateral and their place of storage are the same as specified on the Detailed Chart of Collaterals.
- (b) Where the collaterals are instruments of title such as bills of lading, warehouse receipts, etc., the name, type, quality, quantity, specifications and condition of the goods represented by the said instruments are consistent with the description of same on the said instruments.
- (c) Where the collaterals are instruments of title such as bills of lading, warehouse receipts, etc., and the quality or quantity of the goods as specified on the documents is found to be inconsistent with the actual quality or quantity of the goods, or where there are other false representations, the Customer shall, regardless of whether the said goods are stored in a warehouse operated by the Bank itself or in another warehouse, immediately replace or supplement the goods to make them consistent with or equivalent to the collaterals as specified on the said documents, or repay all the indebtedness, unless the Customer can prove that such inconsistencies are attributable to the Bank's willfulness or gross negligence.

第七條 動產堆存及質權人之保管責任

擔保物為動產時，其堆存地點及保管方法， 貴行有權決定，若 貴行因業務或確保債權之需要，並得隨時查驗。如立約人堆放地點及管理方法不適當時，貴行得限期通知立約人遷移或改善，立約人願即照辦。 貴行依法實行占有擔保品時，除有可歸責之事由外，不負決定遷移之錯誤或不遷移而遭受損失之責任。

擔保物為 貴行占有保管者，除故意或重大過失外，不負責任。 貴行依本契約有可歸責之情事時，其注意義務以故意或重大過失為限，始負責任。

Article 7. Storage of Chattels and Pledgee's Safekeeping Liability

Where the collaterals are chattels, the Bank has the right to determine their storage location and safekeeping method, and the Bank may also inspect it at any time for the purpose of business operation or protection of creditor's rights. If the Customer's place of storage and method of management with respect to the collaterals are inappropriate, the Bank may notify the Customer to move the collaterals to another place or rectify the situation, and the Customer shall immediately act accordingly. When the Bank takes possession of the collaterals according to the law, the Bank shall not be held liable for

any mistake in connection with the decision to move the collaterals, or any damages sustained from the non-movement of the collaterals, unless there is an event the liability for which is attributable to the Bank.

Where the collaterals are possessed and safekept by the Bank, the Bank does not bear any liability for the same unless there is willfulness or gross negligence on the part of the Bank. Where there is an event the cause of which is attributable to the Bank according to this Agreement, the Bank's duty of care shall be limited to willfulness or gross negligence before the Bank may be held liable.

第八條 擔保物限制處分及使用保管注意義務

立約人於擔保之債務未清償時，非經 貴行之書面同意，絕不擅自將擔保物轉讓、抵押、出質、出租、典當、遷移、或為其他處分。

擔保物如擬變更、改良、增設、廢棄等情事，亦須經獲 貴行書面同意後方得辦理，如因之需要辦理變更登記時，立約人願立即辦理變更登記申請應行之一切手續，並負擔其費用。

立約人願以善良管理人之注意妥善使用及慎重保管擔保物，決不鬆怠於修理、維護等保存上應有之行為。擔保物有關之稅捐、修理等一切費用概由立約人負擔照付。

Article 8. Restrictions on Disposal of Collaterals and Duty of Care for Their Use and Safekeeping

Prior to the repayment of the secured indebtedness, the Customer shall not transfer, mortgage, pledge, lease, pawn, move, or otherwise dispose of the collaterals on its own accord without the Bank's written consent.

If the Customer intends to change, improve, increase or abandon the collaterals, the Customer may do so only after obtaining the Bank's written consent. If it is necessary to attend to an amendment of the registration particulars, the Customer agrees to attend immediately to all procedures necessary for the application for amending the registration particulars at his expense.

The Customer agrees to exercise the care due of a good administrator and use the collaterals properly and safekeep them carefully, and not to neglect any acts to repair or maintain the collaterals which are necessary for safekeeping them. All taxes, repair costs, etc. relating to the collaterals shall be borne and paid by the Customer accordingly.

第九條 擔保物更換、補提

立約人所提供之擔保物，如因非可歸責於 貴行之原因而毀損滅失、變質腐壞、減少價值或有以上情形之虞時，立約人願即更換、補提或增提 貴行所同意之擔保物或清償所負一切債務。

Article 9. Replacement or Supplement of Collaterals

If the collaterals provided by the Customer are damaged, have extinguished, have turned bad, have depreciated in value, or are likely to be in the aforesaid circumstances for causes not attributable to the Bank, the Customer agrees to immediately replace them with collaterals approved by the Bank, or provide supplemental or additional collaterals approved by the Bank, or repay all the indebtedness owed to the Bank.

第十條 擔保物變動通知及孳息、補償費之收取

立約人所提供之擔保物倘發生變動，例如損壞、滅失、價值貶落，或所生孳息，或公用徵收或其他原因應由第三人補償時，均應立即通知 貴行， 貴行雖無收取義務但得逕行收取以抵償立約人或主債務人之債務，且立約人非經 貴行同意不得逕自取償。如怠於前述通知致 貴行受有損害，立約人應自賠償責任。

Article 10. Notice of Change in Collaterals and Collection of Interest or Compensatory Fees

In the event of any change in the collaterals provided by the Customer such as damage, extinguishment, depreciation in value, or interest arising therefrom, or requisition for public use, or other causes which shall be compensated by a third party, the Customer shall immediately notify the Bank. Although the Bank has no obligation to collect such interest or compensation, it may nevertheless do so unilaterally and apply the same to set off the indebtedness owed by the Customer or the debtor, the jointly and severally liable debtor, or the Customer, but the Customer shall not collect such interest or compensation on his own accord without the Bank's consent. If the Bank shall suffer any damage as a result of the Customer's negligence in giving the aforesaid notice to the Bank, the liability for indemnity shall be borne by the Customer.

第十一條 擔保物及憑證之返還或更換

凡持有 貴行發給立約人之擔保物收據、或保管證、或存摺、或立約人簽章之受領文件、或立約人印鑑前往 貴行請求返還、或更換擔保物、或變更權利憑證、或其他相關文件者，均視為立約人之代理人， 貴行得准予返還或更換之；但 貴行明知或可得而知其無代理權時，不在此限。

Article 11. Return or Replacement of Collaterals and Certificates

Any person holding a receipt, or certificate of custody, or account passbook issued by the Bank to the Customer, or a document of receipt signed by the Customer, or the Customer's seal, may go the Bank to request for the return or replacement of the collaterals, or amendment of the certificate of rights, or other relevant documents. Such person shall be deemed to be the Customer's agent, and the Bank may then return or replace the collateral accordingly unless the Bank knows or has reasonable grounds to know that aforementioned person is not authorized to do so.

第十二條 債務清償方法、部份清償

立約人原依各該債務所約定之期限、金額、利率如數清償。

立約人於擔保之債務為部分清償而請求 貴行按清償比例返還擔保物時，須經 貴行同意後方得辦理，如因之需辦理變更登記時，立約人並應負擔其費用。

Article 12. Method of Repayment, Partial Repayment

The Customer shall repay the indebtedness in accordance with the original term, amount, and interest rate as agreed with

respect to the various debts.

Where the Customer repays a part of the secured indebtedness and requests the Bank to return a part of the collateral proportionately, the return of collateral shall be made only after the Bank has given its consent thereto and, if it is necessary to amend the registration particulars, the expenses therefor shall be borne by the Customer.

第十三條 各種手續之辦理及保險

依法或依約須辦理擔保物寄倉、繳稅、繳納罰款、保險（含續保、加保）、點交、管理、遷移或辦理其他手續者，立約人均願照辦，其有關費用及稅捐均由立約人負擔。

擔保物能保險者，立約人願以貴行為優先受益人，聲請保險公司在保險單加註質權特約條款，投保適當火險或貴行所要求之其他保險，其費用由立約人負擔。貴行認為必要時，並得自行代為投保或續保火險或其他保險，其代墊之保險費，立約人應即清償墊款之本息，否則貴行得將代墊保險費之本息併入擔保範圍內優先受償。但貴行並無代為投保或續保之義務。

擔保物如有滅失，無論保險公司以任何理由拒絕或延宕賠款或賠款不足時，立約人願即清償一切債務，或另提供貴行認可擔保物。

Article 13. Procedures and Insurance

The Customer agrees to attend to the warehousing, tax payment, fine payment, insurance (including renewal of insurance cover and procuring additional cover), delivery, management, movement or other procedures with respect to the collaterals which are necessary according to the law or agreement, and the relevant expenses and taxes shall be borne by the Customer. If the collaterals are insurable, the Customer shall designate the Bank as the preferential beneficiary, request the insurance company to insert a special pledge clause in the insurance policy, and procure appropriate insurance cover against fire risks or other risks as requested by the Bank, and the expenses therefor shall be borne by the Customer. If it is deemed to be necessary by the Bank, the Bank may unilaterally procure insurance cover, or renew the insurance cover against fire risks or other risks on behalf of the Customer, and the Customer shall immediately repay the principal and interest in respect of the insurance premium advanced by the Bank, failing which the Bank may include the principal and interest in respect of the insurance premium advanced by the Bank in the scope of the secured indebtedness for preferential settlement. However, the Bank has no obligation to procure or renew any insurance cover on behalf of the Customer.

If the collaterals have extinguished, regardless of any reason the insurance company may use to refuse or defer indemnity payment or whether the indemnity payment is insufficient, the Customer shall immediately repay all the indebtedness, or provide other collaterals approved by the Bank.

第十四條 應收票據

債務人或立約人提供應收票據背書轉讓交付貴行作為履行債務之擔保或清償方法時，立約人同意下列事項：

- 1、為便利帳務處理，貴行得於票據兌現入帳累積至一定金額後，逕行抵償債務人或立約人所欠各宗債務，如有不足，立約人仍負完全清償責任。
- 2、上述應收票據屆期經貴行提兌入帳後，如經貴行同意債務人或立約人另以超過或相當於已兌現金額之應收票據，依前述方式交付貴行時，貴行得將上述已兌現金額撥入債務人或立約人在貴行之帳戶或匯入債務人或立約人在其他金融機構之帳戶，立約人對貴行所負之一切債務，仍應依其所立具之票據、借據等負完全清償責任。
- 3、上述應收票據，如不獲兌現，經通知債務人或立約人處理而不依限期辦理或無法通知者，貴行得視票據債務人經濟情況以低於票面之任何金額與票據債務人和解。

Article 14. Bills Receivable

Where the debtor or the Customer provides, endorses and transfers bills receivable to the Bank as a means for securing or repaying the indebtedness owed to the Bank, the Customer agrees to the following:

- (a) In order to facilitate bookkeeping, the Bank may, after the bills are cashed and the payments have been booked and accrued to a certain amount, unilaterally apply the accrued payment to set off various debts owed by the debtor or the Customer and, in case of any deficiency, the Customer shall still bear the liability for repayment of the indebtedness in full.
- (b) After a bill receivable as mentioned above has matured and the Bank has cashed and booked the payment, the debtor or the Customer may, subject to the Bank's consent, deliver to the Bank in the aforementioned manner another bill receivable having a value greater than, or equivalent to that of the bill receivable which has already been cashed, and the Bank may transfer the aforesaid cash amount to the account of the debtor or the Customer at the Bank, or remit the same to the account of the debtor or the Customer at another financial institution. With respect to all the indebtedness owed by the Customer to the Bank, the Customer shall still bear the liability for repayment in full according to the terms and conditions of the relevant to the bills, IOUs, etc. issued by it.
- (c) If a bill receivable as mentioned above is not accepted and cashed, and the debtor or the Customer fails to attend to the matter within the prescribed period as notified by the Bank, or if notice cannot be served on the debtor, the jointly and severally liable debtor, or the Customer, the Bank may, depending on the economic condition of the debtor under the bill, conclude a settlement with the debtor under the bill for any amount which is less than the face value of the bill.

第十五條 定存單、投資型組合式商品條款

立約人之債務已屆償還日期或喪失期限利益時，應將應償還本息悉數清償，如未能償還時，立約人同意並授權貴

行得將質押之定存單或投資型組合式商品予以解約，並以解約後之金額及產品收益全部抵償本息、延滯利息、違約金及各項費用。立約人對 貴行解約之處分時機及處分方式絕無異議， 貴行應於執行解約處分後，通知立約人。抵償後如有賸餘，並得優先抵充立約人對 貴行所負之其他一切債務，並同意賸餘款項轉回原產品申購時所指定立約人於 貴行名下帳戶，且 貴行開立之擔保品證明隨即作廢，立約人絕無異議。

Article 15. Time Deposit Certificates, Composite Investment Products

When the date of repayment of an indebtedness of the Customer is due, or when the Customer's time limitation benefit with respect to the indebtedness has extinguished, the Customer shall repay the principal and interest in full. If the Customer cannot make repayment, the Customer agrees and hereby authorizes that the Bank may unilaterally rescind the contracts for the pledged time deposit certificates or composite investment products, and apply all the proceeds and gains on the products realized from the rescission of the contracts to set off the principal, interest, default interest, penalties and various expenses. The Customer has no objection whatsoever to the time of rescission of the contracts by the Bank and the manner of disposal, but the Bank shall notify the Customer after the rescission of the contracts.

If there is any balance left after the set-off, the Bank may apply such balance to set off all other indebtedness owed by the Customer to the Bank on a preferential basis, and the Customer further agrees that the Bank may transfer the remaining funds back to the Customer's account at the Bank which was designated by the Customer at the time it subscribed for the products. Furthermore, the collateral certificate issued by the Bank shall be nullified immediately and the Customer has no objection whatsoever thereto.

第十六條 信託財產受益權條款

- 1、立約人於簽訂本契約之同時，應通知受託人辦妥信託受益權之質權設定登記，如有表彰受益權之憑證者，應一併交予 貴行。經立約人提供之信託受益權質權標的，非經 貴行書面同意不得更換，如有更換者，概以更換後之質權標的為準。
- 2、因信託財產之管理運用或委託人另外交付財產致增加信託財產，而使信託受益權所表彰之信託利益增加時，該增加部分亦屬本次所設定之質權範圍內。
- 3、設定質權後，非經 貴行之書面同意，立約人不得任意變更信託契約、提領信託財產、終止信託契約、變更受益人、處分信託受益人之權利或以法律行為使貴行之質權消滅。
- 4、貴行行使信託受益權之質權時，立約人除免除 貴行執行質權之通知義務外，就 貴行對信託受益權之處分時機及處分方式絕無異議。處分後如有賸餘，並得優先抵充立約人對 貴行所負之其他一切債務，並同意賸餘款項轉回立約人於 貴行名下帳戶。立約人並應無條件配合完成交易之一切必要手續，並不得異議。
- 5、信託受益權之設質將不影響信託契約之進行及管理。
- 6、本契約應影印一份交受託人以為質權登記。

Article 16. Beneficial Rights in Trust Properties

At the time of execution of this Agreement, the Customer shall notify the trustee to complete the registration of the pledge created on the trust beneficial rights and, if there is any certificate representing such rights, the Customer shall deliver it to the Bank at the same time. Without the Bank's prior written consent, the Customer shall not replace the collaterals on the trust beneficial rights provided by the Customer. If there is any replacement, the collaterals after the replacement shall prevail.

- (a) If the trust benefits represented by the trust beneficial rights shall increase due to an increment in the trust properties as a result of the management and utilization of the trust properties, or as a result of additional trust properties delivered by the settlor, the said additional part shall also fall within the scope of the pledge created in the present instance.
- (b) After the creation of the pledge, the Customer shall not, without the Bank's prior written consent, modify the trust agreement arbitrarily, take delivery of the trust properties, terminate the trust agreement, change the beneficiary, dispose of the rights of the beneficiary of the trust, or do any legal act to cause the Bank's pledge to extinguish.
- (c) When the Bank executes the pledge on the trust beneficial rights, the Customer shall, in addition to releasing the Bank from the obligation to notify the Customer of the execution of the pledge, agree without any objection to the time and manner of disposal of the trust beneficial rights by the Bank. If there is any balance left after the disposal, the Bank may apply such balance to set off all other indebtedness owed by the Customer to the Bank on a preferential basis. Furthermore, the Customer agrees that the Bank may transfer the remaining funds back to the Customer's account at the Bank, and that the Customer shall unconditionally coordinate with the Bank in attending to all necessary procedures for completing the transaction without any objection.
- (d) The creation of the pledge on the trust beneficial rights shall not affect the performance and management of the trust agreement.
- (e) A photocopy of this Agreement shall be delivered to the trustee for pledge registration purposes.

第十七條 申請上市尚未掛牌股票

立約人向 貴行提供股票作為對 貴行所負一切債務之擔保。立約人同意如該股票之上市業因逾限未公開銷售，或其他原因而遭主管機關註銷時，不問其債務是否到期，於接獲 貴行通知之日起一個月內應以 貴行認可之擔保品補足跌價差額或清償債務，否則立約人放棄期限利益，並同意無條件由 貴行就擔保品予以處分或變賣之。擔保品

處分或變賣之時間、方法及其價格亦同意委託 貴行全權處理以抵償債務。

Article 17. Stocks Pending Listing on Taiwan Securities Exchange

With respect to a stock which the Customer has provided to the Bank to secure all the indebtedness owed to the Bank, the Customer agrees that if the listing of the said stock on the Taiwan Securities Exchange is delayed and the stock cannot be traded publicly, or if the listing of the said stock is cancelled by the regulatory agency for other reasons, the Customer shall, regardless of whether its indebtedness has matured, make up the difference resulting from the fall in the price of the stock by providing additional collaterals which are approved by the Bank, or repay the indebtedness within one month from the date of receipt of the Bank's notice. Otherwise, the Customer shall waive its time limitation benefit and unconditionally agree to the disposal or sale of the collaterals by the Bank. Furthermore, the Customer also agrees to commission the Bank with full authority to dispose of, or sell the collaterals at the time, in the manner, and at the price as determined by the Bank to set off the indebtedness.

第十八條 未上市證券處分

立約人所提供之股票如遇時價跌落或擔保物發行公司之業務、財務及信用惡化，經 貴行評估可能損及債權時，不問借款已否到期，立約人願負責於 貴行通知之期限內補足擔保物或攤還放款或更換擔保物，否則，借款人對 貴行所負之債務即喪失期限利益，視同全部到期，立約人同意 貴行得逕行處分或變賣擔保物抵償所欠本息，至於擔保物處分方法及其價格概委託 貴行全權處理，並以本同意書為授權之證明，在債務未全部清償以前決不撤銷委託。

Article 18. Disposal of Non-Listed Securities

When there is a fall in the spot price of a stock provided by the Customer or when there is a deterioration of the business, finances or credit of the stock issuing company which, from the Bank's point of view, may impair the Bank's rights and interests, the Customer agrees to provide supplemental collaterals, or repay the loan in installments, or replace the collaterals within the deadline as notified by the Bank, regardless of whether the loan has matured or not. Otherwise, the Customer's time limitation benefit with respect to the indebtedness owed to the Bank will extinguish, and all the indebtedness owed to the Bank will be considered as having matured, and the Customer shall agree that the Bank may unilaterally dispose of or sell the collaterals to set off the principal and interest owed to the Bank. As for the manner and price of disposal of the collaterals, the Customer agrees to commission the Bank with full authority to deal with the same. Furthermore, the Customer agrees that this Agreement may be used to prove such authorization, and that it will not revoke the commission before the indebtedness is repaid in full.

第十九條 擔保物維持率同意條款(上市/櫃證券)

立約人因與 貴行授信往來，為 貴行保全債權需要，同意於授信期間，如遇質押標的物價值發生變動時，應予全力維持質押標的物之價值，並同意依照下列約定條款辦理：

一、立約人之授信，其擔保維持率依授信總餘額合併計算整戶擔保維持率，其維持率之計算為：擔保上市有價證券現行市價/授信總餘額×100%。

二、如因質押標的物市價變動致擔保維持率低於 %時，由 貴行通知立約人補繳差額。

三、經 貴行通知日後二個營業日內，整戶擔保維持率仍未達第二條之維持率，且未經立約人補繳差額時，對 貴行所負之債務，即喪失期限利益，視同全部到期， 貴行得自該營業日起在公開市場上拍賣或變賣質押標的物，以抵償所欠本息。有關質押物處分方法及其價格，概委託由 貴行全權處理，並以本條款為授權之證明。

四、倘於 貴行通知日後二個營業日內，整戶擔保維持率回升至第二條之維持率以上，雖未經立約人補繳差額， 貴行得暫不處分質押標的物，惟嗣後任何一營業日其整戶擔保維持率又低於第二條之維持率時，立約人應於當日自動補繳，否則 貴行有權自即日起處分其質押標的物。

五、立約人雖未補繳差額或僅補繳一部份而整戶擔保維持率回升至第二條維持率加計三十%以上或於處分質押標的物前立約人陸續繳納差額合計達到通知之補繳差額者，則取銷該次追補記錄，但 貴行有權不受本條之拘束。

六、立約人所提供之質押標的物， 貴行同意其孳息由出賣人領取，惟立約人同意自該孳息之除權息基準日前七個營業日起，以除權息後之參考價格作為計算整戶擔保維持率之標準。

七、倘立約人或擔保物發行公司的業務、財務及信用發生狀況，以致損害 貴行之權利並損及借款人或出賣人之利益，借款人或出賣人同意 貴行經自行評估認為可能損及債權時， 貴行得依法第八九二條拍賣質物，以實得價金，代充質物。

前項之拍賣，因情形急迫時，借款人或出賣人同意免除 貴行之通知義務。

第一項拍賣與否，係 貴行之權利， 貴行無拍賣之義務。

Article 19. Collateral Maintenance Rate (TSE/GreTai Listed Securities)

To meet the Bank's requirement to safeguard its credit rights as a result of its credit extension dealings with the Customer, the Customer agrees to exert its best effort to maintain the value of the collaterals in case of a fluctuation of the value of the collaterals during the credit extension term, and the Customer further agrees to deal with such an event according to the following agreed terms:

(a) The collateral maintenance rate in connection with the credit extended to the Customer shall be the collateral maintenance rate of the whole account calculated on the basis of the total balance of the Customer's credit line. The maintenance rate is: Current market price of TSE listed securities provided as collateral/Total balance of credit line x 100%.

(b) When the collateral maintenance rate is lower than % due to a fluctuation of the market price of the collaterals, the Bank shall notify the Customer to make payment to make up the difference.

- (c) If the collateral maintenance rate of the whole account still fails to reach the maintenance rate as stipulated in item (b) within two business days after the Bank has notified the Customer, and the Customer does not attend to payment to make up the difference, the Customer's time limitation benefit with respect to the indebtedness owed to the Bank will extinguish, and all the indebtedness shall be considered as having matured. Commencing from the said business day, the Bank may auction or sell the collaterals on the open market to set off the principal and interest owed to the Bank. As for the manner and price of disposal of the collaterals, the Customer agrees to commission the Bank with full authority to deal with the same and to apply this provision to prove such authorization.
- (d) If the collateral maintenance rate of the whole account shall rise back to the maintenance rate as stipulated in item (b) or above within two business days after the Bank has notified the Customer, the Bank may not dispose of the collaterals for the time being although the Customer has not attended to payment to make up the difference. However, on any business day thereafter when the collateral maintenance rate of the whole account is lower than the maintenance rate as stipulated in item (b), the Customer shall automatically attend to the supplemental payment on the current day. Otherwise, the Bank shall have the right to dispose of the collaterals commencing from that day.
- (e) If the collateral maintenance rate of the whole account shall rise back to the maintenance rate as stipulated in item (b) plus 30% or above although the Customer has not attended to payment to make up the difference or has only attended to payment of a part thereof, or if the aggregate amount of the consecutive payments made by the Customer is sufficient to make up the difference as notified by the Bank before the disposal of the collaterals, the Bank will cancel the record of the said demand for supplemental payment; provided, however, that the Bank has the right to be released from the restriction of this item.
- (f) The Bank agrees that the interest arising from a collateral provided by the Customer shall be collected by the Customer. However, the Customer agrees that, commencing from the 7th business day prior to the ex-right/ex-dividend date on which the said interest will arise, the reference price of the collateral on the ex-right/ex-dividend date shall be used as the standard for calculating the collateral maintenance rate of the whole account.
- (g) If there is a deterioration of the business, finances or credit of the Customer or the issuing company which, from the Bank's point of view, may impair the Bank's rights and interests and the interests of the borrower or the Customer, the borrower or the Customer agrees that the Bank may auction the collaterals according to Article 892 of the Civil Code and replace the collaterals with the proceeds realized from the auction, if the Bank shall determine from an evaluation conducted by itself that such circumstance may impair its credit rights.

Under urgent circumstances, the Customer or pledgor, as the case may be, agree to release the Bank from its obligation to give notice with respect to the auction stated in the preceding paragraph.

Whether to conduct an auction as stated in the first paragraph is at the Bank's discretion; the Bank is not obligated to conduct such auction.

第二十條 流抵約定

本質權所擔保之債務屆清償期而未為清償者，質權人得請求出質人將質物之所有權移轉並交付質物予質權人占有，該質物所有權之移轉如須辦理登記者，出質人於接到質權人請求時，並應無條件同意配合辦理一切手續，出質人對質權人之上開請求不得以任何理由拖延。

有關質物所有權移轉之質物價值，除公開市場行情價格可資依循外，出質人同意依質權人所委託之公正鑑價機辦理之鑑價結果，作為認定之依據，相關鑑價費用由雙方平均分擔，移轉所應支付稅額款項及應負擔之費用，除另有約定外，依相關稅法規定或習慣辦理。

Article 20. Transfer of the Ownership of the Collateral

Where the date of repayment of the indebtedness secured by this pledge is due but the indebtedness is not repaid, the pledgee may request the Customer to transfer the ownership of the collaterals to the pledgee, and to deliver the collaterals to the pledgee for possession. If registration of the assignment of the ownership of the said collaterals is required, the Customer shall, at the pledgee's request, unconditionally agree to coordinate with the pledgee in attending to all the procedures therefor, and the Customer shall not delay in complying with the aforesaid request of the pledgee for any reason. With respect to the value of the collaterals the ownership of which is transferred, the Customer agrees to use the results of the appraisal conducted by an impartial appraisal organization as the basis for ascertaining the value thereof. The relevant appraisal fee shall be shared equally by both parties and, unless otherwise agreed, the payment of taxes and burden of expenses in connection with the transfer of the ownership shall be dealt with according to the provisions of the relevant tax laws or customs.

第廿一條 履行地

本契約所定事項以 貴行營業所在地為債務履行地。

Article 21. Place of Performance

The place of performance of this Agreement is the place of business of the Bank.

第廿二條 通知或催告之方式

依本契約書項下所發生之任何請求或通知，如以郵件寄交或以專人送達於此等請求單或通知單之收件人或其代表人最後所通知之地址時，即視同業已充分通知，但收件人或其代理人已遷移該最後通知之地址，或有其他可歸責於收件人或其代表人之事由致不能對其最後通知之地址送達，且收件人或其代理人均未事先通知 貴行時，則上開請求或通知，於 貴行向收件人或其代理人最後所通知之地址投郵後，經過常之郵遞期間，即視同已送達收件人。

立約人不可撤銷地同意於依第四條主張最高限額質權所擔保債權確定者，須以書面表示並寄交 貴行總行之法金信

用風險單位，且於送達 貴行總行之翌日始生效力。

Article 22. Service of Notice or Demand

Any demand or notice arising from this Agreement, if sent by post or delivered by special messenger to the address which was last notified by the recipient of the demand letter or notice or its representative shall be deemed to have been duly served. However, where the recipient or its representative has moved from the said last-notified address, or there are other causes attributable to the recipient or its representative thereby making it impossible to effect service at its last-notified address, and the recipient or its representative did not give any prior notice to the Bank, then the aforesaid demand or notice shall be deemed to have been served on the recipient after the Bank has posted it to the address which was last notified by the recipient or its representative and the passage of the normal postal delivery time.

The Customer irrevocably agrees that, where it asserts confirmation of the credit rights secured by a maximum pledge amount according to Article 4, such assertion shall be made in writing and posted or delivered to the Credit Risk Unit of the Corporate Banking Department of the Bank's head office, and the assertion shall become effective only on the day after the date on which it was served on the Bank's head office.

第廿三條 準據法及管轄法院

立約人因本契約所發生債之關係，其法律行為之成立要件、方式及效力等，除另有約定適用法律外，均適用中華民國法律。

本契約以 貴行所在地為履行地，立約人因本契約涉訟時，合意以 貴行總行或分行所在地之地方法院或臺灣臺北地方法院為第一審管轄法院，但法律有專屬管轄之特別規定者，從其規定。

Article 23. Governing Law and Jurisdiction

With respect to the Customer's obligations arising from this Agreement, the laws of the Republic of China shall govern the requisites, manner and effect in connection with the establishment of the legal acts of the Customer, unless there is another agreement which stipulates that _____ law shall apply.

The place of performance of this Agreement is the place where the Bank is located. The Customer agrees with the Bank that, in the event he is involved in any litigation by reason of this Agreement, the district court at the place where the Bank's head office or its _____ Branch is located, or the Taiwan Taipei District Court, shall have jurisdiction over such litigation as the court of first instance; provided, however, where the law has special provisions relating to special jurisdiction, such provisions shall apply.

第廿四條 本約定書得以中文及英文做成，但中文與英文之內容不一致時，以中文為準。

Article 24 This Agreement are executed in both Chinese and English. If there is any conflict or discrepancy between the Chinese and English versions hereof and thereof, the Chinese version will prevail.

第廿五條 未盡事項之適用

本契約未盡事項依銀行授信綜合額度契約暨總約定書、保證書、信託契約或其他約定書之約定辦理。

Article 25. Matters Not Dealt with by this Agreement

Matters which are not dealt with by this Agreement shall be dealt with in accordance with the provisions of the Bank's General Agreement For Omnibus Credit Lines, the Guarantee Agreement, the Trust Agreement, or other agreements.

第八章：中國信託金融控股公司及其子公司資料運用條款 (Chapter Eight: Provisions for Information Sharing between a Financial Holding Company and its Subsidiaries)

第一條 立約人瞭解並同意 貴行、貴行所屬之金融控股公司及其依金融控股公司法規定所控制之子公司，於其營業目的或其他法令許可範圍內，對立約人之個人資料為蒐集、處理或國際傳遞及利用（包括行政研究、宣傳推廣、寄送消費資訊...等）。

Article 1. The Customer understands and agrees that the Bank, the financial holding company that the Bank is a part of, and the subsidiaries controlled by that financial holding company, as determined by the provisions of the Financial Holding Company Act, may, in accordance with their business objectives and as permitted by the law, collect, process, transmit internationally, and use (including for the purposes of administrative research, promotion, or distribution of consumer reports, etc.) the Customer's personal information.

第二條 立約人並同意 貴行、貴行所屬金融控股公司及其依金融控股公司法規定所控制之子公司，得將立約人與其往來交易及作業，委由第三人處理，並同意得將第一條所列立約人之各項資料，揭露予 貴行、貴行所屬金融控股公司及其依金融控股公司法規定所控制之子公司所委任處理事務之第三人。

Article 2. The Customer also agrees that the Bank, the financial holding company that the Bank is a part of, or the subsidiaries controlled by that financial holding company, as determined by the provisions of the Financial Holding Company Act, may designate a third party to process that information. The Customer further consents and agrees to any and all disclosure of the information set forth in the foregoing Article 1 of this Chapter to that third party designated by the Bank, the financial holding company that the Bank is a part of, or the subsidiaries controlled by that financial holding company, as determined by the provisions of the Financial Holding Company Act.

第三條 金融控股公司及其子公司之資料運用，其各項資料之內容及範圍如下：

一、基本資料：包括姓名及地址。

二、其他基本資料：包括出生年月日、身分證統一編號、電話等資料。

三、帳務資料：包括帳戶號碼或類似功能號碼、信用卡帳號、存款帳號、交易帳戶號碼、存借款及其他往來交易資料及財務情況等資料。

- 四、信用資料：包括退票記錄、註銷記錄、拒絕往來記錄及業務經營狀況等資料。
- 五、投資資料：包括投資或出售投資之標的、金額及時間等資料。
- 六、保險資料：包括投保保險種類、年期、保額、繳費方式、理賠狀況及拒保記錄等相關資料。

Article 3. The contents and scope of the information sharing between a financial holding company and its subsidiaries are as follows:

1. Basic Information: including name and address.
2. Other Basic Information: including, without limitation, date of birth, identification number, and contact telephone number.
3. Account Information: including, without limitation, account numbers or other numbers of comparable function, credit card numbers, savings account numbers, trading account numbers, savings and loan amounts, and other trading information, and financial statements.
4. Credit Information: including, without limitation, records of dishonored checks, cancellation records, rejection records, and other operational information.
5. Investment Information: including, without limitation, objectives, amounts, timing, of investments and sales of investments information.
6. Insurance Information: including, without limitation, insurance types, periods, insured amounts, premium payment methods, claims processing, records of refusals to insure, and other information.

第九章：提前償還違約金 (Chapter Nine: Penalties for Early Repayments)

立約人向 貴行借款台幣(或外幣) _____元，茲承諾自撥款日起 _____年內除約定分期還款外，如須提前全部結清或部份清償者，應於二個月前以書面通知 貴行，並加付結清前之貸款本金金額或部份清償金額 _____之提前償還違約補償金予 貴行。

With respect to the credit facility by and between the Customer and the Bank in the amount of NTD (or foreign currency) _____, the Customer hereby undertakes that, except for the loan to be repaid in installments, within _____ years from the drawdown date in accordance with the Agreement, if the Customer intends to make early repayment in full or in part, it shall notify the Bank by a two-month prior written notice, and make additional payment to the Bank at _____% of the outstanding balance before repayment or the amount of the partial repayment as penalty for early repayment.

第十章：防制洗錢及打擊資恐 (Chapter Ten: Anti-Money Laundering and Countering Terrorism Financing)

貴行為防制洗錢及打擊資恐之目的，立約人同意 貴行得依「洗錢防制法」、「資恐防制法」、「金融機構防制洗錢辦法」、「銀行業及電子支付機構電子票證發行機構防制洗錢及打擊資恐內部控制要點」及「銀行防制洗錢及打擊資恐注意事項範本」之規定進行以下措施，貴行依本條辦理若致立約人發生損害或承受不利益者，均由立約人自行承擔，貴行不負損害賠償責任。

1. 貴行於發現立約人及/或關聯人（包括但不限於法定代理人、負責人、代表人、被授權人、法人之實質受益人、對法人行使控制權之人、連帶借款人、連帶保證人、一般保證人、共同發票人、票據債務人、連帶債務人、擔保物提供者、交易有關對象，以下稱關聯人）為受經濟制裁、資恐防制法指定之個人、法人或團體，以及外國政府或國際組織認定或追查之恐怖分子或團體時，得進行暫時停止本約定書所載之各項交易與業務關係而無須另通知立約人； 貴行並得終止本約定書下之各項服務約定條款，惟 貴行須於發生終止效力 60 天（含）前書面通知立約人。
2. 貴行於定期或不定期審查立約人及關聯人身份作業或認為必要時（包括但不限於：懷疑客戶涉及非法活動、疑似洗錢、資恐活動、或媒體報導涉及違法之特殊案件等），得要求立約人於接獲 貴行通知後 60 天（含）內提供審查所需之必要個人(含立約人及關聯人)或公司資料、法人戶之實質受益人或對其行使控制權之人的資訊、或對交易性質與目的或資金來源進行說明，立約人逾期仍不願行者， 貴行得以書面暫時停止本約定書所載之各項交易與業務關係，或終止本約定書下之各項服務約定條款，並於終止之書面通知到達時發生效力。

For purposes of anti-money laundering and countering terrorism financing by the Bank, each of the Customer agrees that the Bank may take the following measures in accordance with the requirements under "Money Laundering Control Act", "Terrorism Financing Prevention Act", "Regulations Governing Anti-Money Laundering of Financial Institutions", "Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Banking Sector" and "Template of Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism of Banks". Any damage or adverse impact suffered by the Customer resulting from the Bank's compliance with this Article shall be borne by the Customer and the Bank shall not be held liable therefor.

1. Upon discovery that the Customer and/or any of its Related Parties (including but not limited to any legal representative, responsible person, representative, authorized person, beneficial owner of a corporate, a person having control over a corporate, joint and several borrower, joint and several guarantor, general guarantor, co-issuer of a negotiable instrument, obligor under a negotiable instrument, joint and several obligor, collateral provider, trading counterparties, hereinafter referred to as the "Related Parties") is an individual, entity, or group subject to economic sanction or designated under Terrorism Financing Prevention Act, or is a terrorist or terrorist group that is identified or tracked by foreign governments or international organization, the Bank may suspend all transactions and business relations under this Agreement without separate notice to the Customer. The Bank may also terminate the terms of service under this Agreement; provide, that the Bank is required to give sixty (60) days' prior written notice to the Customer prior to termination thereof.
2. In connection with the regular or ad hoc review of the identity of the Customer and Related Parties or as and when necessary (including but not limited to: suspected involvement in illegal activities by the customer, suspected money

laundering, financing of terrorist activities or special cases involving illegality and under press coverage, etc.), the Bank may request that, within sixty (60) days after receipt of notice from the Bank, the Customer provide personal (including that of the Customer and its Related Parties) or corporate information, information regarding the beneficial owner of a corporate or the person having control over a corporate, or explanation regarding the nature and purpose of the transaction or source of funds, in each case as necessary for such review. If the Customer fails to provide the above information before the above deadline, the Bank may suspend the transactions and business relationship under this Agreement or terminate the terms of service under this Agreement by written notice whereupon termination shall become effective upon delivery of such written notice.

第十一章：收據 (Chapter Eleven: Receipts)

第一條 立約人與 貴行業務往來所需簽署文件中，業領取下列勾記之較重要之據影本各乙份：

- | | |
|---------------------------------------------|------------------------------------------------|
| 一、 <input type="checkbox"/> 銀行授信綜合額度契約暨總約定書 | 二、 <input type="checkbox"/> 本票 |
| 三、 <input type="checkbox"/> 銀行授信綜合額度契約增補契約書 | 四、 <input checked="" type="checkbox"/> 個別條款約定書 |
| 五、 <input type="checkbox"/> 金融交易契約書 | 六、 <input type="checkbox"/> 授信額度動用確認書 |
| 七、 <input type="checkbox"/> 應收帳款承購合約書 | 八、 <input type="checkbox"/> 應收帳款債權承購同意書 |
| 九、 <input type="checkbox"/> | 十、 <input type="checkbox"/> |
| 十一、 <input type="checkbox"/> | 十二、 <input type="checkbox"/> |
| 十三、 <input type="checkbox"/> | 十四、 <input type="checkbox"/> |
| 十五、 <input type="checkbox"/> | 十六、 <input type="checkbox"/> |

Article 1. Among the documents executed by and between the Customer and the Bank for the relevant transactions, the Customer has received one copy of the following selected documents:

- | | |
|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| 1. <input type="checkbox"/> General Agreement for Omnibus
Credit Lines | 2. <input type="checkbox"/> Promissory Notes |
| 3. <input type="checkbox"/> Supplementary Agreement for
General | 4. <input checked="" type="checkbox"/> Agreement for Individually Negotiated
Terms and Conditions |
| 5. <input type="checkbox"/> Master Agreement for Financial Transactions | 6. <input type="checkbox"/> Drawdown Application Agreement for
Omnibus Credit Lines |
| 7. <input type="checkbox"/> Factoring Agreement | 8. <input type="checkbox"/> Notification of Credit Approval |
| 9. <input type="checkbox"/> | 10. <input type="checkbox"/> |
| 11. <input type="checkbox"/> | 12. <input type="checkbox"/> |
| 13. <input type="checkbox"/> | 14. <input type="checkbox"/> |
| 15. <input type="checkbox"/> | 16. <input type="checkbox"/> |

第二條 立約人除遵守前項主要通用約據條款外，亦遵守另依各別授信業務所需，因不同條件由立約人或其相關人（如連帶保證人等）簽署之融資約據，雖未取得該等約據影本亦無異議，恐口說無憑，特立此據為證。

Article 2. In addition to complying with the preceding general terms and conditions, the Customer shall comply with other financing agreements or documents executed pursuant to different terms and conditions by the Customer or its related parties (for example, joint and several guarantors). The Customer shall have no objections even if copies of such agreements or documents have not been obtained. In witness thereof, the parties hereby represent herein.

第十二章：稅務(Chapter Twelve: Tax)

第一條 除 貴行依 貴行所在地法令本身應負擔之所得稅及營業稅外，其他因與立約人承作授信或其他業務往來發生之相關稅捐，均由立約人負擔。立約人如依其所在地稅法規定，就借款本息之支付須依法扣繳所得稅或其他稅捐者，立約人應另行支付額外之款項予 貴行，以補足被扣繳之金額。

第二條 針對第一條所提及之扣繳稅捐，

- 1、立約人應提供相關繳稅證明予 貴行，或
 2、立約人聲明每年皆依其所在地稅法規定完成最新年度相關稅捐扣繳作業。

Article 1. Except income tax and business tax imposed on the Bank pursuant to the laws of the jurisdiction in which it is incorporated, all taxes relating to the transaction by and between the Customer and the Bank shall be borne and paid by the Customer. If the Customer is required by any law or regulation to which it is bound by to make any deduction or withholding from any sum payable to the Bank, the Customer shall pay such additional amount as will ensure that the Bank receives and retains the full amount (free from any liability in respect of any such deduction or withholding) which it would have received if no

such deduction or withholding been made.

Article 2. In connection with the taxes mentioned in Article 1 of this Chapter,

- 1. the Customer shall provide the Bank a statement or voucher evidencing having made the relevant tax deduction or withholding in favour of the relevant tax authority.
- 2. the Customer represents that it has made or will make the relevant tax deduction or withholding under the relevant law or regulation to which it is bound by.

第十三章：Compounded Reference Rate 計息 (Chapter Thirteen: Calculation of Interest - Compounded Reference Rate)

第一條 立約人同意與貴行往來之額度如採「Compounded Reference Rate」方式計息者，該額度授信期間之利息以「每日未償本金餘額」乘以「每日適用之利率」，逐日計算之。每日適用之利率，為「加碼利率」及「Compounded Reference Rate」之和；「Reference Rate」為立約人與貴行約定之指標利率。

第二條 Compounded Reference Rate 計算方式

1. 「Compounded Reference Rate」係以英國中央銀行英格蘭銀行 (Bank Of England) 發佈之「Non Cumulative Compounded Rate - Working Group on Sterling Risk-Free Rates Detailed Loans Conventions」為計算基礎，採用「Non-Cumulative Compounded Rate - Lookback without Observation Shift」，相關計算條件為：「Lookback」為 5 日、「Rounding Convention」為 No Rounding、「Floor to each daily interest rate before compounding」若該值為負值時則最低應為零。
2. 計算公式如下列示，其中 r_t 為「Reference Rate」、 d_b 為「Reference Rate」計息工作日、 n_t 為「Reference Rate」適用之日曆日天數、 N 為年化計息日、 ACR_t 為年化累計複利率、 UCR_t 為未年化累計複利率、 NCR_t 為當期年化複利率。

Article 1. The Customer agrees that the interest for any loan using "Compounded Reference Rate" during the period of credit facilities is calculated on a daily basis by multiplying the "Daily Outstanding Principal" by the "Daily Applicable Interest Rate".

"Daily Outstanding Principal" means the daily principal amount outstanding for the time being of the loan.

"Daily Applicable Interest Rate" means, the rate of interest on each loan for any day during an interest period and the percentage rate per annum, which is the aggregate of the applicable: (a) margin and (b) Compounded Reference Rate.

"Reference Rate" means the benchmark interest rate agreed between the Customer and the Bank.

Article 2. Calculation of Compounded Reference Rate

1. The calculation of Compounded Reference Rate is based on the formula published by Bank of England ("BOE") adopting the "Non-Cumulative Compounded Rate - Lookback without Observation Shift" as BOE recommended, and the relevant conditions for the calculation are as below:
Lookback: 5 days;
Rounding Convention: No rounding;
Floor to each daily interest rate before compounding: if the current value is negative, the minimum rate shall be set at zero ("0").
2. Below is the formula of calculation of compounded rate provided by BOE, where " r_t " is the "Reference Rate (RFR)" applicable on banking day, " d_b " is the number of banking days in the Interest Period, " n_t " is the number of calendar days for which " r_t " applies in the relevant Interest Period, (on most days, " n_t " will be 1, but on a Friday it will generally be 3, and it will also be larger than 1 on the banking day before a holiday), " N " is the market convention for quoting the number of days in the year, and " ACR_t " is the annualized cumulative compounded RFR, " UCR_t " is the unannualized cumulative compound RFR, and " NCR_t " is the non-cumulative compounded RFR.

Compounded Rate calculation

Step 1 Annualised Cumulative Compounded RFR_t (ACR_t)

$$= \left[\prod_{i=1}^{d_b} \left(1 + \frac{r_i \times n_i}{N} \right) - 1 \right] \times \frac{N}{tn_t}$$

**ACR_t should be rounded daily to x decimal places (as defined in the credit agreement)*

Step 2 Unannualised Cumulative Compounded RFR_t (UCR_t)

$$= ACR_t \times \frac{tn_t}{N}$$

**UCR_t should not be rounded*

Step 3 Non Cumulative Compounded RFR_t (NCR_t)

$$= (UCR_t - UCR_{t-1BD}) \times \frac{N}{n_t}$$

**NCR_t should not be rounded*

第十四章：其他特別約定條款 (Chapter Fourteen: Other Special Terms and Conditions)

直接授信額度動撥資金應撥入授信戶開立於本行 OBU 之授信目的帳戶。

此 致

中國信託商業銀行股份有限公司
To: CTBC Bank Co., Ltd.

台 照

擔保物明細表(List of Collateral)：提供人(Collateral Provider)：

名稱(Name)	種類、規格(Type)	數量(Quantity)	備註(Remark)

擔保物明細表(List of Collateral)：提供人(Collateral Provider)：

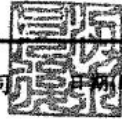
名稱(Name)	種類、規格(Type)	數量(Quantity)	備註(Remark)

擔保物明細表(List of Collateral)：提供人(Collateral Provider)：

名稱(Name)	種類、規格(Type)	數量(Quantity)	備註(Remark)

擔保物明細表(List of Collateral)：提供人(Collateral Provider)：

名稱(Name)	種類、規格(Type)	數量(Quantity)	備註(Remark)



立約人(Customer): 美超德電腦股份有限公司 日期(Date): 111 年 10 月 3 日

同意第(一)章之() () () () 條款, (四)章之(1)(2) () () 條款, (十一)章之() () () () 條款
 (十四)章之() () () () 條款, () 章之() () () () 條款, () 章之() () () () 條款
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 Articles (), (), (), () of Chapter (11), Articles (), (), (), () of Chapter (14),

立約人(Customer): _____ 日期(Date): _____ 年 _____ 月 _____ 日

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立約人(Customer): _____ 日期(Date): _____ 年 _____ 月 _____ 日

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立約人(Customer): _____ 日期(Date): _____ 年 _____ 月 _____ 日

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立約人(Customer): _____ 日期(Date): _____ 年 _____ 月 _____ 日

同意第() 章之() () () () 條款, () 章之() () () () 條款, () 章之() () () () 條款
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 agrees to Articles (), (), (), () of Chapter (), Articles (), (), (), () of Chapter (),
 Articles (), (), (), () of Chapter (), Articles (), (), (), () of Chapter (),

注意: 立約人如未成年, 應加請法定代理人於「立約人簽章欄」簽章。

Attention :If the Customer has not reached the legal age, the Customer's statutory agent shall also sign and chop under the "Customer's Signature" column.

中華民國 _____ 年 _____ 月 _____ 日
 Date: _____

主	經	對
管	辦	保

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Charles Liang, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Super Micro Computer, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2022

/s/ CHARLES LIANG

Charles Liang
President, Chief Executive Officer and
Chairman of the Board
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Weigand, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Super Micro Computer, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2022

/s/ DAVID WEIGAND

David Weigand
Senior Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Charles Liang, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Super Micro Computer, Inc. on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date thereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Super Micro Computer, Inc.

Date: November 4, 2022

/s/ CHARLES LIANG

Charles Liang
President, Chief Executive Officer and
Chairman of the Board
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Weigand, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Super Micro Computer, Inc. on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date thereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Super Micro Computer, Inc.

Date: November 4, 2022

/s/ DAVID WEIGAND

David Weigand
Senior Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)