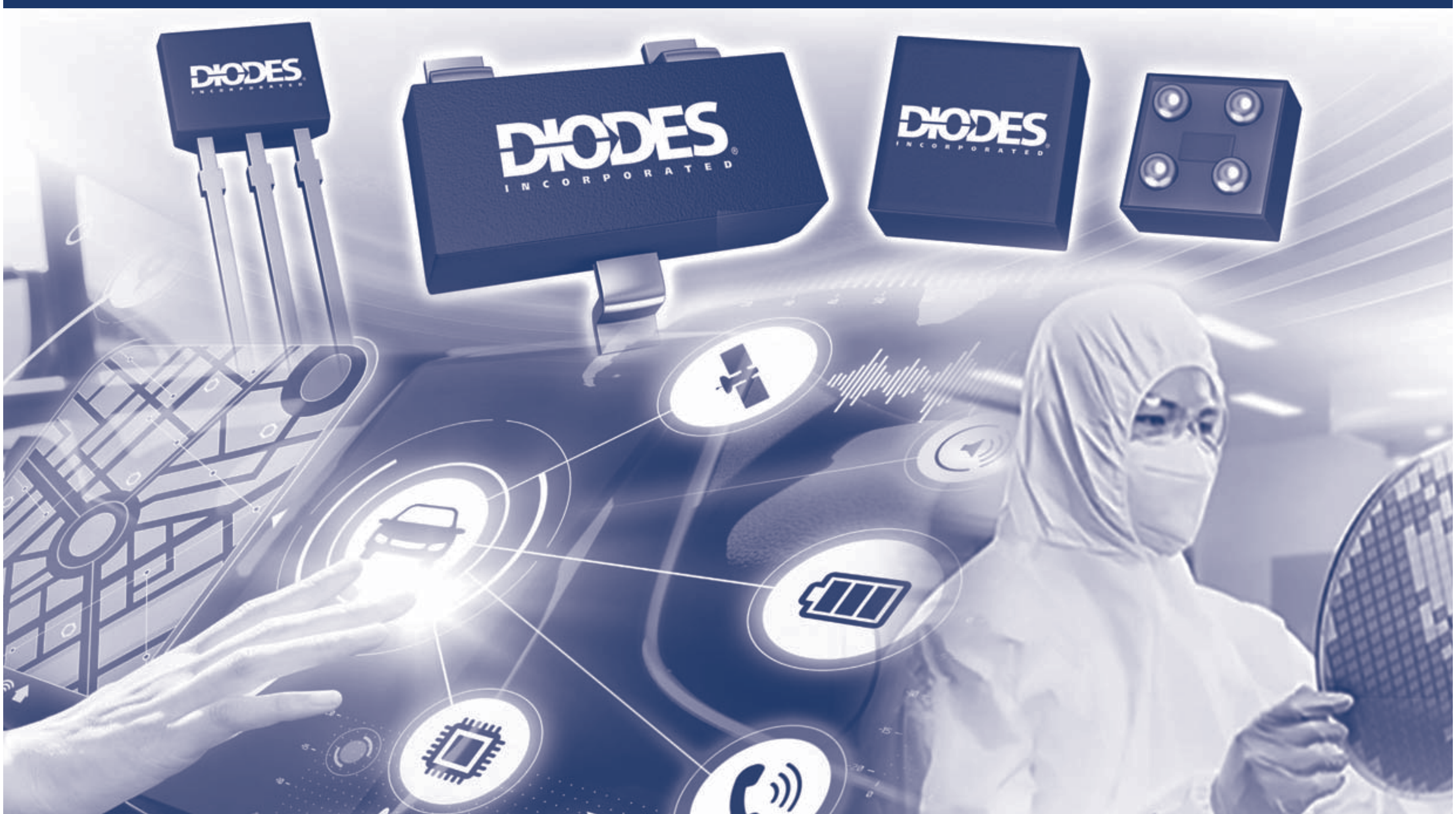
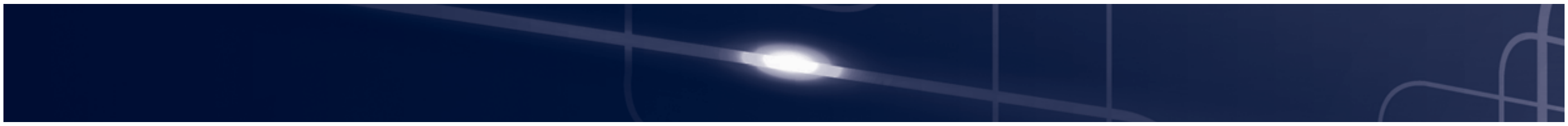
DIODES INCORPORATED



ANALOG | DISCRETE
POWER

2023

Annual Report



Diodes Incorporated - 2023 Letter to Stockholders

Year In Review

2023 proved to be a challenging year for Diodes as well as the global semiconductor markets. After a record year in 2022, Diodes' target end markets of Consumer, Computing and Communications began experiencing a slowdown in demand that was followed by a longer than expected delay in recovery. Late in the year we also began to see a more broad-based slowdown globally in the Industrial market as well as softness in certain areas of Automotive, primarily related to customer inventory adjustments and year-end distributor inventory management. As a result, full year 2023 revenue decreased to $1.7 billion, compared to $2.0 billion in 2022.

Solid Profitability and Balance Sheet

Despite this global market weakness, we continued to make notable progress on improving the quality and mix of our product portfolio. These mix improvements were especially evident in our ability to maintain full-year gross margin near 40%, meeting our target model even with the lower annual revenue. Throughout the year, we also continued to drive manufacturing cost reductions and operating efficiencies, while further developing our process technology for expansion of our internal facility utilization. Additionally, we continued to make progress ramping our previously acquired fabs, SPFAB and GFAB, in terms of process and product qualifications, which will support future utilization and further complement our hybrid manufacturing model.

Also during the year, we maintained strong cash generation that enabled us to reduce total debt by $124 million to $62 million as of December 31, 2023, maintain a solid cash position over $315 million and increase total cash less debt by 67% to approximately $253 million. Further, we renewed and expanded our lines of credit to approximately $315 million to provide added financial flexibility.

Focus on Automotive & Industrial Markets

As part of our product mix improvements, we continued to expand our presence in the Automotive and Industrial markets through increased design wins and further investment in new product development. For the fourth quarter, revenue from our Automotive and Industrial end markets together increased for the seventh consecutive quarter, remaining above our target model of 40% of total product revenue. For the full year, the combined revenue from these markets represented 46% of product revenue as compared to 42% last year.

Since our initial launch into the Automotive market in 2013, which at the time represented only 3% of product revenue, we have achieved a 28% CAGR through 2023. Also over this time period, our content per vehicle increased from $28 in 2013 to over $160 in 2023. To further drive future content expansion, we introduced over 350 new automotive-compliant products in 2023, demonstrating our commitment to this market and contributing to our improved product mix.

Experienced, Tenured Leadership

Also late in the year, I was pleased to announce the promotion of Gary Yu to President, effective January 2, 2024, which was part of our multi-year CEO succession plan. Gary has been with Diodes since 2008 and had previously served as Chief Operating Officer as well as held other leadership roles over the course of his tenure. I plan to continue serving as Chairman and CEO until at least May 31, 2027, which is consistent with my current employment agreement.

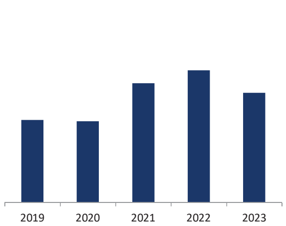
In conclusion, I would like to take this opportunity to thank our employees, customers and partners for your ongoing contributions to Diodes' success. Going forward, our team remains focused on driving product mix improvements, new product introductions, design win momentum as well as a focus on key account development. We have a long track record of managing through multiple economic cycles, and I believe we will emerge from this current cycle as a stronger, more resilient company to drive even higher growth, cash generation and profitability for our shareholders.

Sincerely,

Keh Shew Lu

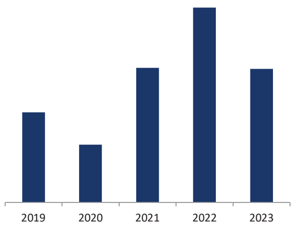
Dr. Keh-Shew Lu
Chairman & Chief Executive Officer

FINANCIAL HIGHLIGHTS



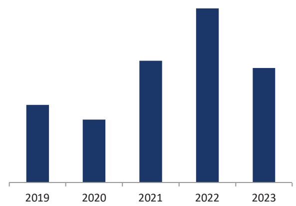
2019	2020	2021	2022	2023
$1,249	$1,229	$1,805	$2,001	$1,662

NET SALES
in millions



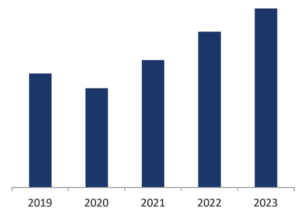
2019	2020	2021	2022	2023
$153	$98	$229	$331	$227

NET INCOME
COMMON STOCKHOLDERS
in millions



2019	2020	2021	2022	2023
$151	$123	$237	$339	$223

NET INCOME
COMMON STOCKHOLDERS
[NON-GAAP ADJUSTED[1]]
in millions



2019	2020	2021	2022	2023
$1,106	$964	$1,237	$1,514	$1,741

STOCKHOLDERS' EQUITY
in millions

(in thousands, except per share data)	**2023**	2022	2021	2020	2019
NET SALES	**1,661,739**	2,000,580	1,805,162	1,229,215	$ 1,249,130
YOY growth	*-16.9%*	*10.8%*	*46.9%*	*-1.6%*	*2.9%*
GROSS PROFIT	**658,182**	827,237	670,360	431,121	465,807
Gross margin	*39.6%*	*41.3%*	*37.1%*	*35.1%*	*37.3%*
Selling, general and administrative expenses	**257,939**	280,877	257,710	185,067	181,343
Research and development expenses	**134,868**	126,316	119,200	94,288	88,517
Amortization of acquisition-related intangible assets	**15,282**	15,610	16,216	16,261	18,041
Restructuring costs	**1,583**	-	-	-	-
(Gain) loss on disposal of fixed assets	**(2,045)**	(3,651)	246	106	(24,429)
Other	**(16)**	(108)	1,003	1,067	1,727
TOTAL OPERATING EXPENSES	**407,611**	419,044	394,375	296,789	265,199
Income from operations	**250,571**	408,193	275,985	134,332	200,608
Interest (expense), net	**7,638**	(4,648)	(4,352)	(10,596)	(5,704)
Foreign currency gain (loss), net	**(5,264)**	2,122	(2,107)	(9,814)	(3,737)
Unrealized (loss) gain on investments	**18,267**	(16,514)	28,018	2,083	-
Other income (expense)	**6,721**	6,787	17,551	4,336	7,079
INCOME before income taxes and noncontrolling interest	**277,933**	395,940	315,095	120,341	198,246
Income tax provision	**47,285**	56,685	78,807	21,112	44,131
Net income	**230,648**	339,255	236,288	99,229	154,115
Less: net income - noncontrolling interest	**(3,466)**	(7,972)	(7,525)	(1,141)	(865)
NET INCOME (LOSS) - COMMON STOCKHOLDERS (GAAP)	**$ 227,182**	$ 331,283	$ 228,763	$ 98,088	$ 153,250
NET INCOME - COMMON STOCKHOLDERS (non-GAAP adjusted)1	**$ 222,784**	$ 338,959	$ 237,192	$ 122,697	$ 151,089
EARNINGS (LOSS) PER SHARE, diluted (GAAP)	**$ 4.91**	$ 7.20	$ 5.00	$ 1.88	$ 2.96
EARNINGS PER SHARE, diluted (non-GAAP adjusted)1	**$ 4.81**	$ 7.36	$ 5.18	$ 2.35	$ 2.91
Number of diluted shares	**46,311**	46,036	45,781	52,133	51,860
Total assets	**$ 2,367,659**	$ 2,288,312	$ 2,194,495	$ 1,979,457	$ 1,639,384
Working capital	**793,887**	729,141	716,638	514,225	524,637
Long-term debt, net of current portion	**16,979**	147,470	265,574	288,179	64,401
Total Diodes Incorporated stockholders' equity	**1,740,741**	1,513,645	1,237,242	963,820	1,106,424

1 - For a reconciliation of GAAP net income to non-GAAP adjusted net income, see "Additional Information" located near the end of this report.

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

FORM 10-K

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

For the fiscal year ended December 31, 2023

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: 002-25577

DIODES INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	**95-2039518**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4949 Hedgcoxe Road, Suite 200 Plano, Texas	**75024**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (972) 987-3900

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value $0.66 2/3	**DIOD**	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the 45,288,669 shares of Common Stock held by non-affiliates of the registrant, based on the closing price of $92.49 per share of the Common Stock on the Nasdaq Global Select Market on June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $4.1 billion.

The number of shares of the registrant's Common Stock outstanding as of February 2, 2024 was 45,939,804.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the United States Securities and Exchange Commission ("SEC") pursuant to Regulation 14A in connection with the 2024 annual meeting of stockholders are incorporated by reference into Part III of this Annual Report. The proxy statement will be filed with the SEC not later than 120 days after the registrant's fiscal year ended December 31, 2023.

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PART I

Item 1. Business.

GENERAL

Diodes Incorporated, together with its subsidiaries (collectively the “Company,” “we” or “our” (Nasdaq: DIOD)), a Standard and Poor's Smallcap 600 and Russell 3000 Index company, is a leading global manufacturer and supplier of high-quality application-specific standard products within the broad discrete, logic, analog, and mixed-signal semiconductor markets. The Company serves the industrial, automotive, computing, communications and consumer markets.

The Company's products include diodes; rectifiers; transistors; MOSFETs; Silicon Carbide ("SiC") diodes and MOSFETs; protection devices; logic; photocoupler; voltage translators; amplifiers and comparators; sensors; and power management devices such as AC-DC converters, DC-DC switching, linear voltage regulators, voltage references, LED drivers, power switches, and voltage supervisors. We also have timing and connectivity solutions including clock ICs, crystal oscillators, PCIe packet switches, multi-protocol switches, interface products, and signal integrity solutions for high-speed signals.

Diodes’ corporate headquarters and Americas’ sales offices are located in Plano, Texas, and Milpitas, California. Design, marketing, and engineering centers are located in Plano, Milpitas, U.S.; Taipei, Taoyuan City, Taiwan; Shanghai, Yangzhou, China; Oldham, England; and Neuhaus, Germany. Diodes’ wafer fabrication facilities are located in South Portland, Maine, U.S., Oldham, Greenock, UK; Shanghai and Wuxi, China; and Keelung and Hsinchu, Taiwan. Diodes has assembly and test facilities located in Shanghai, Chengdu, and Wuxi, China; Neuhaus, Germany; and Jhongli and Keelung, Taiwan. Additional engineering, sales, warehouse, and logistics offices are located in Taipei, Taiwan; Hong Kong; Milan, Italy; Singapore City, Singapore; Oldham, UK; Shanghai, Shenzhen, Wuhan, and Yangzhou, China; Seongnam-si, South Korea; and Munich, Frankfurt, Germany; with support offices throughout the world.

- The Company’s manufacturing facilities have achieved certifications in the internationally recognized standards of ISO 9001:2015, ISO 14001:2015, and, for automotive products, IATF 16949:2016;
- The Company is also C-TPAT certified; and
- We believe these quality awards reflect the superior quality-control techniques established at the Company and further enhance our credibility as a vendor-of-choice to original equipment manufacturers ("OEMs") increasingly concerned with quality and consistency.

Our market focus is on high-growth, end-user applications in the following areas:

- Industrial: embedded systems, precision controls, and Artificial Intelligence of Things ("AIoT");
- Automotive: connected driving, comfort/style/safety, and electrification/powertrain;
- Computing: cloud computing including artificial intelligence servers, storage, and data center applications;
- Communications: smartphones, 5G networks, advanced protocols, and charging solutions; and
- Consumer: IoT, wearables, home automation, and smart infrastructure.

From 2019 to 2023, our annual net sales grew from $1.2 billion to $1.7 billion, representing a compound annual growth rate of approximately 7.4%. Our product line includes over 28,000 products, and we shipped approximately 42 billion units in 2023, 50 billion units in 2022 and 58 billion units in 2021. The decrease in units shipped in 2023 was driven by softness in demand and inventory adjustments related to the computing, communications and consumer markets.

2023 SUMMARY AND BUSINESS OUTLOOK

In 2023 the Company's net sales decreased 16.9% compared to 2022. This decrease was the result of an economic slowdown resulting in less demand for our products.

We continue to work towards our previously stated goals for 2025 of $1.0 billion in gross profit based upon $2.5 billion in revenue and a gross margin of 40%. At a high level, tactics we intend to use to accomplish these goals include:

- Total systems solutions, in which we provide a wide range of products that work together in a system which help simplify the design process for our customers, sales approach and content expansion driving growth:
- Increased focus on high margin market segments (i.e. automotive and industrial) and analog & power discrete product lines; and
- Investment in technology leadership in target products, fab processes, and advanced packaging.

We have a solid pipeline of designs and expanded customer relationships across all regions and product lines. The success of our business depends on, among other factors, the strength of the global economy and the stability of the financial markets, our customers' demand for our products, the ability of our customers to meet their payment obligations, the likelihood of customers not canceling or deferring existing orders, and the strength of consumers' demand for items containing our products in the end-markets we serve. We believe the long-term outlook for our business remains generally favorable, despite the uncertainties in the global economy, as we continue to execute on the strategy that has proven successful for us over the years. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Business Outlook" in Part II, Item 7 and "Risk Factors – *The success of our business depends on the strength of the global economy and the stability of the financial markets, and any weaknesses in these areas may have a material adverse effect on our net sales, operating results and financial condition.*" in Part I, Item 1A of this Annual Report for additional information.

SEGMENT INFORMATION AND ENTERPRISE-WIDE DISCLOSURES

For financial reporting purposes, we operate in a single segment, standard semiconductor products, through our various design, manufacturing, and distribution facilities. We sell product primarily through our operations in Asia, the Americas, and Europe. See Note 16 of "Notes to Consolidated Financial Statements" of this Annual Report for additional information.

OUR INDUSTRY

Semiconductors are critical components used to manufacture a broad range of electronic products and systems. Since the invention of the transistor in 1948, continuous improvements in semiconductor processes and design technologies have led to smaller, more complex, and more reliable devices at a lower cost per function. The availability of low-cost semiconductors, together with increased consumer demand for sophisticated electronic systems, has led to the proliferation of semiconductors in diverse end-use applications.

OUR COMPETITIVE STRENGTHS

We believe our competitive strengths include the following:

Flexible, scalable and cost-effective manufacturing – Our manufacturing operations are a core element of our success, and we have designed our manufacturing base to allow us to respond quickly to changes in demand trends in the end-markets we serve. For example, we have structured our assembly and test facilities to enable us to rapidly and efficiently add capacity and adjust product mix to meet shifts in customer demand and overall market trends. Our manufacturing facilities provide us with access to a workforce at a relatively low overall cost base while enabling us to better serve our leading customers, many of which are located in Asia. See "Risk Factors – *During times of difficult market conditions, our fixed costs combined with lower net sales and lower profit margins may have a negative impact on our business, operating results and financial condition."* in Part I, Item 1A of this Annual Report for additional information.

Integrated packaging expertise – Our expertise in designing and manufacturing innovative and proprietary packaging solutions enables us to package a variety of different device functions into an assortment of packages ranging from miniature chip-scale packaging to packages that integrate multiple separate discrete and/or analog chips into a single semiconductor product called an array. Our ability to design and manufacture multi-chip semiconductor solutions as well as advanced integrated devices provides our customers with products of equivalent functionality with fewer individual parts, and at lower overall cost, than alternative products. This combination of integration, functionality and miniaturization makes our products well suited for the industrial, automotive, computing, communications and consumer markets.

Broad customer base and diverse end-markets – Our customers are comprised of leading direct sales customers as well as major electronic manufacturing services ("EMS") providers. We serve over 50,000 customers worldwide. The majority or our customers are served through our distribution network and some are direct customers who purchase directly from the Company. Our products are ultimately used in end-products in a number of markets served by our broad customer base, which we believe makes us less susceptible to market fluctuations driven by either specific customers or specific end-user applications.

Customer-focused product development – Effective collaboration with our customers and a commitment to customer service are essential elements of our business. We believe focusing on dependable delivery and support tailored to specific end-user applications and solution-selling approach has fostered deep customer relationships and created a key competitive advantage for us in the highly fragmented discrete, logic, analog and mixed-signal semiconductor marketplace. We believe our close relationships with our customers have provided us with keener insight into our customers' product needs. This results in a stronger demand for our product designs and often provides us with insight into additional opportunities for new design wins in our customers' products. See "Risk Factors – *We are and will continue to be under continuous pressure from our customers and competitors to reduce the price of our products, which could adversely affect our growth and profit margins.*" in Part I, Item 1A of this Annual Report for additional information.

Management experience – The experience possessed by each member of the Company's executive team has created significant institutional insight into our markets, customers and operations. See "Risk Factors – *We may fail to attract or retain the qualified technical, sales, marketing, finance and management/executive personnel required to operate our business successfully, which could adversely affect our business, operating results and financial condition.*" in Part I, Item 1A of this Annual Report for additional information.

OUR STRATEGY

Our goal is to reach $1.0 billion in gross profit based upon $2.5 billion in revenue and a gross margin of 40% by 2025. At a high level, strategy we intend to use to accomplish this goal include; continue to enhance our position as a leading global designer, manufacturer and supplier of high-quality application-specific standard semiconductor products, using our innovative and cost-effective assembly and test (packaging) technology and leveraging our process expertise and design excellence to achieve above-market growth in profitability.

The principal elements of our strategy include the following:

Continue to rapidly introduce innovative discrete, logic, analog and mixed-signal semiconductor products – We intend to maintain our rapid pace of new product introductions across all our markets with continued emphasis in the LED lighting market, the industrial market and the automotive market. We will also continue to focus on the high-volume, high-growth applications with short design cycles, such as: IoT, wearables, home automation, and smart infrastructure, portables such as smartphones, tablets and notebooks; other consumer electronics and computing devices. During 2023 and 2022, we continued to achieve many significant new design wins with our direct sales customers. Although a design win from a customer does not necessarily guarantee future sales to that customer, we believe that continued introduction of new and well-defined product solutions is critically important in maintaining and extending our market share in the highly competitive semiconductor marketplace. See "Risk Factors – *Obsolete inventories as a result of changes in demand for our products and change in life cycles of our products could adversely affect our business, operating results and financial condition."* in Part I, Item 1A of this Annual Report for additional information.

Expand our available market opportunities – We believe we have many paths to increasing our addressable market opportunities. From a product perspective, we intend to continue expanding our product portfolio by developing derivative and enhanced performance devices that target adjacent markets and end-equipment. We will continue to cultivate new and emerging customers within our targeted markets, further increasing our already broad customer base. As we focus on new customers, we try to expand our product portfolio penetration within these new, as well as existing, customers. As we expand our extensive range of high power efficiency and small form factor packages, we plan to introduce new and existing product functions in these new packages to allow an even greater market coverage.

Maintain intense customer focus – We intend to continue to strengthen and deepen our customer relationships. We believe that continued focus on customer service is important and will help to increase our net sales, operating performance and market share. To accomplish this, we intend to continue our close collaboration with our customers to design products that meet their specific needs. A critical element of this strategy is to further reduce our design cycle time in order to quickly provide our customers with innovative products. Additionally, to support our customer-focused strategy, we continue to expand our sales force and field application engineers, particularly in Asia and Europe, during periods of growth. See "Risk Factors – *We are and will continue to be under continuous pressure from our customers and competitors to reduce the price of our products, which could adversely affect our growth and profit margins."* in Part I, Item 1A of this Annual Report for additional information.

Enhance cost competitiveness and manufacturing flexibility – A key element of our success is our overall low-cost manufacturing base and our hybrid manufacturing model. While we believe our manufacturing facilities are among the most efficient in the industry, we will continue to refine our proprietary manufacturing processes and technology to achieve additional cost efficiencies. We have continued to make capital expenditures to enhance our existing manufacturing capabilities. We continue to leverage a hybrid manufacturing model which allows our revenue to be supported with both internally and externally sourced manufacturing. This allows more flexibility to support customer growth while continuing to enhance cost competitiveness.

Pursue selective strategic acquisitions – As part of our strategy to expand our semiconductor product offerings and to maximize our market opportunities, we may acquire technologies, product lines or companies in order to enhance our product portfolio and accelerate our new product offerings. Examples of recent acquisitions include:

- In June 2022, the Company completed the acquisition of onsemi's wafer fabrication facility and operations located in South Portland, Maine ("SPFAB"). We purchased SPFAB to provide additional 200mm wafer fabrication capacity for analog products to accelerate the Company's growth initiatives in the automotive and industrial end-markets. This U.S.-based facility, together with the Company's existing wafer fabrication facilities in Asia and Europe, further enhances the Company's global manufacturing operations;
- In 2020, we acquired Lite-On Semiconductor ("LSC") and its subsidiaries. The acquisition of LSC broadened our discrete product offerings, including providing us with a leadership position in glass-passivated bridges and rectifiers that allows us to further extend our position in the automotive and industrial markets consistent with our overall growth strategy. Further, the acquisition expands our wafer fabrication and assembly and test capacity; and
- In 2019, we acquired from Texas Instruments a 200mm wafer fabrication facility and operations located in Greenock, Scotland ("GFAB"). The acquisition of GFAB added to our existing global footprint and provided expanded wafer capacity to support our product growth, in particular for the automotive market.

See “Risk Factors – *A significant part of our growth strategy involves acquiring companies and businesses. We may be unable to identify suitable acquisition candidates or consummate desired acquisitions and, if we do make any acquisitions, we may be unable to successfully integrate any acquired companies with our operations, which could adversely affect our business, operating results and financial condition.”* in Part I, Item 1A and Note 20 of “Notes to Consolidated Financial Statements” of this Annual Report for additional information.

OUR PRODUCTS

Our market focus is on high-growth, end-user applications in the following areas:

Discrete semiconductor products, including: MOSFETs, SiC MOSFETs; protection devices: data line protection, power line protection, thyristers, USB Type-C protection, transient voltage suppressors; Diodes; Schottky diodes, small signal switching diodes, Zener diodes, and SiC diodes; Rectifiers: bridges, super barrier rectifiers, Schottky rectifiers, Schottky bridge rectifiers, fast/ultra-fast rectifiers; bipolar transistors: Avalanche transistors, gate driver transistors, pre-bias transistors;

Analog products, including: power management devices such as AC-DC and DC-DC converters, USB power switches, low dropout, photocoupler and linear voltage regulators; standard linear devices such as operational amplifiers and comparators, current monitors, voltage references, and reset generators; LED lighting drivers; audio amplifiers; and sensor products including Hall-effect sensors and motor drivers;

Mixed-signal products, including: high speed mux/demux, digital switches, interface, redrivers, universal level shifters/voltage translators, clock ICs and packet switches;

Standard logic products including low-voltage complementary metal-oxide-semiconductor (“CMOS”) and advanced high-speed CMOS devices; ultra-low power CMOS logic; and analog switches;

Multichip products and co-packaged discrete, analog and mixed-signal silicon in miniature packages;

Silicon and silicon epitaxial wafers used in manufacturing these products;

Frequency Control Products (“FCP”) used in many of today’s advanced electronic systems. FCPs are electronic components that provide frequency references such as crystals and crystal oscillators for automotive, industrial, computing, communication and consumer electronic products; and

Contact Image Sensor (CIS) an input device widely applied on, among other things, high-speed copy machines, check scanners, banknote identification validators (ATM, banknote detectors) and industrial inspection equipment (AOI/AVI). We offer integrated sensor IC, illumination, and rod lenses to form the CIS module.

The following table lists the end-markets, some of the applications in which our products are used, and the percentage of product revenue for each end-market for the last three years:

End-Markets	**2023**	**2022**	**2021**	**End product applications**
Industrial	27%	27%	23%	Lighting, power supplies, DC-DC conversion, security systems, motor controls, DC fans, proximity sensors, solenoid and relay driving, solar panel, HVAC/LED lighting, retrofit bulb, smart meters and embedded computers
Automotive	19%	15%	12%	ADAS (advanced driver assistance systems), telematics, infotainment, lighting, BLDC motor control, electrification and powertrain, and battery management
Computing	23%	24%	30%	Notebooks, tablets, LCD monitors, printers, solid state and hard disk drive, artificial intelligence servers, storage, cloud computing, and data center applications
Consumer	18%	19%	19%	Digital audio players and cameras, set-top boxes, LCD and LED TV's, game consoles, portable GPS, fitness and health monitors, action cameras, smart watches, wearable IoT, home automation and smart infrastructure
Communications	13%	15%	16%	5G networks, smartphones, IP gateways, routers, switches, hubs, fiber optics and charging solutions

PRODUCT PACKAGING

Our device packaging technology includes a wide variety of innovative surface-mounted packages. Our focus on the development of smaller, more thermally efficient, and increasingly integrated packaging, is a critical component of our product development. We provide a comprehensive offering of miniature high power density packaging, enabling us to fit our components into smaller and more efficient packages, while maintaining the same device functionality and power handling capabilities. Smaller packaging provides a reduction in the height, weight and board space required for our components. Our products are well suited for broad applications in the industrial, automotive, computing, communications and consumer applications as highlighted in the table above.

CUSTOMERS

We serve over 50,000 customers worldwide. The majority of our customers are served through our distribution network and some are direct customers who purchase directly from the Company. Our customers represent leading direct sales customers representing a broad range of industries, leading EMS providers and leading distributors. For the twelve months ended December 31, 2023, 2022 and 2021, our direct sales and EMS customers together accounted for 32%, 30% and 34%, respectively, of our net sales. In addition, for information concerning our business with related parties, see "Business – Certain Relationships and Related Party Transactions."

We believe that our close relationships with our customers have provided us with deeper insight into our customers' product needs. In addition to seeking to expand relationships with our existing customers, our strategy is to pursue new customers and diversify our customer base by focusing on leading global consumer electronics companies and their EMS providers and distributors. See "Risk Factors – *Our customers require our products to undergo a lengthy and expensive qualification process without any assurance of product sales and may demand to audit our operations from time to time. A failure to qualify a product or a negative audit finding could adversely affect our net sales, operating results and financial condition.*" in Part I, Item 1A of this Annual Report for additional information.

We generally warrant that products sold to our customers will, at the time of shipment, be free from defects in workmanship and materials and conform to our approved specifications. Subject to certain exceptions, our standard warranty extends for a period of one year from the date of shipment. Warranty expense has not been significant. Generally, our customers may cancel orders on short notice without incurring a penalty. See "Risk Factors – *Our customer orders are subject to cancellation or modification usually with no penalty. High volumes of order cancellation or reduction in quantities ordered could adversely affect our net sales, operating results and financial condition.*" in Part I, Item 1A of this Annual Report for additional information.

The tables below set forth net sales for the Company disaggregated into geographic locations based on shipment and by type (direct sales or distributor) for the twelve months ended December 31, 2023, 2022 and 2021:

Net Sales by Region	**2023**	**2022**	**2021**
Asia	$ 1,181,519	$ 1,480,191	$ 1,439,545
Europe	287,549	283,900	220,772
Americas	192,671	236,489	144,845
Total net sales	$ 1,661,739	$ 2,000,580	$ 1,805,162

Net Sales by Type	**2023**	**2022**	**2021**
Direct sales	$ 530,446	$ 590,173	$ 607,645
Distributor sales	1,131,293	1,410,407	1,197,517
Total net sales	$ 1,661,739	$ 2,000,580	$ 1,805,162

Many of our customers are based in Asia or have manufacturing facilities in Asia. Net sales from products shipped to China for the twelve months ended December 31, 2023, 2022 and 2021, was $704.8 million $941.3 million and $938.1 million, respectively. The decline in sales in China is reflective of the overall decrease in demand for semiconductors.

SALES AND MARKETING

We market and sell our products worldwide through a combination of direct sales and marketing personnel, independent sales representatives and distributors. We have direct sales personnel in the U.S., the U.K., France, Germany, Italy, South Korea, Japan, Hong Kong, Taiwan, Turkey, and China. We also have independent sales representatives in the U.S. and Europe. In addition, we have distributors in the U.S., Asia, and Europe. We have sales and marketing offices or representatives in Taipei, Taiwan; Shanghai, Shenzhen, Wuhan, Guangzhou, Jinan, and Qingdao, China; Seongnam-si, South Korea; Munich and Frankfurt, Germany; Oldham, England; Tokyo, Japan; Milpitas, California and Plano, Texas, USA. As of December 31, 2023, we also had more than 15 independent sales representative firms marketing our products.

Our marketing group focuses on our product strategy, product development roadmap, new product introduction process, demand assessment and competitive analysis. Our marketing programs include participation in industry tradeshows, technical conferences and technology seminars, online marketing including our website, email and social media, sales training and public relations. Our marketing group works closely with our sales and research and development teams to align our product development roadmap. Our marketing group coordinates its efforts with our product development, operations and sales groups, as well as with our customers, sales representatives and distributors. We support our customers through our global field application engineering and customer support organizations.

Our website, www.diodes.com, features an extensive online product catalog with advanced search capabilities. This, coupled with a comprehensive competitor cross-reference search, facilitates quick and thorough product selection. Our website also provides easy access to our worldwide sales contacts and customer support and incorporates a distributor-inventory check to provide component inventory availability. We have included our website address in this Annual Report solely as an inactive textual reference. We do not incorporate the information on, or accessible through, our website into this Annual Report, and you should not consider any information on or accessible through our website as part of this Annual Report.

MANUFACTURING OPERATIONS AND FACILITIES

We operate assembly and test facilities located in China, Taiwan and Germany. We operate wafer fabrication facilities located in China, Taiwan, Great Britain and the United States. For the years ending December 31, 2023 and 2022, our total cash capital expenditures were approximately $150.8 million and $211.7 million, respectively.

Our manufacturing processes use many raw materials, including silicon wafers, aluminum and copper lead frames, gold and copper wire and other metals, molding compounds and various chemicals and gases. We also rely on equipment and finished product suppliers. We are continuously evaluating our raw material costs in order to reduce our consumption while protecting and maintaining product performance. We have no material agreements with any of our suppliers that impose minimum or continuing supply obligations. From time to time, suppliers may extend lead-times, limit supplies or increase prices due to capacity constraints or other factors. Although we believe that supplies of the raw materials we use are currently and will continue to be available, shortages could occur in various essential materials due to interruption of supply or increased demand in the industry. See "Risk Factors – *We depend on third-party suppliers for timely deliveries of raw materials, manufacturing services, product and process development, parts and equipment, as well as finished products from other manufacturers, and our reputation with customers, operating results and financial condition could be adversely affected if we are unable to obtain adequate supplies in a timely manner.*" in Part I, Item 1A of this Annual Report for additional information.

Our corporate headquarters is located in a facility we own in Plano, Texas. We also lease or own properties around the world for use as sales and administrative offices, research and development centers, manufacturing facilities, warehouses and logistics centers.

The size or location of these properties can change from time to time based on our business requirements. See "Properties" in Part I, Item 2 of this Annual Report for additional information.

BACKLOG

Backlog, defined as the amount of product to be shipped during any period, is dependent upon various factors, and orders are subject to cancellation or modification, usually with no penalty to the customer. Orders are generally booked from one month to greater than twelve months in advance of delivery. The rate of booking of new orders can vary significantly from month to month. We, and the industry as a whole, continue to experience a trend towards shorter customer-requested lead-times, and we expect this trend to continue. The amount of backlog at any date depends upon various factors, including the timing of the receipt of orders, fluctuations in orders of existing product lines, and the introduction of new product lines. Accordingly, we believe that the amount of our backlog at any date is not an accurate measure of our future sales. We strive to maintain proper inventory levels to support our customers' just-in-time order expectations.

PATENTS, TRADEMARKS, COPYRIGHTS AND OTHER INTELLECTUAL PROPERTY RIGHTS AND LICENSES

We generally rely on a combination of patents, trademarks, copyrights, trade secrets, confidentiality agreements, license agreements and policies to protect our intellectual property rights and proprietary technology, and to maintain our competitive position. Despite these measures, we may not always succeed in protecting our intellectual property or preventing misappropriation of our intellectual property rights. Other companies may independently develop similar technologies or seek to challenge, invalidate or circumvent our intellectual property rights. We acquired, licensed or sublicensed numerous intellectual property rights in connection with our acquisitions over the years. Several of our trademarks are registered in the U.S. and other countries, and we continually seek to strengthen our brand to distinguish our products in the marketplace. We maintain a patent portfolio comprised of both U.S. and foreign patents and have patent applications pending in the U.S. and other countries. We expect to continue to file patent applications in the U.S. and abroad covering technologies and products considered important to our business. We do not believe any individual patent, group of patents, or the expiration thereof would materially affect the operation of our business. We seek to protect our proprietary technology or related knowledge that is not covered by our patent strategy as trade secrets through contracts and policies to maintain their secrecy and confidentiality.

In the ordinary course of business, we may become party to disputes involving intellectual property rights. When we become aware of companies infringing our intellectual property rights, we seek to enforce our rights through appropriate actions. We may receive claims of infringement or inquiries regarding possible infringement of the intellectual property rights of others, demands seeking royalty payments or other remedies, or cease and desist letters. Depending on the situations, we may defend our position, seek to negotiate a license or engage in other acceptable resolution that is appropriate to our business.

We provide limited intellectual property indemnification for certain customers and may experience financial exposure related to intellectual property indemnity claims. In certain situations, there are limits on our potential indemnification liability; however, we cannot reasonably estimate the amount of potential payments, if any. Although to date we have not paid any significant amounts for intellectual property indemnity claims, there can be no assurance that we will not face significant exposure in the future.

From time to time, we may license our intellectual property rights in connection with the development or sale of our products. We may license certain product technology from other companies, but we do not consider any particular licensed technology to be material to our operations or royalties paid by us to be material. We believe the duration and other terms of the licenses are appropriate for our current needs. See "Risk Factors – *We may be subject to claims of infringement of third-party intellectual property rights or demands that we license third-party technology, which could result in significant expense, reduction in our intellectual property rights and a negative impact on our business, operating results and financial condition.*" in Part I, Item 1A of this Annual Report for additional information.

Our foreign operations expose us to unique intellectual property technology risks compared to a company with fewer or no international operations. For example, we are exposed to potential cyber security breaches that may target our employees or infrastructure outside the United States. See "Risk Factors – Risks Related to Our International Operations." in Part I, Item 1A of this Annual Report for a more detailed summary of the intellectual property technology risks associated with our international business operations.

This Annual Report may include trade names and trademarks of other companies. Our use or display of other parties' trade names, trademarks or products is not intended to, and does not, imply a relationship with, or endorsement or sponsorship of us by, the trade names or trademark owners. All trademarks appearing in this Annual Report not owned by us are the property of their holders.

COMPETITION

Numerous semiconductor manufacturers and distributors serve the discrete, logic, analog and mixed-signal semiconductor components market, making competition intense. Some of our larger competitors include Infineon Technologies A.G., Epson, Kyocera, Nexperia, NXP Semiconductors N.V., ON Semiconductor Corporation, Renesas Electronics Corporation, Texas Instruments and Vishay Intertechnology, Inc., many of which have greater financial, marketing, distribution, brand name recognition, research and development, manufacturing and other resources than we do. Accordingly, we, from time to time, may reposition product lines or decrease prices, which may affect our sales of, and profit margins on, such product lines. The price, features, availability and quality of our products, and our ability to design products and deliver customer service in keeping with our customers' needs, determine the competitiveness of our products. We believe that our product focus, packaging expertise and our flexibility and quick adaptability to customer needs affords us competitive advantages. See "Risk Factors – *The semiconductor business is highly competitive, and increased competition may harm our business, operating results and financial condition.*" in Part I, Item 1A of this Annual Report for additional information.

ENGINEERING AND RESEARCH AND DEVELOPMENT

Our engineering and research and development groups consist of applications, circuit design, and product development engineers who assist in determining the direction of our future product lines. One of their key functions is to work closely with market-leading customers to further refine, expand and improve our product portfolio within our target product types and packages. In addition, we assess customer requirements and acceptance of new package types, and we seek to develop new, higher-density and more energy-efficient packages to satisfy customers' needs.

Product development engineers work directly with our semiconductor circuit design and layout engineers to develop and design products that match our customers' requirements. We seek to capture the customers' electrical and packaging requirements, translate those requirements into product specifications and design and manufacture a qualified product to support the customers' end-system applications.

HUMAN CAPITAL MANAGEMENT

As an international semiconductor company with a global footprint, the Company recognizes the important role its human capital plays in a talent-based economy, and what the impact of effective and efficient human capital management has on its long-term strategic success and sustainable growth. Our employees are our most critical asset—they contribute to our financial success for the benefit of all our stakeholders and they are collaborators and contributors to the success of the communities in which we live and work. Human capital management affects many aspects of our operations, including recruitment and talent acquisition, retention, training, workforce optimization, performance management, workplace safety, employee health and wellness, employee engagement, and diversity and inclusion.

Employee Communication - Developing two–way communications and deploying effective feedback mechanisms are critical components in our employee engagement process. We have an open door policy, and encourage employees to have regular conversations with their managers to share feedback and express concerns. We also solicit employee feedback informally through regular employee interactions. We hold our managers accountable for setting clear expectations and goals with their teams, for providing coaching, as well as identifying professional development opportunities for their teams, and for engaging in periodic performance reviews. We assist our managers with performance management tools as needed to help them effectively manage their teams and optimize workforce productivity.

Employee Retention, Training and Coaching - Employee retention is a critical element in our sustainable success. To maintain a stable workforce, we provide skill advancement training and coaching, where appropriate, to help our employees enhance their existing skillsets. With our support and preparation, our employees can continue to grow in their current role and maximize the value they contribute to their current teams. Where a suitable rotation opportunity arises, we provide skill expansion training to equip employees for these new positions. By honing their skills, our employees can leverage their institutional knowledge and experience to contribute to the overall success of the organization. The availability of rotational opportunities can also help keep our employees motivated and engaged.

Employee Safety - As an employer with a global workforce, we seek to provide safe working conditions and encourage our employees to engage in safe behaviors while completing their assigned job duties. We have programs to enhance the occupational health and safety of our employees and to promote employee wellness. These programs are designed to yield positive business outcomes, such as less absenteeism, more motivated and engaged workforce, higher productivity, more consistent quality performance, and a better corporate image in our local communities. The positive outcomes of these programs should help us attract talent and maintain a stable workforce.

Employee Demographics - We regularly review our workforce demographics and organizational structure to ensure that we have an efficient organization positioned to deliver cost-effective, high-quality products to our customers and to serve the markets in which we operate. Diversity and inclusion considerations are embodied in many aspects of our operations, including pipeline opportunities.

As of December 31, 2023, we employed 8,635 employees (including approximately 655 temporary labor or independent contractors). 7,282 of our employees were in Asia, 461 were in the Americas and 892 were in Europe. None of our employees in Asia or the U.S. are subject to a collective bargaining agreement. In Europe all our employees are covered by individual employment agreements with some collective bargaining agreements in place. We consider our relations with our employees to be satisfactory. See "Risk Factors – *We may fail to attract or retain the qualified technical, sales, marketing, finance and management/executive personnel required to operate our business successfully, which could adversely affect our business, operating* results and financial condition." in Part I, Item 1A of this Annual Report for additional information.

ENVIRONMENTAL MATTERS

We are subject to a variety of U.S. federal, state, local and foreign governmental laws, rules and regulations related to the use, storage, handling, discharge or disposal of certain toxic, volatile or otherwise hazardous chemicals used in our manufacturing process in China, Taiwan, the U.K and the U.S. where our wafer fabrication facilities are located, and in China, Taiwan and Germany where our assembly and test facilities are located. Any of these regulations could require us to acquire equipment or to incur substantial other costs to comply with environmental regulations or remediate problems. For the twelve month periods ended December 31, 2023, 2022 and 2021, our capital expenditures for environmental controls have not been material. See "Risk Factors – *We are subject to many environmental laws and regulations that could result in significant expenses and could adversely affect our business, operating results and financial condition."* in Part I, Item 1A of this Annual Report for additional information.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We conduct business with the following related parties: Keylink International (B.V.I.) Inc. and its subsidiaries and affiliates ("Keylink"), Nuvoton Technology Corporation ("Nuvoton") and Jiyuan Crystal Photoelectric Frequency Technology Ltd. ("JCP").

Keylink is a 5% joint venture partner in our Shanghai assembly and test facilities. We sell products to, and purchase inventory from, companies owned by Keylink. In addition, our subsidiaries in China lease their manufacturing facilities in Shanghai from, and subcontract a portion of our manufacturing process (metal plating and environmental services) to, Keylink. We also pay a consulting fee to Keylink.

Warren Chen, a member of the Company's board of directors serves as a member of Nuvoton's board of directors. We purchase wafers from Nuvoton for use in our production process.

JCP is an FCP manufacturing company from which we purchase material and in which we have made an equity investment. We account for this investment using the equity method of accounting.

Atlas Magnetics ("Atlas") is an early stage privately held fabless wafer design company in which the Company holds a majority equity interest. The Company determined that Atlas is a variable interest entity ("VIE") and that Atlas is a related party. The Company does not have the power to direct the activities that most significantly impact Atlas, and therefore, has determined that the Company is not the primary beneficiary. While the Company does own more than 50% of Atlas, according to the voting agreement governing the transaction, the Company does not have the power to direct the activities that most significantly impact Atlas, including obtaining control of the board of directors, and therefore, has determined that the Company is not the primary beneficiary. For additional information related to Atlas see Note 19 - Equity Investments - *Variable Interest Entities*, below.

We consider our relationships with Keylink, Nuvoton, JCP and Atlas to be mutually beneficial and plan to continue these strategic alliances.

The Audit Committee of our Board of Directors reviews all related party transactions for potential conflict of interest situations on an ongoing basis. We believe that all related party transactions are on terms no less favorable to us than would be obtained from unaffiliated third parties.

OTHER INFORMATION

We were incorporated in 1959 in California and reincorporated in Delaware in 1968.

SEASONALITY

Historically, our net sales have been affected by the cyclical nature of the semiconductor industry, whereby typically the fourth quarter is the quarter of the calendar year with the smallest revenue. In addition, our net sales have been subject to some additional seasonal variation with weaker net sales in the first quarter.

AVAILABLE INFORMATION

Our website address is https://www.diodes.com. We make available, free of charge through our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (the "SEC").

The SEC maintains an Internet site (https://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file with the SEC.

Our website also provides investors access to financial and corporate governance information including our corporate governance guidelines, Code of Business Conduct, whistleblower hotline, and press releases. The contents of our website and any other information accessible through our website are not incorporated by reference into this Annual Report on Form 10-K.

Cautionary Statement for Purposes of the "Safe Harbor" Provision of the Private Securities Litigation Reform Act of 1995

Many of the statements included in this Annual Report on Form 10-K contain forward-looking statements and forward-looking information relating to the Company. We generally identify forward-looking statements by the use of terminology such as "may," "will," "could," "should," "potential," "continue," "expect," "intend," "plan," "estimate," "anticipate," "believe," "project," or similar phrases or the negatives of such terms. We base these statements on our management's beliefs as well as assumptions we made using information currently available to us. Such statements are subject to risks, uncertainties and assumptions, including those identified in the "Risk Factors" section of this Annual Report and the "Risk Factors" section of other documents we file with the SEC, as well as other matters not yet known to us or not currently considered material by us. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. Forward-looking statements do not guarantee future performance and should not be considered as statements of fact.

You should not unduly rely on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. Unless required by law, we undertake no obligation to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. The Private Securities Litigation Reform Act of 1995 (the "Act") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements, set forth in this Annual Report on Form 10-K, are made pursuant to the Act.

Item 1A. Risk Factors.

Investing in our Common Stock involves a high degree of risk. You should carefully consider the following risks and other information in this Annual Report before you make any trading decisions regarding our Common Stock. Our business, financial condition or operating results may suffer if any of the following risks are realized. Additional risks and uncertainties not currently known to us may also adversely affect our business, financial condition or operating results. If any of these risks or uncertainties occurs, the trading price of our Common Stock could decline and you could lose part or all of your investment.

Summary

RISKS RELATED TO OUR BUSINESS

The impact of the continuing COVID-19 pandemic may have a material adverse effect on our business, financial condition and results of operations.

Shanghai, China experienced government imposed lockdowns due to a resurgence of the COVID-19 virus.

During times of difficult market conditions, our fixed costs combined with lower net sales and lower profit margins may have a negative impact on our business, operating results and financial condition.

Downturns in the highly cyclical semiconductor industry or changes in end-market demand could adversely affect our operating results and financial condition.

The semiconductor business is highly competitive, and increased competition may harm our business, operating results and financial condition.

Delays in initiation of production at facilities due to implementing new production techniques or resolving problems associated with technical equipment malfunctions could adversely affect our manufacturing efficiencies, operating results and financial condition.

We are and will continue to be under continuous pressure from our customers and competitors to reduce the price of our products, which could adversely affect our growth and profit margins.

Our customers require our products to undergo a lengthy and expensive qualification process without any assurance of product sales and may demand to audit our operations from time to time. A failure to qualify a product or a negative audit finding could adversely affect our net sales, operating results and financial condition.

Our customer orders are subject to cancellation or modification usually with no penalty. High volumes of order cancellation or reduction in quantities ordered could adversely affect our net sales, operating results and financial condition.

Production at our manufacturing facilities could be disrupted for a variety of reasons, including natural disasters and other extraordinary events, which could prevent us from producing enough of our products to maintain our sales and satisfy our customers' demands and could adversely affect our operating results and financial condition.

New technologies could result in the development of new products by our competitors and a decrease in demand for our products, and we may not be able to develop new products to satisfy changes in demand, which would adversely affect our net sales, market share, operating results and financial condition.

We may be subject to claims of infringement of third-party intellectual property rights or demands that we license third-party technology, which could result in significant expense, reduction in our intellectual property rights and a negative impact on our business, operating results and financial condition.

We depend on third-party suppliers for timely deliveries of raw materials, manufacturing services, product and process development, parts and equipment, as well as finished products from other manufacturers, and our reputation with customers, operating results and financial condition could be adversely affected if we are unable to obtain adequate supplies in a timely manner.

A significant part of our growth strategy involves acquiring companies and businesses. We may be unable to identify suitable acquisition candidates or consummate desired acquisitions and, if we do make any acquisitions, we may be unable to successfully integrate any acquired companies with our operations, which could adversely affect our business, operating results and financial condition.

We are subject to many environmental laws and regulations that could result in significant expenses and could adversely affect our business, operating results and financial condition.

We may incur additional costs and face emerging risks associated with environmental, social and governance ("ESG") factors impacting our operations.

Our products, or products we purchase from third parties for resale, may be found to be defective and, as a result, warranty claims and product liability claims may be asserted against us and we may not have recourse against our suppliers, which may harm our business, reputation with our customers, operating results and financial condition.

We may fail to attract or retain the qualified technical, sales, marketing, finance and management/executive personnel required to operate our business successfully, which could adversely affect our business, operating results and financial condition.

We may not be able to achieve future growth, and any such growth may place a strain on our management and on our systems and resources, which could adversely affect our business, operating results and financial condition.

Obsolete inventories as a result of changes in demand for our products and change in life cycles of our products could adversely affect our business, operating results and financial condition.

If our direct sales customers or our distributors' customers do not design our products into their applications, our net sales may be adversely affected.

We are subject to interest rate risk that could have an adverse effect on our cost of working capital and interest expenses, which could adversely affect our business, operating results and financial condition.

Our hedging strategies may not be successful in mitigating our risks associated with interest rates or foreign exchange exposure or our counterparties might not perform as agreed.

We may have a significant amount of debt with various financial institutions worldwide. Any indebtedness could adversely affect our business, operating results, financial condition and our ability to meet payment obligations under such debt.

Restrictions in our credit facilities may limit our business and financial activities, including our ability to obtain additional capital in the future.

Our business benefits from certain Chinese government incentives. Expiration of, or changes to, these incentives could adversely affect our operating results and financial condition.

We operate a global business through numerous foreign subsidiaries, and there is a risk that tax authorities will challenge our transfer pricing methodologies or legal entity structures, which could adversely affect our operating results and financial condition.

Certain of our employees in the U.K. participate in a company-sponsored defined benefit plan which subjects the Company to risks associated with the estimates and assumptions used in calculating expense and funding requirements recorded in the Company's consolidated financial statements. Inaccuracies or changes in these estimates could require material changes in the expense and funding required.

Compliance with government regulations and customer demands regarding the use of "conflict minerals" may result in increased costs and may have a negative impact on our business, operating results and financial condition.

If we fail to maintain an effective system of internal controls or discover material weaknesses in our internal control over financial reporting, we may not be able to report our financial results accurately or detect fraud, which could harm our business and the trading price of our Common Stock.

*RISKS RELATED TO OUR INTER*NATIONAL OPERATIONS

Our international operations subject us to risks that could adversely affect our operations.

A slowdown in the Chinese economy could limit the growth in demand for electronic devices containing our products, which would have a material adverse effect on our business, operating results and prospects.

Economic regulation in China could materially and adversely affect our business, operating results and prospects.

We could be adversely affected by violations of the United States' Foreign Corrupt Practices Act, the U.K.'s Bribery Act 2010, China's anti-corruption campaign and similar worldwide anti-bribery laws.

We are subject to foreign currency risk as a result of our international operations.

China is experiencing rapid social, political and economic change, which has increased labor costs and other related costs that could make doing business in China less advantageous than in prior years. Increased labor costs in China could adversely affect our business, operating results and financial condition.

We may not continue to receive preferential tax treatment in Asia, thereby increasing our income tax expense and reducing our net income.

The distribution of any earnings of certain foreign subsidiaries may be subject to foreign income taxes, thus reducing our net income.

We could be adversely affected by the compromise or theft of our technology, know-how, data or intellectual property or a requirement that we yield rights in technology, know-how, data stored in foreign jurisdictions or intellectual property that we use in such foreign jurisdictions.

RISKS RELATED TO OUR COMMON STOCK

Variations in our quarterly operating results may cause our stock price to be volatile.

We may enter into future acquisitions and take certain actions in connection with such acquisitions that could adversely affect the price of our Common Stock.

Anti-takeover effects of certain provisions of Delaware law and our Certificate of Incorporation and Bylaws, may hinder a take-over attempt.

GENERAL RISK FACTORS

The invasion of Ukraine by Russia could negatively impact our business.

The success of our business depends on the strength of the global economy and the stability of the financial markets, and any weaknesses in these areas may have a material adverse effect on our net sales, operating results and financial condition.

We may be adversely affected by any disruption in our information technology systems, which could adversely affect our cash flows, operating results and financial condition.

Terrorist attacks, or threats or occurrences of other terrorist activities, whether in the U.S. or internationally, may affect the markets in which our Common Stock trades, the markets in which we operate and our operating results and financial condition.

System security risks, data protection breaches, cyber-attacks and other related cybersecurity issues could disrupt our internal operations, and any such disruption could reduce our expected net sales, increase our expenses, damage our reputation and adversely affect our stock price.

RISKS RELATED TO OUR BUSINESS

The impact of the continuing COVID-19 pandemic may have a material adverse effect on our business, financial condition and results of operations.

National, state and local governments have responded to the COVID-19 pandemic in a variety of ways including by declaring states of emergency, restricting people from gathering in groups or interacting within a certain physical distance (*i.e.*, social distancing), ordering businesses to close or limit operations and ordering people to stay at home (*i.e.*, shelter in place), and imposing travel restrictions (including quarantine requirements).

Given these governmental actions, there is no assurance that we will be permitted to operate under every current or future government order or other restriction and in every location where we maintain operations. Any long-term limitations on, or long-term closures of, our manufacturing facilities in the U.S., Asia or Europe would have a negative adverse impact on our ability to manufacture, sell and ship products and service customers and would have a material adverse impact on our business, financial condition and results of operations.

In addition, the COVID-19 pandemic may cause disruptions to the business and operations of our suppliers and customers, which would adversely impact our business, financial condition and results of operations.

Shanghai, China experienced government imposed lockdowns due to a resurgence of the COVID-19 virus.

We have manufacturing facilities located in Shanghai, China, where operations are subject to being shut-down by the Chinese government due to a resurgence in the COVID-19 virus. An extended shut-down of our Shanghai facilities could have a material adverse effect on the operations, results of operations, financial condition, liquidity and business outlook of our business.

During times of difficult market conditions, our fixed costs combined with lower net sales and lower profit margins may have a negative impact on our business, operating results and financial condition.

The semiconductor industry is characterized by high fixed costs. Notwithstanding our utilization of third-party manufacturing capacity, most of our production requirements are met by our own manufacturing facilities. In difficult economic environments, we could be faced with a decline in the utilization rates of our manufacturing facilities due to decreases in product demand. During such periods, the costs associated with this excess capacity are expensed immediately and not capitalized into inventory, and we generally experience lower gross margins. The market conditions in the future may adversely affect our utilization rates and consequently our future gross margins and this, in turn, could have a material negative impact on our business, operating results and financial condition.

Downturns in the highly cyclical semiconductor industry or changes in end-market demand could adversely affect our operating results and financial condition.

The semiconductor industry is highly cyclical, and periodically experiences significant economic downturns characterized by diminished product demand, production overcapacity, excess inventory, which can result in rapid erosion in average selling prices and significant net sales declines, which may harm our operating results and financial condition.

In addition, we operate in a few narrow markets of the semiconductor market and, as a result, cyclical fluctuations may affect these segments to a greater extent than they affect the broader semiconductor market. This may cause us to experience greater fluctuations in our operating results and financial condition than compared to some of our broad line semiconductor competitors. In addition, we may experience significant changes in our profitability as a result of variations in sales, changes in product mix, changes in end-user markets and the costs associated with the introduction of new products. The markets for our products depend on continued demand in the industrial, automotive, computing, communications and consumer sectors. These end-user markets also tend to be cyclical and may also experience changes in demand that could adversely affect our operating results and financial condition.

The semiconductor business is highly competitive, and increased competition may harm our business, operating results and financial condition.

The semiconductor industry in which we operate is highly competitive. We expect intensified competition from existing competitors and new entrants. Competition is based on price, product performance, product availability, quality, reliability, technological innovation and customer service. We compete in various markets with companies of various sizes, many of which are larger and have greater resources or capabilities as it relates to financial, marketing, distribution, brand name recognition, research and development, manufacturing and other resources than we have. As a result, they may be better able to develop new products, market their products, pursue acquisition candidates and withstand adverse economic or market conditions. Most of our current major competitors are broad line semiconductor manufacturers who often have a wider range of product types and technologies than we do. In addition, companies not currently in direct competition with us may introduce competing products in the future. Some of our current major competitors are Infineon Technologies A.G., Epson, Kyrocera, Nexperia, NXP Semiconductors N.V., ON Semiconductor Corporation, Renesas Electronics Corporation, Texas Instruments and Vishay Intertechnology, Inc. We may not be able to compete successfully in the future, and competitive pressures may harm our business, operating results and financial condition.

Delays in initiation of production at facilities due to implementing new production techniques or resolving problems associated with technical equipment malfunctions could adversely affect our manufacturing efficiencies, operating results and financial condition.

Our manufacturing efficiency has been and will be an important factor in our future profitability, and we may not be able to maintain or increase our manufacturing efficiency. Our manufacturing and testing processes are complex, require advanced and costly equipment and are continually being modified in our efforts to improve product performance and cost. Difficulties in the manufacturing process can lower yields. Technical or other problems could lead to production delays, order cancellations and lost net sales. In addition, any problems in achieving acceptable yields, construction delays, or other problems in upgrading or expanding existing facilities, building new facilities, bringing new manufacturing capacity to full production or changing our process technologies, could also result in capacity constraints, production delays and a loss of future net sales and customers. Our operating results also could be adversely affected by any increase in fixed costs and operating expenses related to increases in production capacity if net sales do not increase proportionately, or in the event of a decline in demand for our products. Any disruption at any of our wafer fabrication facilities or assembly and test facilities could have a material adverse effect on our manufacturing efficiencies, operating results and financial condition.

We are and will continue to be under continuous pressure from our customers and competitors to reduce the price of our products, which could adversely affect our growth and profit margins.

Prices for our products tend to decrease over their life cycle. There is substantial and continuing pressure from customers to reduce the total cost of purchasing our products. To remain competitive and retain our customers and gain new ones, we must continue to reduce our costs through design, product and manufacturing improvements. We must also strive to minimize our customers' shipping and inventory financing costs and to meet their other goals for rationalization of supply and production. Our net sales growth and profit margins will suffer if we cannot effectively continue to reduce our costs and keep our product prices competitive.

Our customers require our products to undergo a lengthy and expensive qualification process without any assurance of product sales and may demand to audit our operations from time to time. A failure to qualify a product or a negative audit finding could adversely affect our net sales, operating results and financial condition.

Prior to purchasing our products, our customers may require our products to undergo an extensive qualification process, which involves rigorous reliability testing. This qualification process may continue for six months or longer. However, qualification of a product by a customer does not ensure any sales of the product to that customer. In addition, we are focusing more on the automotive and industrial markets. These markets, automotive in particular, require higher quality standards. Although we are working to ensure our organization and products meet the more rigorous quality standards, there can be no assurances we will succeed. Even after successful qualification and sales of a product to a customer, a subsequent revision to the product, changes in the product's manufacturing process or the selection of a new supplier by us may require a requalification process, which may result in delayed net sales, foregone sales and excess or obsolete inventory. After our products are qualified, it can take an additional six months or more before the customer commences volume production of components or devices that incorporate our products. Despite these uncertainties, we devote substantial resources, including design, engineering, sales, marketing and management efforts, toward qualifying our products with customers in anticipation of sales. If we are unsuccessful or delayed in qualifying any of our products with a customer, such failure or delay would preclude or delay sales of such product to the customer, which may adversely affect our net sales, operating results and financial condition.

In addition, from time to time, our customers may demand an audit of our records, product manufacturing, qualification, and packaging processes, business practices and other related items to verify that we have complied with our business obligations, standard processes and procedures, product specifications and governing laws and regulations related to our business practices, and in accordance with the agreed terms and conditions of mutual business agreements. If the audit shows any deficiency in any of these categories, our customers may require us to implement extensive protocols to remedy the deficiency, assess us significant penalties, refuse shipments of our products, return existing inventory, cancel orders, or terminate our business relationship, each of which will adversely affect our net sales, operating results and financial condition.

Our customer orders are subject to cancellation or modification usually with no penalty. High volumes of order cancellation or reduction in quantities ordered could adversely affect our net sales, operating results and financial condition.

All of our customer orders are subject to cancellation or modification, usually with no penalty to the customer. Orders are generally made on a purchase order basis, rather than pursuant to long-term supply contracts, and are booked from immediate delivery to twelve months or more in advance of delivery. The rate of booking new orders can vary significantly from month to month. We, and the semiconductor industry as a whole, are experiencing a trend towards shorter customer-requested lead times, which is the amount of time between the date a customer places an order and the date the customer requires shipment. Furthermore, our industry is subject to rapid changes in customer outlook and periods of excess inventory due to changes in demand in the end-markets our industry serves. As a result, many of our purchase orders are revised, and may be cancelled, with little or no penalty and with little or no notice. However, we must still commit production and other resources to fulfilling these purchase orders even though they may ultimately be cancelled. If a significant number of purchase orders are cancelled or product quantities ordered are reduced, and we are unable to timely generate replacement orders, we may build up excess inventory and our net sales, operating results and financial condition may suffer.

Production at our manufacturing facilities could be disrupted for a variety of reasons, including natural disasters and other extraordinary events, which could prevent us from producing enough of our products to maintain our sales and satisfy our customers' demands and could adversely affect our operating results and financial condition.

A disruption in production at our manufacturing facilities could have a material adverse effect on our business. Disruptions could occur for many reasons, including fire, floods, hurricanes, typhoons, droughts, tsunamis, volcanoes, earthquakes, disease or other similar natural disasters, unplanned maintenance or other manufacturing problems, labor shortages, power outages or shortages, telecommunications failures, strikes, transportation interruption, government regulation, terrorism or other extraordinary events, including pandemics and epidemics (such as the outbreak of the COVID-19 virus) and related travel restrictions,. Such disruptions may cause direct injury or damage to our employees and property and related internal controls with significant indirect consequences. Alternative facilities with sufficient capacity or capabilities may not be available, may cost substantially more or may take a significant time to start production, each of which could negatively affect our business and financial performance. If one of our key manufacturing facilities is unable to produce our products for an extended period of time, our sales may be reduced by the shortfall caused by the disruption, and we may not be able to meet our customers' needs, which could cause our customers to seek other suppliers. Such disruptions could have an adverse effect on our operating results and financial condition.

New technologies could result in the development of new products by our competitors and a decrease in demand for our products, and we may not be able to develop new products to satisfy changes in demand, which would adversely affect our net sales, market share, operating results and financial condition.

Our product range and new product development program are focused on low pin count semiconductor devices with one or more active or passive components. Our failure to develop new technologies, or anticipate or react to changes in existing technologies, either within or outside of the semiconductor market, could materially delay development of new products, which could result in a decrease in our net sales and a loss of market share. The semiconductor industry is characterized by rapidly changing technologies and industry standards, together with frequent new product introductions. Our financial performance depends on our ability to design, develop, manufacture, assemble, test, market and support new products and product enhancements on a timely and cost-effective basis. We may not successfully identify new product opportunities or develop and bring new products to market or succeed in selling them into new customer applications in a timely and cost-effective manner.

Products or technologies developed by other companies may render our products or technologies obsolete or noncompetitive, and since we operate primarily in a narrow segment of the broader semiconductor industry, this may have a greater effect on us than it would if we were a broad-line semiconductor supplier with a wider range of product types and technologies. Many of our competitors are larger and more established international companies with greater engineering and research and development resources than us. Our failure to identify or capitalize on any fundamental shifts in technologies in our product markets, relative to our competitors, could harm our business, have a material adverse effect on our competitive position within our industry and harm our relationships with our customers. In addition, to remain competitive, we must continue to reduce package sizes, improve manufacturing costs and expand our sales. We may not be able to accomplish these goals, which would adversely affect our net sales, market share, operating results and financial condition.

We may be subject to claims of infringement of third-party intellectual property rights or demands that we license third-party technology, which could result in significant expense, reduction in our intellectual property rights and a negative impact on our business, operating results and financial condition.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights. From time to time, third parties have asserted, and may in the future assert, patent, copyright, trademark and other intellectual property rights to technology that is important to our business and have demanded, and may in the future demand, that we license their patents and technology. Any litigation to determine the validity of allegations that our products infringe or may infringe these rights, including claims arising through our contractual indemnification of our customers, or claims challenging the validity of our patents, regardless of its merit or resolution, could be costly and divert the efforts and attention of our management and technical personnel. We may not prevail in litigation given the complex technical issues and inherent uncertainties in intellectual property litigation. If litigation results in an adverse ruling, we could be required to:

- pay substantial damages for past, present and future use of the infringing technology;
- cease manufacture, use or sale of infringing products;
- discontinue the use of infringing technology;
- expend significant resources to develop non-infringing technology;
- pay substantial damages to our customers or end-users to discontinue use or replace infringing technology with non-infringing technology;
- license technology from the third party claiming infringement, which license may not be available on commercially reasonable terms, or at all; or
- relinquish intellectual property rights associated with one or more of our patent claims, if such claims are held invalid or otherwise unenforceable.

We depend on third-party suppliers for timely deliveries of raw materials, manufacturing services, product and process development, parts and equipment, as well as finished products from other manufacturers, and our reputation with customers, operating results and financial condition could be adversely affected if we are unable to obtain adequate supplies in a timely manner.

Our manufacturing operations depend upon obtaining adequate supplies of raw materials, manufacturing services, product and process development, parts and equipment on a timely basis from third parties. In some instances, a supplier may be our sole-source supplier. Any interruption in, or change in the cost or quality of, the supply of raw materials, manufacturing services, product and process development, parts or equipment needed to manufacture our products could adversely affect our reputation with customers, operating results and financial condition.

In addition, we sell finished products from other manufacturers. Our business could also be adversely affected if there are quality problems with the finished products we sell. From time to time, various suppliers may extend lead-times, limit supplies or increase prices due to capacity constraints or other factors. We have no long-term purchase contracts with any of these manufacturers and, therefore, have no contractual assurances of continued supply, pricing or access to finished products that we sell, and any such manufacturer could discontinue supplying to us at any time. Additionally, some of our suppliers of finished products or wafers compete directly with us and may, in the future, choose not to supply products to us.

A significant part of our growth strategy involves acquiring companies and businesses. We may be unable to identify suitable acquisition candidates or consummate desired acquisitions and, if we do make any acquisitions, we may be unable to successfully integrate any acquired companies with our operations, which could adversely affect our business, operating results and financial condition.

A significant part of our growth strategy involves acquiring companies and businesses. We may be unsuccessful in identifying suitable acquisition candidates, or we may be unable to consummate a desired acquisition. To the extent we do make acquisitions, if we are unsuccessful in integrating these companies or businesses or their operations or product lines with our operations, or if integration is more difficult than anticipated, we may experience disruptions that could have a material adverse effect on our business, operating results and financial condition. In addition, we may not realize all of the benefits we anticipate from any such acquisitions. Some of the risks that may affect our ability to integrate or realize any anticipated benefits from acquisitions that we may make include those associated with:

- higher than anticipated acquisition costs and expenses;
- use a significant portion of our cash and incur additional debt;
- issue equity securities, which would dilute current stockholders’ percentage ownership;
- dilute existing shareholders;

- incur or assume contingent liabilities, known or unknown;
- incur amortization expenses related to intangibles;
- incur large, immediate accounting write-offs;
- incur substantial expense and diversion of management attention, regardless of the success of the acquisition;
- create goodwill and other intangible assets that may require impairment charges in the future;
- unexpected losses of key employees or customers of the acquired companies or businesses;
- delays in obtaining customer qualification of acquired facilities;
- bringing the acquired company's standards and processes, including disclosure controls and procedures and internal control over financial reporting, into conformance with our operations;
- coordinating our new product and process development;
- hiring additional management and other critical personnel;
- increasing the scope, geographic diversity and complexity of our operations;
- difficulties in consolidating facilities and transferring processes and know-how;
- difficulties in reducing costs of the acquired entity's business;
- diversion of management's attention from the management of our business; and
- adverse effects on existing business relationships with customers.

We may ultimately not be successful in overcoming these risks or any other problems encountered in connection with acquisitions.

We are subject to many environmental laws and regulations that could result in significant expenses and could adversely affect our business, operating results and financial condition.

We are subject to a variety of U.S. federal, state, local and foreign governmental laws, rules and regulations related to the use, storage, handling, discharge or disposal of certain toxic, volatile or otherwise hazardous chemicals used in manufacturing our products throughout the world. Any of these regulations could require us to acquire equipment or to incur substantial other expenses to comply with environmental regulations. Any failure to comply with present or future environmental laws, rules and regulations could result in fines, suspension of production or cessation of operations, any of which could have a material adverse effect on our business, operating results and financial condition.

We may incur additional costs and face emerging risks associated with environmental, social and governance ("ESG") factors impacting our operations.

Stakeholders such as investors, employees and the communities in which we operate have increased their focus on our ESG and sustainability related activities, specifically in the corporate social and environmental responsibility ("CSER") areas. Some investors and customers may use our ESG and sustainability related information as well as third party ESG ratings and metrics to guide their investment strategies and product purchases. If our ESG or CSER policies and practices are perceived to be inadequate, we could face reputational damages or loss of sales and our financial results may be adversely affected.

Our products, or products we purchase from third parties for resale, may be found to be defective and, as a result, warranty claims and product liability claims may be asserted against us and we may not have recourse against our suppliers, which may harm our business, reputation with our customers, operating results and financial condition.

Our products, or products we purchase from third parties for resale, are typically sold at prices that are an insignificant portion of the overall value of the equipment or other goods in which they are incorporated. Since a defect or failure in our products could give rise to failures in the end-products that incorporate them (and consequential claims for damages against our customers from their customers), we may face claims for damages that are disproportionate to the net sales and profits we receive from the products involved and we may not have recourse against our suppliers. Even in cases where we do not believe we have legal liability for such claims, we may choose to pay for them to retain a customer's business or goodwill or to settle claims to avoid protracted litigation. Our operating results and business could be adversely affected as a result of a significant quality or performance issue in our products, if we are required or choose to pay for the damages that result. We may choose not to carry liability insurance, may not have sufficient insurance coverage, or may not have sufficient resources, to satisfy all possible warranty claims and product liability claims. In addition, any perception that our products are defective would likely result in reduced sales of our products, loss of customers and harm to our business, reputation, operating results and financial condition.

We may fail to attract or retain the qualified technical, sales, marketing, finance and management/executive personnel required to operate our business successfully, which could adversely affect our business, operating results and financial condition.

Our future success depends, in part, upon our ability to attract and retain highly qualified technical, sales, marketing, finance and managerial personnel. Personnel with the necessary expertise are scarce and competition for personnel with these skills is intense. We may not be able to retain existing key technical, sales, marketing, finance and managerial employees or be successful in attracting, assimilating or retaining other highly qualified technical, sales, marketing, finance and managerial/executive personnel in the future. For example, we have faced, and continue to face, intense competition for qualified technical and other personnel in China, where our assembly and test facilities are located. A number of U.S. and multi-national corporations, both in the semiconductor industry and in other industries, have recently established and are continuing to establish factories and plants in China, and the competition for qualified personnel has increased significantly as a result. If we are unable to retain existing key employees or are unsuccessful in attracting new highly qualified employees, our business, operating results and financial condition could be materially and adversely affected.

We may not be able to achieve future growth, and any such growth may place a strain on our management and on our systems and resources, which could adversely affect our business, operating results and financial condition.

Our ability to successfully grow our business requires effective planning and management. Our past growth, and our targeted future growth, may place a significant strain on our management and on our systems and resources, including our financial and managerial controls, reporting systems and procedures. In addition, we will need to continue to train and manage our workforce worldwide. If we are unable to effectively plan and manage our growth effectively, our business and prospects will be harmed and we will not be able to maintain our profitable growth, which could adversely affect our business, operating results and financial condition.

Obsolete inventories as a result of changes in demand for our products and change in life cycles of our products could adversely affect our business, operating results and financial condition.

The life cycles of some of our products depend heavily upon the life cycles of the end-products into which our products are designed. End-market products with short life cycles require us to manage closely our production and inventory levels. Inventory may also become obsolete because of adverse changes in end-market demand. We may in the future be adversely affected by obsolete or excess inventories, which may result from unanticipated changes in the estimated total demand for our products or the estimated life cycles of the end-products into which our products are designed. In addition, some customers restrict how far back the date of manufacture for our products can be and certain customers may stop ordering products from us and go out of business due to adverse economic conditions; therefore, some of our product inventory may become obsolete and, thus, adversely affect our business, operating results and financial condition.

If our direct sales customers or our distributors' customers do not design our products into their applications, our net sales may be adversely affected.

We expect an increasingly significant portion of net sales will come from products we design specifically for our customers. However, we may be unable to achieve these design wins. In addition, a design win from a customer does not guarantee future sales to that customer.

We are subject to interest rate risk that could have an adverse effect on our cost of working capital and interest expenses, which could adversely affect our business, operating results and financial condition.

We currently have a floating rate debt that is subject to interest rate changes. See "Liquidity and Capital Resources" below and Note 8 of "Notes to Consolidated Financial Statements" of this Annual Report for additional information. A rise in interest rates could have an adverse impact upon our cost of working capital and our interest expense. Based on our debt balances at December 31, 2023, an increase or decrease in interest rates by 1.0% for the year on our long-term debt would increase or decrease our annual interest rate expense by approximately $0.2 million.

Our hedging strategies may not be successful in mitigating our risks associated with interest rates or foreign exchange exposure or our counterparties might not perform as agreed.

We use interest rate swaps and foreign exchange forward contracts to provide a level of protection against interest rate risks and foreign exchange exposure, but no hedging strategy can protect us completely. The nature and timing of hedging transactions influence the effectiveness of these strategies. Poorly designed strategies, improperly executed and documented transactions or inaccurate assumptions could actually increase our risks and losses. In addition, hedging strategies involve transaction and other costs. The hedging strategies and the derivatives that we use may not be able to adequately offset the risks of interest rate volatility and our hedging transactions may result in or magnify losses. Furthermore, interest rate and foreign exchange derivatives may not be available on favorable terms or at all, particularly during economic downturns. Any of the foregoing risks could adversely affect our business, financial condition and results of operations. We are exposed to counterparty credit risk in the event of non-performance by counterparties to the interest rate swaps and foreign exchange contracts.

We may have a significant amount of debt with various financial institutions worldwide. Any indebtedness could adversely affect our business, operating results, financial condition and our ability to meet payment obligations under such debt.

We may have a significant amount of debt and substantial debt service requirements on our borrowings, including our credit facilities with various financial institutions worldwide. As of December 31, 2023, $21.4 million in long-term debt was outstanding. In addition we have short-term foreign credit facilities with borrowing capacities of approximately $147.9 million with an unused amount of $106.8 million.

Our outstanding debt could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations under our outstanding debt agreements;
- resulting in one or more events of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which events of default could result in all of our debt becoming immediately due and payable and, in the case of an event of default under our secured debt could permit the lenders to foreclose on our assets securing that debt;
- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- subjecting us to the risks of increased sensitivity to interest rate increases on our indebtedness with variable interest rates;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Any of the above-listed factors could have an adverse effect on our business, operating results, financial condition and our ability to meet our payment obligations under our debt agreements.

Restrictions in our credit facilities may limit our business and financial activities, including our ability to obtain additional capital in the future.

Our U.S. credit facility contains covenants imposing various restrictions on our business and financial activities. These restrictions may affect our ability to operate our business and undertake certain financial activities and may limit our ability to take advantage of potential business or financial opportunities as they arise. The restrictions these covenants place on us include limitations on our ability to incur liens, incur indebtedness, make investments, dissolve or merge or consolidate with or into another entity, dispose of certain property, make restricted payments (including dividends and share repurchases), issue or sell equity interests, engage in different material lines of business, conduct related party transactions, enter into certain burdensome contractual obligations and use proceeds from our credit facility to purchase or carry margin stock or to extend credit to others for the same purpose. Our U.S. credit facility also requires us to meet certain financial ratios, including a minimum consolidated fixed charge coverage ratio and a maximum consolidated leverage ratio.

Our ability to comply with the U.S. credit facility may be affected by events beyond our control, including prevailing economic, financial and industry conditions. The breach of any of these covenants or restrictions could result in an event of default under the facility. An event of default under the facility would permit the lenders under the facility to declare all amounts owed under such facility to be immediately due and payable in full. Upon acceleration of our indebtedness, we may be unable to repay the accelerated amount of principal and interest on the credit facilities that would then be due. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition-*Debt instruments*" in Part II, Item 7 of this Annual Report for additional information.

Our business benefits from certain Chinese government incentives. Expiration of, or changes to, these incentives could adversely affect our operating results and financial condition.

The Chinese government has provided various incentives to technology companies, including our manufacturing facilities located in Chengdu and Shanghai, China, in order to encourage development of the high-tech industry. These incentives include reduced tax rates and other measures. As a result, we are entitled to a preferential enterprise income tax rate of 15% so long as our manufacturing facilities continue to maintain their High and New Technology Enterprise ("HNTE") status. If we were to no longer meet the HNTE requirements, our statutory tax rate for our approved Shanghai facilities would increase to 25% for any period in which an audit shows we were not compliant, which could adversely affect our operating results and financial condition. One of our manufacturing facilities and one of our wafer fabrication facilities located in Shanghai were approved for HNTE status for the tax years 2021-2023 and we expect to meet the criteria for 2024 and continue to qualify for the 15% tax rate. The Company expects to continue to meet HNTE requirements in future years. HNTE qualification requires, but is not limited to, metrics based on China research and development expenditures as well as research and development headcount and overall college-degreed headcount. Any prior years that have already been approved are subject to audit requirements. If we were to no longer meet the HNTE requirements, our statutory tax rate for our approved Shanghai facilities would increase to 25% for any period in which an audit shows we were not compliant, which could adversely affect our operating results and financial condition.

We have qualified for tax incentives offered in the Go West Initiative ("Go West"), where companies are entitled to a preferential income tax rate of 15% for doing business in western China. If we were to no longer meet the Go West requirements, our statutory tax rate for this joint venture would increase to 25%, which could adversely affect our operating results and financial condition.

The impact of our HNTE and Go West status, collectively called tax holidays, decreased our tax expense by approximately $0.7 million, $0.2 million and ($0.2) million for the twelve months ended December 31, 2023, 2022 and 2021, respectively. The benefit of the tax holidays on basic and diluted earnings per share for the twelve months ended December 31, 2023, 2022 and 2021 was approximately $0.02, $0.00 and $0.00, respectively.

We operate a global business through numerous foreign subsidiaries, and there is a risk that tax authorities will challenge our transfer pricing methodologies or legal entity structures, which could adversely affect our operating results and financial condition.

We conduct operations worldwide through our foreign subsidiaries and are, therefore, subject to complex transfer pricing regulations in the jurisdictions in which we operate. Transfer pricing regulations generally require that, for tax purposes, transactions between related parties be priced on a basis that would be comparable to an arm's length transaction between unrelated parties. There is uncertainty and inherent subjectivity in complying with these rules. To the extent that any foreign tax authorities disagree with our transfer pricing policies, we could become subject to significant tax liabilities and penalties. Based on our current knowledge and probability assessment of potential outcomes, we believe that we have provided for all tax exposures. However, the ultimate outcome of a tax examination could differ materially from our provisions and could have a material adverse effect on our business, financial condition, operating results and cash flows.

Our legal organizational structure could result in unanticipated unfavorable tax or other consequences which could have a material adverse effect on our financial condition and operational results. In some countries, we maintain multiple entities for tax or other purposes. Changes in tax laws, regulations, future jurisdictional profitability of us and our subsidiaries, and related regulatory interpretations in the countries in which we operate may impact the taxes we pay or tax provision we record, which could have a material adverse effect on our operating results. In addition, any challenges to how our entities are structured or realigned or their business purpose by taxing authorities could result in us becoming subject to significant tax liabilities and penalties which could have a material adverse effect on our business, financial condition, operating results and cash flows.

Certain of our employees in the U.K. participate in a company-sponsored defined benefit plan (the "Plan"), which subjects the Company to risks associated with the estimates and assumptions used in calculating expense and funding requirements recorded in the Company's consolidated financial statements. Inaccuracies or changes in these estimates could require material changes in the expense and funding required.

In accounting for the Plan, we are required to make actuarial assumptions that are used to calculate the earning value of the related assets, where applicable, and liabilities and the amount of expenses to be recorded in our consolidated financial statements. Assumptions include, but are not limited to, the expected return on plan assets, discount rates, and mortality rates. While we believe the underlying assumptions are appropriate, the carrying value of the related assets and liabilities and the actual amount of expenses recorded in the consolidated financial statements could differ materially from the assumptions used.

The Plan's obligation to pay pensions is estimated by using actuarial assumptions. To the extent that the Plan's assets are not sufficient to meet the estimated amount of the Plan's obligations, further funding of the Plan will be required by the Plan's sponsoring employers, Diodes Zetex Limited and Diodes Zetex Semiconductors Limited, over an agreed upon deficit recovery period.

As of December 31, 2023, the benefit obligation of the Plan was approximately $108.1 million and the total assets in the Plan were approximately $98.0 million. Therefore, the Plan was underfunded by approximately $10.1 million. The difference between Plan obligations and assets, or the funded status of the Plan, is a significant factor in determining the net periodic benefit costs of the Plan and the ongoing funding requirements of the Plan.

The Plan's trustees are required to review the funding position every three years. An actuarial valuation was performed as of March 31, 2022, resulting in a deficit of approximately GBP 20 million (approximately $26 million based on a GBP: USD exchange rate of 1:1.3). As a result of this valuation we have agreed to a revised schedule of contributions of GBP 2.0 million (approximately $2.6 million based on a GBP: USD exchange rate of 1:1.3) to be paid annually with effect from January 1, 2023 to address the deficit revealed by the valuation (with the first payment made by December 31, 2023 through December 31, 2028). A final payment of GBP 1.5 million (approximately $1.95 million based on a GBP: USD rate of 1:1.3) will be made by December 31, 2029. These contributions, together with the assumed asset outperformance, are expected to eliminate the deficit by December 31, 2029.

The Plan's trustees appoint fund managers to carry out all the day-to-day functions relating to the management of the fund and its administration. The fund managers must invest their portion of the Plan's assets in accordance with their investment manager agreement agreed by the trustees. The trustees are responsible for complying with these investment manager agreements and for deciding on the portion of the Plan's assets that will be invested with each fund manager. When making decisions, the trustees take advice from experts including the Plan's actuary and also have the option to consult with the Company.

Compliance with government regulations and customer demands regarding the use of "conflict minerals" may result in increased costs and may have a negative impact on our business, operating results and financial condition.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 imposes disclosure requirements regarding the use of certain minerals, which are mined from the Democratic Republic of Congo and adjoining countries, known as conflict minerals. These requirements affect the pricing, sourcing and availability of minerals used in the manufacture of semiconductor devices (including our products). We are incurring additional costs associated with complying with the disclosure requirements, such as costs related to determining the source of any conflict minerals used in our products. Our supply chain is complex, and we may be unable to verify the origins for all metals used in our products. Customers may demand that the products they purchase be free of conflict minerals. Therefore, we may encounter challenges with our customers and stockholders if we are unable to certify that our products are conflict free. This requirement could affect the sourcing and availability of products we purchase from suppliers. This may reduce the number of suppliers that may be able to provide conflict-free products, and may affect our ability to obtain products in sufficient quantities to meet customer demand or at competitive prices.

If we fail to maintain an effective system of internal controls or discover material weaknesses in our internal control over financial reporting, we may not be able to report our financial results accurately or detect fraud, which could harm our business and the trading price of our Common Stock.

Effective internal controls are necessary for us to produce reliable financial reports and are important in our effort to prevent financial fraud. We are required to periodically evaluate the effectiveness of the design and operation of our internal controls. These evaluations may result in the conclusion that enhancements, modifications or changes to our internal controls are necessary or desirable. While management evaluates the effectiveness of our internal controls on a regular basis, these controls may not always be effective. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, 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. If we fail to maintain an effective system of internal controls or if management or our independent registered public accounting firm were to discover material weaknesses in our internal controls, we may be unable to produce reliable financial reports or prevent fraud, which could harm our financial condition and operating results, and could result in a loss of investor confidence and a decline in our stock price.

RISKS RELATED TO OUR INTERNATIONAL OPERATIONS

Our international operations subject us to risks that could adversely affect our operations.

The majority of our manufacturing facilities are located in China. For the twelve months ended 2023, 2022 and 2021 our Asian and European subsidiaries represented approximately 68%, 68% and 76%, respectively, of our net sales. There are risks inherent in doing business internationally, including the following, any of which could cause harm to our business:

- changes in, or impositions of, legislative or regulatory requirements, including income tax or value added tax laws in the U.S. and in the countries in which we manufacture or sell our products;
- compliance with trade or other laws in a variety of jurisdictions;
- trade restrictions, transportation delays, work stoppages, and economic and political instability;
- changes in import/export regulations, tariffs and freight rates, environmental regulations and land use rights;
- difficulties in collecting receivables and enforcing contracts;
- currency exchange rate fluctuations;
- restrictions on the transfer of funds from foreign subsidiaries to the U.S.;
- the possibility of international conflict, including the ongoing conflict between Ukraine and Russia, and between or among China, the U.K., Germany, Hong Kong, Taiwan and the U.S.;
- legal, regulatory, political and cultural differences among the countries in which we do business;
- longer customer payment terms; and
- changes in U.S. or foreign tax regulations.

We believe that our operations are in compliance with all applicable legal and regulatory requirements in all material respects. However, changes in the political environment or government policies in those jurisdictions could result in revisions to laws or regulations or their interpretation and enforcement. In addition, a significant destabilization of relations between or among China, the U.K., Germany, Hong Kong, Taiwan and the U.S. could result in restrictions on our operations or the sale of our products or the forfeiture of our assets in these jurisdictions.

In addition to the ongoing issues regarding tariffs, China has been stepping up efforts to design and manufacture semiconductors itself rather than buy from U.S. companies, amid fears that sanctions might cripple its high-tech industry. U.S. restrictions on exports to

Chinese telecoms equipment makers have sharpened Beijing's focus on semiconductor self-sufficiency. China's ministry of finance announced tax breaks "to support the development of integrated circuit design and the software industry," cancelling corporate taxes for some domestic Chinese companies for two years. Although the outcome of these efforts is uncertain, the development of such capacity in China would likely have a material adverse effect on our profitability and results of operations.

A slowdown in the Chinese economy could limit the growth in demand for electronic devices containing our products, which would have a material adverse effect on our business, operating results and prospects.

We believe that an increase in demand in China for electronic devices that include our products will be an important factor in our future growth. Weakness in the Chinese economy could result in a decrease in demand for electronic devices containing our products and, thereby, materially and adversely affect our business, operating results and prospects.

Economic regulation in China could materially and adversely affect our business, operating results and prospects.

We have a significant portion of our manufacturing capacity in mainland China. In addition, in 2022 approximately 47% of our total sales were shipped to customers in China. In recent years, the Chinese economy has experienced periods of rapid expansion and wide fluctuations in the rate of inflation. In response to these factors, the Chinese government has, from time to time, adopted measures to regulate growth and contain inflation, including measures designed to restrict credit or control prices. Such actions in the future could increase the cost of doing business in China or decrease the demand for our products in China and, thereby, have a material adverse effect on our business, operating results and prospects.

We could be adversely affected by violations of the United States' Foreign Corrupt Practices Act, the U.K.'s Bribery Act 2010, China's anti-corruption campaign and similar worldwide anti-bribery laws.

The United States' Foreign Corrupt Practices Act ("FCPA"), the United Kingdom's Bribery Act 2010 (the "U.K. Bribery Act"), China's anti-corruption campaign and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws. We operate in many parts of the world that may have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We train our staff concerning FCPA, the U.K. Bribery Act and related anti-bribery laws. We have established procedures and controls to monitor internal and external compliance. There can be no assurance that our internal controls and procedures will protect us from reckless or criminal acts committed by our employees or agents, and we have no third party attestation to the effectiveness of our internal controls related to fraud and corruption. If we are found to be liable for FCPA, the U.K. Bribery Act and other anti-bribery law violations (either due to our own acts or inadvertence, or due to the acts or inadvertence of others), we could incur criminal or civil penalties or other sanctions, which could have a material adverse effect on our business and operating results.

We are subject to foreign currency risk as a result of our international operations.

We face exposure to adverse movements in foreign currency exchange rates, principally the Chinese Yuan, the Taiwanese dollar, the Euro and the British Pound Sterling and, to a lesser extent, the Japanese Yen and the Hong Kong dollar. Our income and expenses are based on a mix of currencies and a decline in one currency relative to the other currencies could adversely affect our operating results. Furthermore, our operating results are reported in U.S. dollars, which is our reporting currency. In the event the U.S. dollar weakens against a foreign currency, we will experience a currency transaction loss, which could adversely affect our operating results. Also, fluctuations in foreign currency exchange rates may have an adverse impact and be increasingly influential to our overall sales, profits and operating results as amounts that are measured in foreign currency are translated back to U.S. dollars for reporting purposes. Our foreign currency risk may change over time as the level of activity in foreign markets grows and could have an adverse impact upon our financial results, especially if the portion of our sales attributable to Europe increases. We have taken, and plan to continue to take, efforts to mitigate some of our foreign currency exposure by entering into foreign exchange hedging agreements with financial institutions to reduce exposures to some of the principal currencies in countries in which we conduct sales, acquire raw materials, build products and make capital investments, but these efforts may not be successful. In this regard, these hedging agreements do not cover all currencies in which we do business, do not eliminate foreign currency risk entirely for the currencies that they do cover, and involve costs and risks of their own in the form of transaction costs, credit requirements and counterparty risk.

China is experiencing rapid social, political and economic change, which has increased labor costs and other related costs that could make doing business in China less advantageous than in prior years. Increased labor costs in China could adversely affect our business, operating results and financial condition.

Historically, labor in China has been readily available at a lower cost compared to other countries. However, because China is experiencing rapid social, political and economic change, there can be no assurance that labor will continue to be available in China at costs consistent with historical levels. Any future increase in labor cost in China is likely to be higher than historical and projected amounts and may occur multiple times in any given year. As a result of experiencing such rapid social, political and economic change, China is also likely to enact new, and/or revise its existing, labor laws and regulations on employee compensation and benefits. These changes in Chinese labor laws and regulations will likely have an adverse effect on product manufacturing costs in China. Furthermore, if China workers go on strike to demand higher wages, our operations could be disrupted. Many of our suppliers are currently dealing with labor shortages in China, which may result in future supply delays and disruptions and may drive a substantial increase in their labor costs that is likely to be shared by us in the form of price increases to us. New or revised government labor laws or regulations, strikes or labor shortages could cause our product costs to rise and/or could cause manufacturing partners on whom we rely to exit the business. These events could have a material adverse impact on our product availability and quality, which would affect our business, operating results and financial condition.

We may not continue to receive preferential tax treatment in Asia, thereby increasing our income tax expense and reducing our net income.

As an incentive for establishing our manufacturing subsidiaries in China, we receive preferential tax treatment. Governmental changes in foreign tax law may cause us not to be able to continue receiving these preferential tax treatments in the future, which may cause an increase in our income tax expense, thereby reducing our net income.

The distribution of any earnings of certain foreign subsidiaries may be subject to foreign income taxes, thus reducing our net income.

Our undistributed foreign earnings continue to be indefinitely reinvested in foreign operations, with limited exceptions related to earnings of European and Asian subsidiaries. Any future distributions of foreign earnings will not be subject to additional U.S. income tax, but may be subject to foreign withholding taxes. As of December 31, 2023, we had undistributed earnings from non-U.S. operations of approximately $1.3 billion (including approximately $95.7 million of restricted earnings, which are not available for dividends). Undistributed earnings of our China subsidiaries comprise $511.4 million of this total. Additional Chinese withholding taxes of approximately $52.0 million would be required should the $511.4 million of such earnings be distributed out of China as dividends.

We could be adversely affected by the compromise or theft of our technology, know-how, data or intellectual property or a requirement that we yield rights in technology, know-how, data stored in foreign jurisdictions or intellectual property that we use in such foreign jurisdictions.

In general, we rely on intellectual property and unfair competition laws and contractual restrictions to protect our technology, know-how, data and intellectual property in the foreign jurisdictions in which we operate. We believe our technology, know-how, data and other intellectual property rights are important to our success. Any unauthorized use of our technology, know-how, data and other intellectual property rights could harm our competitive advantages and business. For example, some jurisdictions have not protected intellectual property rights to the same extent as the United States, and infringement of intellectual property rights continues to pose a serious risk of doing business in such jurisdictions. The measures we take to protect our intellectual property rights may not be adequate. Furthermore, the application of laws governing intellectual property rights in certain foreign jurisdictions is uncertain and evolving, and could involve substantial risks to us. Infringement of our patents or required technology or know-how transfers to foreign entities could create competition for us, and such competition could have a material adverse effect on our longer-term profitability and success.

RISKS RELATED TO OUR COMMON STOCK

Variations in our quarterly operating results may cause our stock price to be volatile.

We have experienced substantial variations in net sales, gross profit margin and operating results from quarter to quarter. We believe that the factors that influence this variability of quarterly results include:

- strength of the global economy and the stability of the financial markets;
- general economic conditions in the countries where we sell our products;
- seasonality and variability in the industrial, automotive, computing, communications and consumer markets;
- the timing of our and our competitors' new product introductions;
- product obsolescence;
- the scheduling, rescheduling and cancellation of large orders by our customers;
- the cyclical nature of the demand for our customers' products;
- our ability to develop new process technologies and achieve volume production at our fabrication facilities;
- changes in manufacturing yields;
- adverse movements in exchange rates, interest rates or tax rates; and
- the availability of adequate supply commitments from our outside suppliers or subcontractors.

Accordingly, a comparison of our operating results from period to period is not necessarily meaningful to investors and our operating results for any period do not necessarily indicate future performance. Variations in our quarterly results may trigger volatile changes in our stock price.

We may enter into future acquisitions and take certain actions in connection with such acquisitions that could adversely affect the price of our Common Stock.

As part of our growth strategy, we expect to acquire businesses, products or technologies in the future. In the event of future acquisitions, we could:

- use a significant portion of our available cash;
- issue equity securities, which would dilute current stockholders’ percentage ownership;
- incur substantial debt;
- incur or assume contingent liabilities, known or unknown;
- incur amortization expenses related to intangibles;
- incur large, immediate accounting write-offs;
- incur substantial expense and diversion of management attention, regardless of the success of the acquisition; and
- create goodwill and other intangible assets that may require impairment charges in the future.

Such actions by us could harm our operating results and adversely affect the price of our Common Stock.

***Anti-takeover effects of certain provisions of Delaware law and our Certificate of Incorporation, may hinder a take-over attempt*.**

Some provisions of Delaware law and our certificate of incorporation may delay or prevent a tender offer or takeover attempt, including those attempts that might result in a premium over the market price for the shares held by stockholders.

Section 203 of the Delaware General Corporation Law prohibits certain transactions, including business combinations, between a Delaware corporation and an “interested stockholder” for a period of three years after the date the stockholder becomes an interested stockholder. An "interested stockholder" is defined as a person who, together with any affiliates or associates, beneficially owns, directly or indirectly, 15.0% or more of the outstanding voting shares of a Delaware corporation.

Our certificate of incorporation authorizes our Board of Directors to issue, without further action by the stockholders, up to 1.0 million shares of preferred stock with rights and preferences, including voting rights, designated from time to time by the Board of Directors. The existence of authorized but unissued shares of preferred stock enables our Board of Directors to render it more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.

GENERAL RISK FACTORS

The invasion of Ukraine by Russia could negatively impact our business.

Russia’s military invasion of Ukraine in February 2022 has led to, and may lead to, additional sanctions being levied by the United States, European Union and other countries against Russia. Russia’s military invasion and the resulting sanctions have had an adverse effect on global markets. We cannot predict the progress or outcome of the situation in Ukraine, as the conflict and governmental reactions are rapidly developing and beyond our control. Prolonged unrest, intensified military activities, or more extensive sanctions impacting the region could have a material adverse effect on the global economy, and such effect could in turn have a material adverse effect on the operations, results of operations, financial condition, liquidity and business outlook of our business.

The success of our business depends on the strength of the global economy and the stability of the financial markets, and any weaknesses in these areas may have a material adverse effect on our net sales, operating results and financial condition.

Weaknesses in the global economy and financial markets can lead to lower consumer discretionary spending and demand for items that incorporate our products in the industrial, automotive, computing, communications and consumer sectors. A decline in end-user demand can affect our customers’ demand for our products, the ability of our customers to meet their payment obligations and the likelihood of customers canceling or deferring existing orders. Our net sales, operating results and financial condition could be negatively affected by such actions.

Production at our manufacturing facilities could be disrupted for a variety of reasons, including natural disasters and other extraordinary events, which could prevent us from producing enough of our products to maintain our sales and satisfy our customers’ demands and could adversely affect our operating results and financial condition.

A disruption in production at our manufacturing facilities could occur for many reasons, including fire, floods, hurricanes, typhoons, droughts, tsunamis, volcanoes, earthquakes, disease or other similar natural disasters, unplanned maintenance or other manufacturing problems, labor shortages, power outages or shortages, telecommunications failures, strikes, transportation interruption, government regulation, terrorism or other extraordinary events, including pandemics and epidemics (such as the outbreak of the COVID-19 virus) and related travel restrictions. Alternative facilities with sufficient capacity or capabilities may not be available, may cost substantially more or may take a significant time to start production. Such disruptions could have an adverse effect on our operating results and financial condition.

We may be adversely affected by any disruption in our information technology systems, which could adversely affect our cash flows, operating results and financial condition.

Our operations are dependent upon our information technology systems, which encompass all of our major business functions. We rely upon such information technology systems to manage and replenish inventory, to fill and ship customer orders on a timely basis, to coordinate our sales activities across all of our products and services and to coordinate our administrative activities. Our systems might be damaged or interrupted by natural or man-made events or by computer viruses, physical or electronic break-ins and similar disruptions affecting the Internet generally. There can be no assurance that such delays, problems, or costs will not have a material adverse effect on our cash flows, operating results and financial condition.

Terrorist attacks, or threats or occurrences of other terrorist activities, whether in the U.S. or internationally, may affect the markets in which our Common Stock trades, the markets in which we operate and our operating results and financial condition.

Terrorist attacks, or threats or occurrences of other terrorist or related activities, whether in the U.S. or internationally, may affect the markets in which our Common Stock trades, the markets in which we operate and our profitability. Future terrorist or related activities could affect our domestic and international sales, disrupt our supply chains and impair our ability to produce and deliver our products. Such activities could affect our physical facilities or those of our suppliers or customers. Such terrorist attacks could cause seaports or airports, to or through which we ship, to be shut down, thereby preventing the delivery of raw materials and finished goods to or from our manufacturing facilities in China, Taiwan and Germany and our wafer fabrication facilities in China, the U.S. and the U.K., or to our regional sales offices. Due to the broad and uncertain effects that terrorist attacks have had on financial and economic markets generally, we cannot provide any estimate of how these activities might negatively affect our future operating results and financial condition.

System security risks, data protection breaches, cyber-attacks and other related cybersecurity issues could disrupt our internal operations, and any such disruption could reduce our expected net sales, increase our expenses, damage our reputation and adversely affect our stock price.

Experienced computer programmers and hackers may be able to penetrate our security controls and misappropriate or compromise our confidential information or those of third parties, create system disruptions, compromise physical assets or intellectual property, or misappropriate monetary assets or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms and other malicious software programs that attack our websites or exploit any security vulnerabilities of our websites and information systems.

Such problems could impede our sales, manufacturing, distribution or other critical functions or result in the loss, encryption or disclosure of such proprietary information and sensitive or confidential data relating to our business or third-party business or the unauthorized transfer of monetary assets as a result of fraud, trickery or other forms of deception, and could materially adversely affect our operating results, stock price and reputation.

Item 1B. Unresolved Staff Comments.

None

Item 1C. Cybersecurity

Governance

Cybersecurity risk oversight continues to remain a top priority for the Board of Directors. The Board of Directors is responsible for oversight of the Company’s information security program, including risks of cybersecurity threats. The Risk Oversight Committee and Audit Committee, which support the Board of Directors in the oversight of the Company's information security program are focused on risks from cybersecurity threats, including incident response planning, timely identification and assessment of incidents, incident recovery and business continuity considerations. The Risk Oversight Committee members have varied expertise and experience including risk management, technology and finance, equipping them to oversee cybersecurity risks effectively. The Risk Oversight Committee has delegated day-to-day oversight of our information security program to our executive officers, including the Vice President of Information Technology ("VP of IT") along with our Global Cybersecurity Director ("Director"). Our VP of IT is a 24-year information technology industry veteran having served in key information technology roles at a Fortune 500 company with over 15 years of direct influence over cybersecurity roadmaps and operations. The Director is a 30-year veteran of the information technology industry having served in the military and with a Fortune 500 company with over 20 years of cybersecurity experience including leading incident responses, policy development, and building security architectures. The VP of IT and the Director regularly meet with our President and Chief Financial Officer to inform them of matters related to cybersecurity risks and incidents. These meetings are designed to ensure that the highest levels of management are kept abreast of the cybersecurity posture and potential risks facing the Company. Furthermore, significant known cybersecurity matters, and strategic risk management decisions are escalated to the Board of Directors, ensuring that the Board of Directors has oversight and can provide guidance on critical cybersecurity issues. We believe our information security team is well positioned to identify risks from cybersecurity threats based on numerous job qualifications and on-going training.

Our incident response team, headed by the Director and VP of IT, reports material cybersecurity incidents to our executive officers and to our Board of Directors. The Company has an information security advisory board comprised of senior leaders within the Company. These senior leaders include representation from functions including product line, sales and marketing, manufacturing, legal, finance, human resources, supply chain, information technology and regional representation. Responsibilities of the advisory board include:

- advise on creation and implementation of information security policy;
- advise on information security strategic roadmap and investments;
- review, advise, and promote security education, training and awareness;
- review and advise on ongoing legal, regulatory, compliance, threat landscape, risks, industry news, and trends concerning cyber security; and
- review and advise on the mitigation of cybersecurity risks and potential incidents.

The Company has internal disclosure committees made up of members of management to assist in fulfilling its obligations to maintain disclosure controls and procedures and to coordinate and oversee the process of preparing our periodic securities filings with the SEC. The disclosure committees are composed of members of management and is chaired by our Vice President and Corporate Controller. The disclosure committees meet on a quarterly basis and more often if necessary. The Company has policies and procedures in place to ensure that our disclosure committees are appropriately informed of any matters that should be considered in advance of applicable public filings, including cybersecurity and data privacy matters, and to address the proper handling and escalation of information to management and the Board of Directors, the Risk Oversight Committee and/or the Audit Committee.

Management provides cybersecurity-related legal, regulatory, compliance, risk, and relevant industry and internal threat updates to the Board of Directors on a quarterly basis; or more frequently as needed. The reports provide information regarding the state of the Company’s information security program, the nature, timing and extent of cybersecurity incidents, if any, and the Company’s resolution to such matters.

The VP of IT has a monthly meeting with the Company's President to provide an update of cybersecurity incidents and risks, irrespective of materiality. The Company's Board of Directors is provided a quarterly update on cybersecurity roadmaps and progress.

Risk Management and Strategy

The Company has a robust cybersecurity program that has direct involvement from the Board of Directors and senior management. Our business operations and relationships with customers and suppliers are heavily reliant on technology, and any failure or disruption in our technological systems could have significant negative impacts on our business.

Protecting information, including information of our customers, is a top priority. To assess, identify, and manage the risks of cybersecurity threats to our information systems and the associated costs, we maintain a cybersecurity program that:

- defines cybersecurity risks that threaten the security of customer and employee data or the function of our products and services;
- identify security vulnerabilities across software and hardware environments;
- determine threat likelihood and potential severity of each risk;
- catalog information assets to include hardware, software, and types of data the Company collects, stores, and transmits, as well as the locations where the data is stored;
- assess the risk to business operations and information protection;
- analyze the risk and prioritize based on financial, operational, strategic, reputational impact, and probability of occurrence;
- establish security controls to eliminate or mitigate identified risks;
- monitor and periodically review security controls; and
- collaborate with HR for employee awareness and training.

Specifically, our information security program, which is led by our Director, establishes and maintains our corporate-wide cybersecurity program and provides guidance and direction for information security activities and controls at Diodes. Through our cybersecurity program, we monitor the environment for incidents, classify the activity, and escalate incidents according to Company procedures. Incidents classified to a level that may significantly impact the Company are escalated to management for monitoring and action if necessary. The Company also maintains an appropriate system of hygiene for internal and external systems through accepted information technology practices such as patching, security monitoring, capacity management, availability monitoring, and third-party vulnerability scanning.

Our Director and VP of IT oversee and manage the Company’s cybersecurity risk monitoring and mitigation processes and regularly collaborate with other departments, including business units and the information technology department, as necessary, to facilitate the risk monitoring and mitigation processes and to ensure the policies and procedures for our information security program are integrated into our overall risk management assessment. The information security team performs a bi-annual third-party assessment using industry standard frameworks of our information security program. Results are shared with the Company's management and with the Board of Directors.

We have defined policies and procedures for cybersecurity incident detection, containment, response and remediation and have adopted physical, technological and administrative cybersecurity and data privacy controls. In particular the Company has established a cybersecurity incident response plan includes classification of cybersecurity incidents, to whom to escalate an incident, and when to escalate a cybersecurity incident, including direct communication to the VP of IT, Director and President. The Company regularly conducts vulnerability assessments and tracks remediation to completion. Critical systems are periodically audited against industry standards.

To minimize our risk and exposure to material cybersecurity incidents, we also conduct company-wide annual and ongoing cybersecurity awareness training and education of our employees. This includes but not limited to topics such password hygiene, phishing, and other cybersecurity-related information.

In addition to performing an annual risk assessment and developing a detection and mitigation plan, along with a comprehensive review and update of our cybersecurity and data privacy policies and procedures, we continuously evaluate new and emerging risks and ever-changing legal and compliance requirements. Our comprehensive information security program includes agreements with third-party cybersecurity partners for continuous monitoring, alerting, and response. To supplement our cybersecurity and data privacy risk assessment, identification, management and mitigation efforts, we regularly consult with third-party experts, which include the following services:

- conduct annual cybersecurity and data privacy risk assessments;
- conduct external and internal penetration tests;
- monitor critical infrastructure for abnormal behavior; and
- provide validation of the Company’s cybersecurity and operations processes against the National Institute of Standards and Technology cybersecurity framework.

Impact of cybersecurity risks on business strategy, results of operations or financial condition

Cybersecurity threats, such as threats of attacks from computer hackers, cyber criminals, nation-State actors and other malicious internet-based activity, continue to increase. Cybersecurity threats may also include threats of attacks involving social engineering and cyber extortion to induce customers, contractors, business partners, third-party service providers, employees and other third parties to disclose information, transfer funds or unwittingly provide access to systems or data.

We believe that our current preventative actions and response activities provide adequate measures of protection against security breaches and generally reduce our cybersecurity risks. However, cybersecurity threats are constantly evolving, are becoming more frequent and more sophisticated and are being made by groups of individuals with a wide range of expertise and motives, which increases the difficulty of detecting and successfully defending against them. While we have implemented measures to safeguard our operational and technology systems and have established a culture of continuous learning, monitoring and improvement, the evolving nature of cybersecurity attacks and vulnerabilities means that these protections may not always be effective. However, to date, management has determined that none of the cybersecurity attacks the Company experienced have resulted in a material impact to its financial condition, results of operations or business strategy. In the ordinary course of our business, we have experienced and expect to continue to experience cyber-based attacks and other attempts to compromise our information systems, although none, to our knowledge, has had a material adverse effect on our business, financial condition or results of operations. While we do not believe cybersecurity threats are reasonably likely to affect us, our business strategy, our results of operations or our financial conditions, like all technology companies, we face a risks of such threats, the consequences of which could be material. See Item 1A – Risk Factors – “System security risks, data protection breaches, cyber-attacks and other related cybersecurity issues could disrupt our internal operations, and any such disruption could reduce our expected net sales, increase our expenses, damage our reputation and adversely affect our stock price,” above. In addition, given the constant and evolving threat of cyber-based attacks, we incur significant costs in an effort to detect and prevent security breaches and incidents, and these costs may increase in the future.

Item 2. Properties.

Our corporate headquarters are located in Plano, Texas. As of December 31, 2023, we own approximately 4.1 million square feet of property and lease approximately 5.3 million square feet of property, with leases expiring at various times between 2024 and 2028 and with land rights expiring in 2061. We also own and lease properties around the world for use as sales offices, design centers, research and development labs, warehouses, logistic centers, and manufacturing support. The size and/or location of these properties change from time to time based on business requirements. The table below sets forth the largest of the properties either owned or leased by the Company.

We believe our current facilities are adequate for the foreseeable future.

Primary use	Location	Sq. Ft.
Headquarters/R&D center	USA - Plano, Texas	41,835
Regional sales office/Administrative office/R&D center/apartment	USA - Milpitas, California	86,321
Manufacturing facility/office/chemical warehouse/wellness building	USA - South Portland, Maine	323,462
Manufacturing facilities/Administrative office/R&D center/Logistics	China - Chengdu	1,660,963
Regional sales office/R&D center/Warehouse	China - Hong Kong	33,777
Administrative office/Land use right/manufacturing facility/R&D center	China - Jinan, Shandong	1,058,324
Manufacturing facility/R&D center/Logistics/Dormitory/Manufacturing facility/Sales/Administrative office	China - Shanghai	2,558,968
Regional sales office	China - Shenzhen	17,292
Manufacturing facility	China - Wuxi	1,166,347
R&D center	China - Yangzhou	6,085
Regional sales office	China, Beijing	969
Regional sales office	China, Hubei, WuHan	1,265
Regional Sales Office	China, ShanDong, QingDao	1,469
Administrative office/Logistics/Manufacturing/R&D center	England - Oldham	156,076
Sales office	Germany - Munich	6,297
Manufacturing facility/R&D center	Germany - Neuhaus	52,508
Regional Sales Office	Japan - Milnato-ku	11,525
Regional sales office	Japan - Tokyo	145
Regional sales office	Korea - Seongnam-si	1,295
Manufacturing facility/R&D center/Logistics/Administrative office	Scotland - Greenock	1,001,873
Regional sales office	Singapore City, Singapore	1,755
Manufacturing facility/R&D center/Logistics/Administrative office	Taiwan - Hsinbei	98,752
Manufacturing facility	Taiwan - Hsinchu	652,672
Regional sales office	Taiwan - Kaohsiung	108
Manufacturing	Taiwan - Keelung	149,548
Office	Taiwan - Taichung	11,187
R&D center	Taiwan - Tainan	1,927
Regional sales office/Administrative office/Logistics/R&D	Taiwan - Taipei	19,012
Regional sales office/Administrative office/Logistics	Taiwan - Taoyuan	266,466
Regional sales office/Administrative office/Logistics	Taiwan - Taoyuan	266,466
Regional sales office/Administrative office/R&D center/apartment	USA - Milpitas, California	86,321

Item 3. Legal Proceedings.

From time to time, we are involved in various legal proceedings that arise in the normal course of business. While we intend to defend any lawsuit vigorously, we presently believe that the ultimate outcome of any current pending legal proceeding will not have any material adverse effect on our financial position, cash flows or operating results. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages, which could impact our business and operating results for the period in which the ruling occurs or future periods. In addition, our foreign operations expose us to unique intellectual property technology risks compared to a company with fewer or no international operations. Such risks could lead to litigation or other disputes that would not be applicable to a company with limited or no international operations and could have a material and adverse effect on our financial condition and results of operations. See “Risk Factors – Risks Related to Our International Operations.” in Part I, Item 1A of this Annual Report for a more detailed summary of the intellectual property technology risks associated with our international business operations.

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our Common Stock is traded on the Nasdaq Global Select Market (“NasdaqGS”) under the symbol “DIOD.”

Holders

As of February 2, 2024, there were approximately 201 registered holders of record of the Company's common stock. A substantially greater number of holders of the Company's common stock are "street name" or beneficial holders, whose shares of record are held by banks, brokers, and other financial institutions.

Dividends

We have never declared or paid dividends on our Common Stock, and currently do not intend to pay dividends in the foreseeable future as we intend to retain any earnings for future use in our business. Our U.S. banking facility permits us to pay dividends up to $75.0 million per fiscal year to our stockholders so long as we have not defaulted at the time of such dividend and no default would result from declaring and paying such dividend. The payment of dividends is within the discretion of our Board of Directors, and will depend upon, among other things, our earnings, financial condition, capital requirements, and general business conditions.

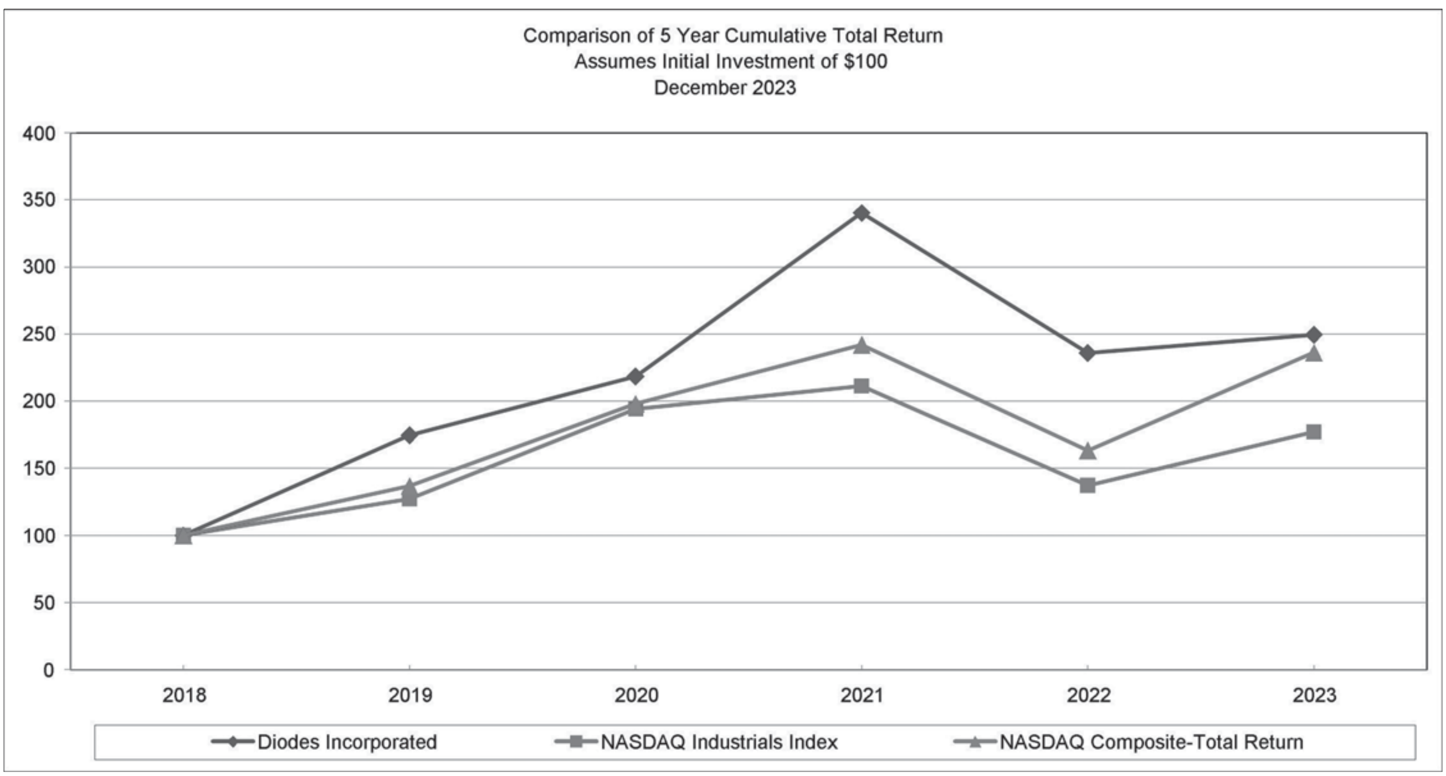
Securities Authorized for Issuance Under Equity Compensation Plans

The information regarding our equity compensation plans required to be disclosed by Item 201(d) of Regulation S-K is incorporated by reference from our 2024 definitive proxy statement, which we expect to file with the SEC in April 2024, in Item 12 of Part III of this Annual Report.

Performance Graph

The following graph compares the yearly percentage change in the cumulative total stockholder return of our Common Stock against the cumulative total return of the Nasdaq Composite and the Nasdaq Industrial Index for the five calendar years ending December 31, 2023. The graph is not necessarily indicative of future price performance.

The graph shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.



The graph assumes $100 invested on December 31, 2018 in our Common Stock, the stock of the companies in the Nasdaq Composite Index and the stock of companies in the Nasdaq Industrial Index, and that all dividends received within a quarter, if any, were reinvested in that quarter.

December 2023

		2018	2019	2020	2021	2022	2023
Diodes Incorporated	Return %		74.74	25.07	55.76	(30.67)	5.74
	Cum $	100	174.74	218.54	340.39	235.99	249.53
NASDAQ Industrial Index	Return %		27.17	52.72	8.81	(35.05)	28.93
	Cum $	100	127.17	194.22	211.33	137.26	176.97
NASDAQ Composite-Total Returns	Return %		36.69	44.92	22.18	(32.54)	44.64
	Cum $	100	136.69	198.10	242.03	163.28	236.17

Issuer Purchases of Equity Securities

There were no repurchases of our Common Stock during the fourth quarter of 2023.

Item 6. Reserved.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following section discusses management's view of the financial condition, results of operations and cash flows of Diodes Incorporated and its subsidiaries (collectively, "the Company," "our Company," "we," "our," "ours," or "us") and should be read together with the consolidated financial statements and the notes to consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

The following discussion contains forward-looking statements and information relating to our Company. We generally identify forward-looking statements by the use of terminology such as "may," "will," "could," "should," "potential," "continue," "expect," "intend," "plan," "estimate," "anticipate," "believe," "project," or similar phrases or the negatives of such terms. We base these statements on our beliefs as well as assumptions we made using information currently available to us. Such statements are subject to risks, uncertainties and assumptions, including those identified in Part I, Item 1A."Risk Factors," as well as other matters not yet known to us or not currently considered material by us. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. Forward-looking statements do not guarantee future performance and should not be considered as statements of fact.

You should not unduly rely on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. Unless required by law, we undertake no obligation to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. The Private Securities Litigation Reform Act of 1995 (the "Act") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements made in this Annual Report on Form 10-K are made pursuant to the Act.

The discussion of our financial condition and results of operations for the year ended December 31, 2021 included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2022 is incorporated by reference into this Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

Diodes Incorporated, together with its subsidiaries (collectively the "Company," "we" or "our" (Nasdaq: DIOD)), a Standard and Poor's Smallcap 600 and Russell 3000 Index company, is a leading global manufacturer and supplier of high-quality application-specific standard products within the broad discrete, logic, analog, and mixed-signal semiconductor markets. The Company serves the industrial, automotive, computing, communications and consumer markets.

The Company's products include diodes; rectifiers; transistors; MOSFETs; SiC diodes and MOSFETs; protection devices; logic; voltage translators; amplifiers and comparators; sensors; and power management devices such as AC-DC converters, DC-DC switching, photocoupler, linear voltage regulators, voltage references, LED drivers, power switches, and voltage supervisors. We also have timing and connectivity solutions including clock ICs, crystal oscillators, PCIe packet switches, multi-protocol switches, interface products, and signal integrity solutions for high-speed signals.

Diodes' corporate headquarters and Americas' sales offices are located in Plano, Texas, and Milpitas, California. Design, marketing, and engineering centers are located in Plano, Milpitas, U.S.; Taipei, Taoyuan City, Taiwan; Shanghai, Yangzhou, China; Oldham, England; and Neuhaus, Germany. Diodes' wafer fabrication facilities are located in South Portland, Maine, U.S., Oldham, Greenock, UK; Shanghai and Wuxi, China; and Keelung and Hsinchu, Taiwan. Diodes has assembly and test facilities located in Shanghai, Chengdu, and Wuxi, China; Neuhaus, Germany; and Jhongli and Keelung, Taiwan. Additional engineering, sales, warehouse, and logistics offices are located in Taipei, Taiwan; Hong Kong; Milan, Italy; Singapore City, Singapore; Oldham, UK; Shanghai, Shenzhen, Wuhan, and Yangzhou, China; Seongnam-si, South Korea; and Munich, Frankfurt, Germany; with support offices throughout the world.

- The Company's manufacturing facilities have achieved certifications in the internationally recognized standards of ISO 9001:2015, ISO 14001:2015, and, for automotive products, IATF 16949:2016;
- The Company is also C-TPAT certified; and
- We believe these quality awards reflect the superior quality-control techniques established at the Company and further enhance our credibility as a vendor-of-choice to original equipment manufacturers ("OEMs") increasingly concerned with quality and consistency.

Our market focus is on high-growth, end-user applications in the following areas:

- Industrial: embedded systems, precision controls, and Industrial IoT;
- Automotive: connected driving, comfort/style/safety, and electrification/powertrain;
- Computing: cloud computing including artificial intelligence servers, storage, and data center applications;

- Communications: smartphones, 5G networks, advanced protocols, and charging solutions; and
- Consumer: IoT, wearables, home automation, and smart infrastructure.

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition and liquidity of the Company for the twelve months ended December 31 2023. This discussion should be read in conjunction with Item 8, the consolidated financial statements and the notes to consolidated financial statements.

Summary for the Twelve Months Ended December 31, 2023

- Net sales were $1.7 billion, a decrease of 16.9% over the $2.0 billion in 2022;
- Gross profit was $658.2 million, a 20.4% decrease from $827.2 million in 2022;
- Gross profit margin declined 170 basis points to 39.6% compared to 41.3% in 2022;
- Operating income decreased 38.6% to $250.6 million, or 15.1% of revenue, compared to $408.2 million, or 20.4% of revenue, in 2022;
- Net income was $227.2 million, a decrease of 31.4% from the $331.3 million last year;
- Earnings per share was $4.91 per diluted share, a 31.8% decrease from the $7.20 per diluted share in 2022;
- We achieved $280.9 million cash flow from operations. We had cash capital expenditures of $150.8 million, or 9.1% of net sales. Net cash flow was a negative $22.6 million, which includes the net pay-down of $124.3 million of total debt.

Summary for the Twelve Months Ended December 31, 2022

- Net sales were $2.0 billion, an increase of 10.8% over the $1.81 billion in 2021;
- Gross profit was $827.2 million, a 23.4% increase from $670.4 million in 2021;
- Gross profit margin improved 420 basis points to a record 41.3% from 37.1% in 2021;
- Operating income increased 47.9% to a record $408.2 million, or 20.4% of revenue, compared to $276.0 million, or 15.3% of revenue, in 2021;
- Net income was a record $331.3 million, an increase of 44.8% from the $228.8 million last year;
- Earnings per share was $7.20 per diluted share, a 44.0% improvement from the $5.00 per diluted share in 2021;
- We achieved $392.5 million cash flow from operations. We had cash capital expenditures of $211.7 million, or 10.6% of net sales. Net cash flow was a negative $25.7 million, which includes the net pay-down of $112.2 million of total debt.

Business Outlook and Factors Relevant to Our Results of Operations

Fiscal year 2023 proved to be challenging as the consumer, computing and communications markets experienced an extended slowdown, coupled with an inventory rebalancing in the industrial market in late 2023 as well as softness in certain areas of the automotive market. Despite this global weakness, we made notable progress on improving the quality and mix of our product portfolio as we continued to focus on the automotive and industrial markets through expanding design wins and increased investment in new product development, which resulted in over 350 new automotive-compliant products in 2023. The combined revenue from these two markets expanded to 46% of product revenue in 2023 compared to 42% in 2022.

The Company's product mix improvements were evident in our ability to maintain full year gross margin near 40% for 2023, meeting our target model despite the lower annual revenue. Throughout fiscal year 2023, the Company continued to drive manufacturing cost reductions and operating efficiencies, while also further developing our process technology for expansion of our internal facility utilization. Overall, we maintained strong cash generation in 2023 that enabled us to reduce total debt by $124.3 million to $62.1 million as of December 31, 2023.

During 2024 the Company will remain focused on driving further improvements in the quality and mix of our portfolio with our analog and power discrete products, including our newly introduced SiC product family, especially targeted at the automotive and industrial markets. We believe our total solutions sales approach that has been successful in the past, along with further emphasis placed on key account development, will continue to deliver increasing content opportunities, design wins and profitable growth in the future.

Acquisitions will continue to be part of our growth strategy to reach our 2025 revenue and gross profit goal. We have a solid pipeline of designs and expanded customer relationships across all regions and product lines. The success of our business depends on, among other factors, the strength of the global economy and the stability of the financial markets, our customers' demand for our products, the ability of our customers to meet their payment obligations, customers not canceling or deferring existing orders, and the strength of consumers' demand for items containing our products in the end-markets we serve. We believe the long-term outlook for our business remains generally favorable despite the uncertainties in the global economy as we continue to execute on the strategy that has proven successful for us over the years. See “Risk Factors – The success of our business depends on the strength of the global economy and the stability of the financial markets, and any weaknesses in these areas may have a material adverse effect on our net sales, operating results and financial condition.” in Part I, Item 1A of this Annual Report for additional information.

Description of Sales and Expenses

Net sales

The principal factors that have affected or could affect our net sales from period to period are:

- The condition of the economy in general and of the semiconductor industry in particular;
- The February 2022 invasion of Ukraine by Russia, the conflict in the Middle East, and the resulting and continuing global impact;
- Political tension, including the implementation of tariffs, among and between the countries in which we do business;
- Our customers’ adjustments in their order levels;
- Changes in our pricing policies or the pricing policies of our competitors or suppliers;
- The addition or termination of key supplier relationships;
- The rate of introduction and acceptance by our customers of new products;
- Our ability to compete effectively with our current and future competitors;
- Our ability to enter into and renew key corporate and strategic relationships with our customers, vendors and strategic alliances;
- Changes in foreign currency exchange rates;
- A major disruption of our information technology infrastructure;
- Unforeseen catastrophic events, such as armed conflict, terrorism, fires, typhoons and earthquakes;
- Any other disruptions, such as change in the political or governmental policies, labor shortages, unplanned maintenance or other manufacturing problems; and
- Other risks, uncertainties, and assumptions identified in item 1A, "Risk Factors," of this Annual Report and risks, uncertainties, and assumptions reflected in other documents we file with the SEC.

Cost of goods sold

Cost of goods sold includes manufacturing costs for our semiconductors and our wafers. These costs include raw materials used in our manufacturing processes as well as labor costs and overhead expenses. Cost of goods sold is also impacted by yield improvements, capacity utilization and manufacturing efficiencies. In addition, cost of goods sold includes the cost of products that we purchase from other manufacturers and sell to our customers. Cost of goods sold is also affected by inventory obsolescence if our inventory management is not efficient.

Selling, general and administrative

Selling, general and administrative expenses relate primarily to compensation and associated expenses for personnel in general management, sales and marketing, information technology, engineering, human resources, procurement, planning and finance, and sales commissions, as well as outside legal, investor relations, accounting, consulting and other operating expenses. Also included in selling, general and administrative expenses are acquisition costs from business combinations.

Research and development

Research and development expenses consist of compensation and associated costs of employees engaged in research and development projects, as well as materials and equipment used for new product development and technology qualification. Research and development expenses are executed on a global basis and are primarily associated with where the engineering talent is located, as well as the location of manufacturing sites participating in any required technology or process development. All research and development expenses are expensed as incurred.

Amortization of acquisition-related intangible assets

Amortization of acquisition-related intangible assets consists of assets such as developed technologies and customer relationships.

Interest income / expense

Interest income consists of interest earned on our cash and investment balances. Interest expense consists of interest payable on our outstanding credit facilities and other debt instruments.

Foreign currency (loss) gain, net

This income account is used to show the amount gained or lost as a result of foreign currency transactions.

Unrealized (loss) gain on investments

We hold investments in the form of common stock or some other similar equivalent accounted for under fair-value accounting. This account is used to show the necessary mark-to-market adjustments.

Income tax provision

Our global presence requires us to pay income taxes in a number of jurisdictions. See Note 12 of “Notes to Consolidated Financial Statements” for additional information.

Net income attributable to noncontrolling interest

This represents the minority investors’ share of our subsidiaries’ earnings.

Net income attributable to common stockholders

Net income attributable to common stockholders is net income less net income attributable to noncontrolling interest.

Results of Operations

The following table sets forth, for the periods indicated, the percentage that certain items in the statements of income bear to net sales:

	Percent of Net Sales Twelve Months Ended December 31,	
	2023	**2022**
Net sales	100.0%	100.0%
Cost of goods sold	(60.4)	(58.7)
Gross profit	39.6	41.4
Operating expenses	(24.5)	(21.0)
Income from operations	15.1	20.4
Interest income	0.8	0.2
Interest expense	(0.3)	(0.4)
Foreign currency gain (loss), net	(0.3)	0.1
Unrealized gain (loss) on investments	1.1	(0.8)
Other income	0.4	0.3
Income before income taxes and noncontrolling interest	16.7	19.8
Income tax provision	(2.8)	(2.8)
Net income	13.9	17.0
Net (income) attributable to noncontrolling interest	(0.2)	(0.4)
Net income attributable to common stockholders	13.7	16.6

The following discussion explains in greater detail our consolidated operating results and financial condition. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Annual Report *(in thousands)*.

	Twelve Months Ended December 31,			
	2023	**2022**	**Increase/(Decrease)**	**% Change**
Net sales	$ 1,661,739	$ 2,000,580	$ (338,841)	(16.9%)
Cost of goods sold	1,003,557	1,173,343	(169,786)	(14.5%)
Gross profit	658,182	827,237	(169,055)	(20.4%)
Total operating expense	407,611	419,044	(11,433)	(2.7%)
Interest income	13,338	3,672	9,666	263.2%
Interest expense	(5,700)	(8,320)	(2,620)	(31.5%)
Foreign currency (loss) gain, net	(5,264)	2,122	7,386	348.1%
Unrealized gain (loss) on investments	18,267	(16,514)	34,781	210.6%
Other income	6,721	6,787	(66)	(1.0%)
Income tax provision	47,285	56,685	(9,400)	(16.6%)

Net Sales

Our net sales decreased approximately $338.8 million, or 16.9%, for the twelve months ended December 31, 2023, compared to the prior year, due to widespread decreased demand for our semiconductor products. The Company has experienced growth in higher-margin end markets which have enabled the Company to increase its net sales and margins, even in the midst of the current supply-constrained environment. For the twelve months ended December 31, 2023, weighted-average sales price of the Company's products decreased 2.7% when compared to the prior year.

The table below sets forth our revenue as a percentage of product revenue by end-user market:

	Twelve Months Ended December 31,		
End-Markets	**2023**	**2022**	**2021**
Industrial	27%	27%	23%
Automotive	19%	15%	12%
Computing	23%	24%	30%
Consumer	18%	19%	19%
Communications	13%	15%	16%

Cost of Goods Sold

Cost of goods sold decreased approximately $169.8 million for the twelve months ended December 31, 2023 compared to the same period last year, reflecting the decrease in revenue. As a percent of sales, cost of goods sold was 60.4% for the twelve months ended December 31, 2023, compared to 58.7% for the same period last year. Average unit cost increased 0.2% for the twelve months ended December 31, 2023, compared to the same period last year, due to cost increases from various subcontractors and foundries, as well as the cost for a more premium mix of products that were sold in 2023. For the twelve months ended December 31, 2023, gross profit decreased approximately 20.4% when compared to the prior year. Gross profit margin for the twelve month periods ended December 31, 2023 and 2022, was 39.6% and 41.3%, respectively.

Operating expenses

Operating expenses for the twelve months ended December 31, 2023 decreased approximately $11.4 million, or 2.7%, compared to the same period last year due to product mix changes and lower prices. Selling, general and administrative expenses (“SG&A”) decreased approximately $22.9 million. The decrease in SG&A was due to lower wages and benefits and freight and duty costs. These decreases were partially offset by increases in professional services and other selling expenses. SG&A, as a percentage of net sales, was 15.5% and 14.0% for the twelve-month periods ended December 31, 2023 and 2022, respectively. Research and development expenses (“R&D”) increased approximately $8.6 million primarily due to increases in materials, supplies and depreciation, partially offset by decreases in professional services fees as compared to the same period last year. R&D, as a percentage of net sales, was 8.1% and 6.3% for the twelve-month periods ended December 31, 2023 and 2022, respectively. Amortization of acquisition-related intangibles decreased approximately 2.1% reflecting the overall reduction in the balance of intangible assets subject to amortization.

Other (expense)/income

Interest income increased $9.7 million or 263.2% when compared to 2022 due to increase interest rates on our short-term investments and income from cross-currency swaps. The decrease in interest expense is due to lower levels of debt partially offset by increased interest rates on our floating rate debt. Unrealized gain on investments increased from 2022 due to mark to market adjustments on investments.

Income tax provision

We recognized income tax expense of approximately $47.3 million for the twelve months ended December 31, 2023, and income tax expense of approximately $56.7 million for the twelve months ended December 31, 2022, resulting in effective income tax rates of 17.0% and 14.3%, respectively. The increase in the effective tax rate for 2023 compared to 2022 is primarily attributable to a decrease in overall pre-tax book income and the impact of changes to the outside basis difference in foreign subsidiaries where the Company does not assert permanent reinvestment. Our undistributed foreign earnings continue to be indefinitely reinvested in foreign operations, with limited exceptions related to earnings of European and Asian subsidiaries. Any future distributions of foreign earnings will not be subject to additional U.S. income tax but may be subject to foreign withholding taxes. The Company has recorded outside basis differences in the limited instances where they do not assert permanent reinvestment. As of December 31, 2023, our foreign subsidiaries held approximately $190.3 million of cash, cash equivalents and investments of which approximately $52.2 million would be subject to foreign withholding tax if distributed outside the country in which the related earnings were generated.

Financial Condition

Liquidity and Capital Resources

Our primary sources of liquidity are cash and cash equivalents, short-term investments, funds from operations and, if necessary, borrowings under our credit facilities.

Liquidity requirements

Our primary liquidity requirements have been to meet our capital expenditure needs and to fund ongoing operations. For 2023 and 2022 our working capital was $793.9 million and $729.1 million, respectively. In 2023, our working capital increased primarily due to increases in accounts receivable and inventories, and a decrease in our income taxes payable and accounts payable. We expect cash generated by our operations together with existing cash, cash equivalents, short-term investments and available credit facilities to be sufficient to satisfy our working capital needs, capital asset purchases, outstanding commitments and other liquidity requirements associated with our existing operations for at least the next 12 months.

The Company's restricted cash primarily consisted of the cash required to be on deposit under contractual agreements with banks to support outstanding loan and import/export guarantees. As of December 31, 2023, restricted cash of $3.0 million was pledged as collateral for issuance of bank loans, bank acceptance notes and letters of credit.

Short-term investments

As of December 31, 2023, we had short-term investments of approximately $10.2 million. These investments are highly liquid with maturity dates greater than three months at the date of purchase. We generally can access these investments in a relatively short amount of time but in doing so we generally forfeit a portion of interest income.

Short-term debt

Our Asia subsidiaries maintain credit facilities with several financial institutions through our foreign entities worldwide totaling $147.9 million. Other than two Taiwanese credit facilities that are collateralized by assets, our foreign credit lines are unsecured, uncommitted and contain no restrictive covenants. These credit facilities bear interest at the Taipei Interbank Offered Rate (or similar indices) plus a specified margin. Interest payments are due monthly on outstanding amounts under the credit lines. The unused and available credit under the various facilities as of December 31, 2023, was approximately $106.8 million, net of $40.7 million advanced under our foreign credit lines and $0.4 million credit used for import and export guarantee.

Long-term debt

On May 26, 2023, the Company, Diodes Holding UK Limited (the "Foreign Borrower" and, collectively with the Company, the "Borrowers"), and certain subsidiaries of the Company as guarantors, entered into a Third Amended and Restated Credit Agreement (the "Credit Agreement") that amended and restated that certain Second Amended and Restated Credit Agreement dated as of May 29, 2020 (as amended, modified and/or supplemented from time to time prior to the date of the Credit Agreement, the "Existing Credit Agreement"). Certain capitalized terms used in this description of the Credit Agreement have the meanings given to them in the Credit Agreement.

The Existing Credit Agreement consisted of a term loan with no current balance as of the date of the Credit Agreement and a $225.0 million revolving senior credit facility with nothing drawn as of the date of the Credit Agreement.

The Credit Agreement, which represents a complete amendment and restatement of the Existing Credit Agreement, consists of a Revolving Credit Facility in the amount of $225.0 million, including a swing line sublimit equal to the lesser of $50.0 million and the Revolving Credit Facility, a letter of credit sublimit equal to the lesser of $100.0 million and the Revolving Credit Facility, and an alternative currency sublimit equal to the lesser of $40.0 million and the Revolving Credit Facility. The Borrowers have the option to increase the Revolving Facility and/or incur Incremental Term Loans in an aggregate principal amount of up to $350.0 million. The Revolving Credit Facility bears interest at Term SOFR or similar other indices plus a specified margin. The Credit Agreement contains certain financial and non-financial covenants, including, but not limited to, a maximum Consolidated Leverage Ratio, a minimum Consolidated Interest Coverage Ratio, and restrictions on liens, indebtedness, investments, fundamental changes, dispositions, and restricted payments (including dividends and share repurchases). Furthermore, under the Credit Agreement, restricted payments, including dividends and share repurchases, are permitted in certain circumstances, including while the pro forma Consolidated Leverage Ratio is, both before and after giving effect to any such restricted payment, at least 0.25 to 1.00 less than the maximum permitted under the Credit Agreement. The Revolving Credit Facility matures on May 26, 2028.

In addition to the liquidity provided by the Credit Agreement, our 51% owned subsidiary, Eris Technology Company ("ERIS"), borrowed $21.4 million on a long-term basis from local Taiwan banks. The ERIS debt matures in periods through 2033.

Diodes Hong Kong Limited, a company incorporated under the laws of Hong Kong and a subsidiary of the Company, has a US Dollar revolving loan facility in an aggregate amount equal to $105.0 million (the "Facility"). Diodes Hong Kong Limited used a portion of the proceeds for the Facility (i) to refinance certain existing indebtedness and (ii) to finance working capital requirements and its general corporate purposes. In addition, on January 22, 2021, Diodes Hong Kong Limited entered into a Hong Kong Debenture (the "Debenture") with The Hongkong and Shanghai Banking Corporation Limited, as Security Agent (the "Security Agent"). Pursuant to the Debenture, Diodes Hong Kong Limited granted to the Security Agent, on behalf of itself and the other secured parties, a security interest over certain assets of Diodes Hong Kong Limited. The security interest is continuing security for the payment, discharge and performance of all of the secured liabilities, which includes Diodes Hong Kong Limited's payment obligations under the Facility. The Facility is governed by the laws of Hong Kong.

Capital expenditures and investments

In 2023 and 2022, our total cash capital expenditures were approximately $150.8 million and $211.7 million, respectively. Our capital expenditures for these periods were primarily related to manufacturing expansion in both our assembly/test and wafer fabrication facilities. Cash capital expenditures in 2023 were approximately 9.1% of our net sales. The Company's 2023 capital expenditures were higher than our target model of 5% to 9% of net sales, due to expansion of our wafer fabrication facility in Hsinchu Science Park in Taiwan. Going forward, over the long term, the Company expects capital expenditures to be within the 5% to 9% of net sales target model range. The Company also made an additional purchase of $13.9 million of equity in a privately held wafer design company.

Our foreign operations expose us to unique intellectual property technology and other risks compared to a company with fewer or no international operations. For example, we are exposed to potential cyber security breaches that may target our employees or infrastructure outside the United States. These risks may result in material and adverse impacts on our financial condition and results of operations. See "Risk Factors – Risks Related to Our International Operations" in Part I, Item 1A of this Annual Report for a more detailed summary of the intellectual property technology risks and other associated with our international business operations.

Discussion of Cash Flows

Cash and cash equivalents, including restricted cash, decreased approximately $22.6 million to $318.5 million in 2023 from $341.1 million in 2022. The table below sets forth summary information from our statements of cash flows:

	Twelve Months Ended December 31,	
	2023	2022
Net cash flows provided by operating activities	$ 280,914	$ 392,501
Net cash and cash equivalents used in investing activities	(158,322)	(265,263)
Net cash and cash equivalents used in financing activities	(144,723)	(125,713)
Effect of exchange rate changes on cash and cash equivalents	(485)	(27,244)
Change in cash and cash equivalents, including restricted cash	$ (22,616)	$ (25,719)

Operating Activities

Net cash provided by operating activities for 2023 was approximately $280.9 million, due primarily to $230.6 million of net income, $137.3 million in depreciation expense and amortization of intangible assets expense and $30.9 million from non-cash share-based compensation expense. The increases were partially offset by a net decrease in operating capital assets and liabilities of $77.6 million, non-cash gains on investments of $19.4 million and a decrease in deferred income taxes of $13.3 million.

Investing Activities

Net cash used in investing activities for 2023 was approximately $158.3 million, due primarily to the purchase of property, plant and equipment for $150.8 million, purchases of equity securities of $17.9 million and net purchases of short-term investments of $3.2 million. These uses of cash for investing were partially offset by inflow of $6.3 million related to the disposal of a manufacturing facility and the receipt of insurance proceeds of $1.4 million related to a casualty loss at one of the Company's manufacturing facilities.

Financing Activities

Net cash used in financing activities for 2023 was approximately $144.7 million, due primarily to the net reduction in our outstanding indebtedness of $124.3 million and taxes on net share settlements of $15.6 million.

Contractual Obligations

Our estimated future obligations consist of debt, interest on long-term debt, leases, defined benefit obligation and purchase obligations. See Note 8 "Bank Credit Agreements and Other Short-term and Long-term Debt, Note 9 - "Leases", Note 13 - "Employee Benefit Plans" and Note 17 - "Commitments and Contingencies" of the notes to consolidated financial statements" included elsewhere in this Annual Report for additional information.

We cannot make reasonable estimates of the amount and period in which our tax liabilities will be paid. See "Accounting for income taxes" below and Note 12 of "Notes to Consolidated Financial Statements" of this Annual Report for additional information.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted principles in the United States of America ("U.S. GAAP") requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, which are based upon historical experiences, market trends and financial forecasts and projections, and upon various assumptions that management believes to be reasonable under the circumstances at that certain point in time. Actual results may differ, significantly at times, from these estimates under different assumptions or conditions.

We believe the following critical accounting policies and estimates affect the significant estimates and judgments we use in the preparation of our consolidated financial statements, and may involve a higher degree of judgment and complexity than others.

Revenue recognition

In relation to our revenue recognition, we record estimated allowances/reserves for the following items;

- Ship and debit reserves, which arise when we, from time to time based on market conditions, issue credit to certain distributors upon their shipments to their end customers;
- Stock rotation reserves, which are contractual obligations that permit certain distributors, up to four times a year, to return a portion of their inventory based on historical shipments to them in exchange for an equal and offsetting order;
- Price protection reserves, which arise when market conditions cause average selling prices to decrease and we issue credit to certain distributors on their inventory;
- Accounts receivable reserves related to our customer's ability to pay; and
- Product returns, distributor price adjustments and other allowances.

Our reserve estimates are based upon historical data as well as projections of sales, distributor inventories, price adjustments, average selling prices and market conditions. Actual returns and adjustments could be significantly different from our estimates and provisions, resulting in an adjustment to net sales. Based on the allowance/reserve balance as of December 31, 2023, a 1% change would increase or decrease the estimated allowance/reserve and net revenue by approximately $0.7 million.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined principally by the first-in, first-out method. On an ongoing basis, we evaluate our inventory for obsolescence and slow-moving items. This evaluation includes analysis of sales levels, sales projections, and purchases by item, as well as raw material usage related to our manufacturing facilities. If our review indicates a reduction in utility below carrying value, we reduce our inventory to a new cost basis. If future demand or market conditions are different than our current estimates, an inventory adjustment may be required, and would be reflected in cost of goods sold in the period the revision is made.

Accounting for income taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the tax jurisdictions in which we operate. This process involves using an asset and liability approach whereby deferred tax assets and liabilities are recorded for differences in the financial reporting bases and tax bases of our assets and liabilities. A valuation allowance is provided against deferred tax assets unless it is more likely than not that such deferred tax assets will be realized. This analysis requires considerable judgment and is subject to change to reflect future events and changes in the tax laws.

The benefit of a tax position is recognized only if it is more likely than not that the tax position would be sustained based on its technical merits in a tax examination, using the presumption the tax authority has full knowledge of all relevant facts regarding the position. The amount of benefit recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on ultimate settlement with the tax authority. For tax positions not meeting the more likely than not test, no tax benefit is recorded.

Business Combinations

Significant judgment is often required in estimating the fair value of assets acquired and liabilities assumed. The Company makes estimates and assumptions about conditions of the assets, other costs not captured in the base costs, and consideration for entrepreneurial profit, depreciation, functional obsolescence, and economic obsolescence allocated to the various property, plant and equipment categories considering the perspective of marketplace participants.

Recently Issued Accounting Pronouncements

See Note 1 of “Notes to Consolidated Financial Statements” of this Annual Report for additional information regarding the status of recently issued accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Foreign Currency Risk

We face exposure to adverse movements in foreign currency exchange rates, primarily in Asia and Europe. Our foreign currency risk may change over time as the level of activity in foreign markets grows and could have a material adverse impact upon our financial results. Certain of our assets, including certain bank accounts and accounts receivable, and liabilities exist in non–U.S. dollar denominated currencies, which are sensitive to foreign currency exchange fluctuations. These currencies are principally the Chinese Yuan, the Taiwanese dollar, the Euro, and the British Pound Sterling and, to a lesser extent, the Japanese Yen and the Hong Kong dollar. We have entered into hedging arrangements designed to mitigate foreign currency fluctuations. See "Risk Factors – *We are subject to foreign currency risk as a result of our international operations.*" in Part I, Item 1A of this Annual Report for additional information.

Foreign Currency Transaction Risk

We are subject to foreign currency risk arising from intercompany transactions that are expected to be settled in cash in the near term where the cash balances are held in denominations other than our subsidiaries' functional currency. If exchange rates weaken against the functional currency, we would incur a remeasurement gain in the value of the cash balances, and if the exchange rates strengthen against the functional currency, we would incur a remeasurement loss in the value of the cash balances, assuming the net monetary asset balances remained constant. Our ultimate realized gain or loss with respect to currency fluctuations will generally depend on the size and type of transaction, the size and currencies of the net monetary assets and the changes in the exchange rates associated with these currencies. Based on balances at December 31, 2023, if the Chinese Yuan, the Taiwanese dollar, the Euro and the British Pound Sterling were to weaken (or strengthen) by 1.0% against the U.S. dollar, we would experience currency transaction gain (or loss) of approximately $2.0 million (partially offset by any foreign currency hedges). Net foreign exchange transaction gains (or losses) are included in other income and expense.

Foreign Currency Translation Risk

For our subsidiaries that maintain their books in a foreign currency, fluctuations in that foreign currency will impact the amount of total assets and liabilities that we report for our foreign subsidiaries upon the translation of these amounts into U.S. dollars. All elements of the subsidiaries' financial statements, except for stockholders' equity accounts, are translated using a currency exchange rate. Assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date. Income and expense accounts denominated in foreign currencies are translated at the weighted-average exchange rate during the period presented. Resulting translation adjustments are recorded as a separate component of accumulated other comprehensive income or loss within stockholders' equity in the consolidated balance sheets, which are accumulated in this account until sale or liquidation of the foreign entity investment, at which time they are reported as adjustments to the gain or loss on sale of investment.

Foreign Currency Denominated Defined Benefit Plans

We have a contributory defined benefit plan that covers certain employees in the U.K., which is closed to new entrants and frozen with respect to future benefit accruals. The retirement benefit is based on the final average compensation and service of each eligible employee. December 31 is our annual measurement date, and on the measurement date, defined benefit plan assets are determined based on fair value. Defined benefit plan assets consist primarily of high quality corporate bonds and stocks that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. The net pension and supplemental retirement benefit obligations and the related periodic costs are based on, among other things, assumptions of the discount rate, estimated return on plan assets and mortality rates. These obligations and related periodic costs are measured using actuarial techniques and assumptions. The projected unit credit method is the actuarial cost method used to compute the pension liabilities and related expenses.

As of December 31, 2023, the plan was underfunded and a liability of approximately $10.1 million was reflected in our consolidated financial statements as a noncurrent liability. The amount recognized in accumulated other comprehensive income was a net loss of $43.5 million. If the British Pound Sterling were to (weaken) or strengthen by 1.0% against the U.S. dollar, we would experience currency translation liability (decrease) or increase of less than $0.5 million. The weighted-average discount rate assumption used to determine benefit obligations as of December 31, 2023, was 4.7%. A 0.2% increase/(decrease) in the discount rate used to calculate the net period benefit cost for the year would reduce/increase annual benefit cost by less than $0.5 million. A 0.2% increase/(decrease) in the discount rate used to calculate the year-end projected benefit obligation would (decrease)increase the year–end projected benefit obligation by approximately $2.5 million. The expected return on plan assets is determined based on historical and expected future returns of the various assets classes and as such, each 1.0% increase/(decrease) in the expected rate of return assumption would increase/(decrease) the net-period benefit cost by approximately $1.2 million. The asset value of the defined benefit plan has been volatile in recent years due primarily to wide fluctuations in the U.K. equity markets and bond markets. See "Risk Factors – *Changes in actuarial assumptions for our defined benefit plan could increase the volatility of the plan's asset value, require us to increase cash contributions to the plan and have a negative impact on our cash flows, operating results and financial condition*" in Part I, Item 1A of this Annual Report for additional information.

Interest Rate Risk

We have credit facilities with financial institutions in the U.S., Asia and Europe as well as other debt instruments with interest rates equal to SOFR or similar indices plus a negotiated margin. A rise in interest rates could have an adverse impact upon our cost of working capital and our interest expense. As of December 31, 2023, our outstanding principal long-term debt was $21.4 and outstanding short-term debt was $40.7 million. Based on our debt balances at December 31, 2023, an increase or decrease in interest rates by 1.0% for the year on our credit facilities would increase or decrease our annual interest rate expense by approximately $0.2 million, net of the amounts realized from our interest rate swaps. See "Risk Factors," – "*We are subject to interest rate risk that could have an adverse effect on our cost of working capital and interest expenses, which could adversely affect our business, operating results and financial condition*" in Part I, Item 1A of this Annual Report for additional information.

Political Risk

We have a significant portion of our assets in mainland China, Taiwan and the U.K. The possibility of political conflict between any of these countries or with the U.S. could have a material adverse impact upon our ability to transact business through these important business channels and to generate profits. See "Risk Factors" – *Risks Related to our International Operations"* in Part I, Item 1A of this Annual Report for additional information.

Inflation Risk

Inflation did not have a material effect on net sales or net income in fiscal year 2023. A significant increase in inflation could affect future performance.

Credit Risk

The success of our business depends, among other factors, on the strength of the global economy and the stability of the financial markets, which in turn affect our customers' demand for our products, the ability of our customers to meet their payment obligations, the likelihood of customers canceling or deferring existing orders and the strength of consumer demand for items containing our products in the end-markets we serve. We provide credit to customers in the ordinary course of business and perform ongoing credit evaluations, while at times providing extended terms. We believe that our exposure to concentrations of credit risk with respect to trade receivables is largely mitigated by dispersion of our customers over various geographic areas, operating primarily in electronics manufacturing and distribution. We believe our allowance for doubtful accounts is sufficient to cover customer credit risks.

Item 8. Financial Statements and Supplementary Data.

See Part IV, Item 15 "Exhibits and Financial Statement Schedules" for our consolidated financial statements and the notes and schedules thereto filed as part of this Annual Report.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

Not Applicable.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Our Chief Executive Officer, Keh-Shew Lu, and Chief Financial Officer, Brett R. Whitmire, with the participation of our management, carried out an evaluation as of December 31, 2023, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended). Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer believe that, as of the end of the period covered by this report, our disclosure controls and procedures are effective at the reasonable assurance level to ensure that information required to be included in this report is:

- recorded, processed, summarized and reported within the time period specified in the Commission's rules and forms and
- accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding disclosure.

Disclosure controls and procedures, no matter how well designed and implemented, can provide only reasonable assurance of achieving an entity's disclosure objectives. The likelihood of achieving such objectives is affected by limitations inherent in disclosure controls and procedures. These include the fact that human judgment in decision-making can be faulty and that breakdowns in internal control can occur because of human failures such as simple errors, mistakes or intentional circumvention of the established processes.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and implemented by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of ours are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, 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.

Under the supervision and with the participation of management, including our Chief Executive Officer and the Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). This evaluation included review of the documentation of controls, testing of operating effectiveness of controls and a conclusion on this evaluation.

Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2023.

The effectiveness of our internal control over financial reporting as of December 31, 2023, has been audited by Moss Adams LLP, an independent registered public accounting firm, as stated in their report which appears in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting, known to the Chief Executive Officer or the Chief Financial Officer, that occurred during the last fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information concerning our directors, executive officers and corporate governance is incorporated herein by reference from the section entitled “Proposal One – Election of Directors” contained in our definitive proxy statement to be filed pursuant to Section 14(a) of the Securities Exchange Act of 1934 within 120 days after our fiscal year end of December 31, 2023, for our annual stockholders’ meeting for 2024 (the “Proxy Statement”).

We have adopted a code of ethics that applies to our Chief Executive Officer and senior financial officers. The code of ethics has been posted on our website under the Corporate Governance portion of the Investor Relations section at www.diodes.com. We intend to satisfy disclosure requirements regarding amendments to, or waivers from, any provisions of our code of ethics on our website.

Item 11. Executive Compensation.

The information concerning executive compensation is incorporated herein by reference from the sections entitled “Compensation Discussion and Analysis,” “Executive Compensation,” and “Compensation Committee Interlocks and Insider Participation” contained in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information concerning the security ownership of certain beneficial owners and management and related stockholder matters is incorporated herein by reference from the sections entitled “General Information – Security Ownership of Certain Beneficial Owners and Management,” and “Executive Compensation – Equity Compensation Plan Information” contained in the Proxy Statement.

Item 13. Certain Relationships, Related Transactions and Director Independence.

The information concerning certain relationships, related transactions and director independence is incorporated herein by reference from the sections entitled “Corporate Governance – Certain Relationships and Related Person Transactions” and “Corporate Governance – Director Independence” and “Proposal One – Election of Directors” contained in the Proxy Statement.

Item 14. Principal Accountant Fees and Services.

The information concerning our principal accountant’s fees and services is incorporated herein by reference from the section entitled “Ratification of the Appointment of Independent Registered Public Accounting Firm” contained in the Proxy Statement.

The Company's independent registered accounting firm is Moss Adams LLP, Los Angeles, California. PCAOB ID: 659.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) **Financial Statements and Schedules**

Our consolidated financial statements are as set forth under Item 8 of this Annual Report on Form 10-K.

(2) Schedules:

None

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements and note thereto.

(b) **Exhibits**

The exhibits listed on the Index to Exhibits are filed as exhibits or incorporated by reference to this Annual Report.

(c) **Financial Statements of Unconsolidated Subsidiaries and Affiliates**

Not Applicable.

Item 16. Form 10-K Summary.

None

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
Diodes Incorporated

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Diodes Incorporated and subsidiaries (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting included in Item 9A. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue – Ship and Debit Reserve

As described in Note 1, the Company records reserves related to estimated customer incentives, such as “ship and debit”, which arise when the Company, from time to time based on market conditions, issues credits to certain distributors upon their shipments to their end customers. The ship and debit reserve comprehends both claims in process and anticipated claims arising from the eventual sale of distribution inventory that is subject to claim activity. The Company performs a look-back analysis of revenues and credits issued to distributors. Using their look-back analysis, the Company adjusts their assumptions and estimated reserves each quarter. The resulting ship and debit reserve is recorded as a reduction to 2023 net sales with a corresponding reduction to accounts receivable, and approximated $69.3 million as of December 31, 2023.

Estimating the ship and debit reserve involves the application of models which require management to make certain assumptions including historical customer ship and debit credit rates and credit lag times on such revenues. These assumptions could be affected by current and future economic and market conditions. We identified the ship and debit reserve as a critical audit matter because auditing management’s estimate of the ship and debit reserve was complex and judgmental due to the significant estimation required by management.

The primary procedures we performed to address this critical audit matter included:

- Obtaining an understanding, evaluating the design and testing the operating effectiveness of internal controls over the measurement of the ship and debit reserve, including testing controls over management’s review of the reserve calculation and the underlying assumptions used to develop the estimate.
- Vouching revenues and ship and debit credits to supporting documents.
- Evaluating the reasonableness of management’s assumptions by comparing the significant assumptions (ship and debit claims percentage history and the relevant cycle time period between when sales are made by distributors to their end customers and when ship and debit credit memos are issued by the Company to distributors) used to historical trends, including testing the completeness and accuracy of the underlying data.
- Performing sensitivity analyses on the significant assumptions (ship and debit claims percentage history and the relevant cycle time period between when sales are made by distributors to their end customers and when ship and debit credit memos are issued by the Company to distributors) to evaluate the potential changes in the ship and debit reserve that would result from changes in the assumptions.

/s/ Moss Adams LLP

Los Angeles, California
February 9, 2024

We have served as the Company’s auditor since 1993.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 315,457	$ 336,732
Restricted cash	3,026	4,367
Short-term investments	10,174	7,059
Accounts receivable, net of allowances of $5,641 and $5,852 at December 31, 2023 and December 31, 2022, respectively	371,930	369,233
Inventories	389,774	360,281
Prepaid expenses and other	97,024	83,999
Total current assets	1,187,385	1,161,671
Property, plant and equipment, net	746,169	736,730
Deferred income tax	51,620	35,308
Goodwill	146,558	144,757
Intangible assets, net	63,937	79,137
Other long-term assets	171,990	130,709
Total assets	$ 2,367,659	$ 2,288,312
Liabilities		
Current liabilities:		
Lines of credit	$ 40,685	$ 36,280
Accounts payable	158,261	160,442
Accrued liabilities and other	179,674	214,433
Income tax payable	10,459	19,682
Current portion of long-term debt	4,419	1,693
Total current liabilities	393,498	432,530
Long-term debt, net of current portion	16,979	147,470
Deferred tax liabilities	13,662	12,903
Unrecognized tax liabilities	34,035	31,594
Other long-term liabilities	99,808	80,896
Total liabilities	557,982	705,393
Commitments and contingencies (See Note 17)		
Stockholders' equity		
Preferred stock - par value $1.00 per share; 1,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock - par value $0.66 2/3 per share; 70,000,000 shares authorized; and 45,938,382 shares and 45,469,722 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively	36,819	36,503
Additional paid-in capital	509,861	494,773
Retained earnings	1,675,274	1,448,092
Treasury stock, at cost, 9,286,862 shares and 9,281,581 shares at December 31, 2023 and December 31, 2022, respectively	(337,986)	(337,490)
Accumulated other comprehensive loss	(143,227)	(128,233)
Total stockholders' equity	1,740,741	1,513,645
Noncontrolling interest	68,936	69,274
Total equity	1,809,677	1,582,919
Total liabilities and stockholders' equity	$ 2,367,659	$ 2,288,312

The accompanying notes are an integral part of these consolidated financial statements.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Twelve Months Ended December 31,		
	2023	2022	2021
Net sales	$ 1,661,739	$ 2,000,580	$ 1,805,162
Cost of goods sold	1,003,557	1,173,343	1,134,802
Gross profit	658,182	827,237	670,360
Operating expenses			
Selling, general and administrative	257,939	280,877	257,710
Research and development	134,868	126,316	119,200
Amortization of acquisition related intangible assets	15,282	15,610	16,216
Restructuring cost	1,583	-	-
(Gain) loss on disposal of fixed assets	(2,045)	(3,651)	246
Other operating (income) expense	(16)	(108)	1,003
Total operating expense	407,611	419,044	394,375
Income from operations	250,571	408,193	275,985
Other (expense) income			
Interest income	13,338	3,672	3,139
Interest expense	(5,700)	(8,320)	(7,491)
Foreign currency (loss) gain, net	(5,264)	2,122	(2,107)
Unrealized gain (loss) on investments	18,267	(16,514)	28,018
Other income	6,721	6,787	17,551
Total other income (expense)	27,362	(12,253)	39,110
Income before income taxes and noncontrolling interest	277,933	395,940	315,095
Income tax provision	47,285	56,685	78,807
Net income	230,648	339,255	236,288
Less: net income attributable to noncontrolling interest	(3,466)	(7,972)	(7,525)
Net income attributable to common stockholders	$ 227,182	$ 331,283	$ 228,763
Earnings per share attributable to common stockholders:			
Basic	$ 4.96	$ 7.31	$ 5.11
Diluted	$ 4.91	$ 7.20	$ 5.00
Number of shares used in earnings per share computation:			
Basic	45,803	45,330	44,772
Diluted	46,311	46,036	45,781

The accompanying notes are an integral part of these consolidated financial statements.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Twelve Months Ended December 31,		
	2023	**2022**	**2021**
Net income	$ 230,648	$ 339,255	$ 236,288
Unrealized (loss) gain on defined benefit plan, net of tax	(1,466)	(697)	7,818
Unrealized (loss) gain on swaps and collars, net of tax	(13,619)	4,279	1,417
Unrealized foreign currency gain (loss), net of tax	91	(81,298)	13,854
Comprehensive income	215,654	261,539	259,377
Less: Comprehensive income attributable to noncontrolling interest	(3,466)	(7,972)	(7,525)
Total comprehensive income attributable to common stockholders	$ 212,188	$ 253,567	$ 251,852

The accompanying notes are an integral part of these consolidated financial statements.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)

	Common stock		Treasury stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total Diodes Incorporated stockholders' equity	Noncontrolling interest	Total equity
	Shares	Amount	Shares	Amount						
Balance, December 31, 2020	53,536	$ 35,692	(9,260)	$ (335,910)	$ 449,598	$ 888,046	$ (73,606)	$ 963,820	$ 52,303	$ 1,016,123
Total comprehensive income	-	-	-	-	-	228,763	23,089	251,852	7,525	259,377
Net changes in noncontrolling interests	-	-	-	-	(25)	-		(25)	5,654	5,629
Common stock issued for share-based plans	754	503	-	-	3,834	-	-	4,337	-	4,337
Share-based compensation	-	-	-	-	32,081	-	-	32,081	-	32,081
Deferred compensation plan	-	-	(13)	(984)	984	-	-	-	-	-
Tax related to net share settlement	-	-	-	-	(14,823)	-	-	(14,823)	-	(14,823)
Balance, December 31, 2021	54,290	36,195	(9,273)	(336,894)	471,649	1,116,809	(50,517)	1,237,242	65,482	1,302,724
Total comprehensive income	-	-	-	-	-	331,283	(77,716)	253,567	7,972	261,539
Net changes in noncontrolling interests	-	-	-	-	(1,014)	-	-	(1,014)	(4,180)	(5,194)
Common stock issued for share-based plans	461	308	-	-	(168)	-	-	140	-	140
Share-based compensation	-	-	-	-	36,010	-	-	36,010	-	36,010
Deferred compensation plan	-	-	(9)	(596)	596	-	-	-	-	-
Tax related to net share settlement	-	-	-	-	(12,300)	-	-	(12,300)	-	(12,300)
Balance, December 31, 2022	54,751	36,503	(9,282)	(337,490)	494,773	1,448,092	(128,233)	1,513,645	69,274	1,582,919
Total comprehensive income	-	-	-	-	-	227,182	(14,994)	212,188	3,466	215,654
Net changes in noncontrolling interests	-	-	-	-	-	-	-	-	(3,804)	(3,804)
Common stock issued for share-based plans	474	316	-	-	(316)	-	-	-	-	-
Share-based compensation	-	-	-	-	30,545	-	-	30,545	-	30,545
Deferred compensation plan	-	-	(5)	(496)	496	-	-	-	-	-
Tax related to net share settlement	-	-	-	-	(15,637)	-	-	(15,637)	-	(15,637)
Balance, December 31, 2023	55,225	$ 36,819	(9,287)	$ (337,986)	$ 509,861	$ 1,675,274	$ (143,227)	$ 1,740,741	$ 68,936	$ 1,809,677

The accompanying notes are an integral part of these consolidated financial statements.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Twelve Months Ended December 31,		
	2023	2022	2021
Cash flows from operating activities			
Net income	$ 230,648	$ 339,255	$ 236,288
Adjustments to reconcile net income to net cash provided by operating activities, net of effects of acquisitions			
Depreciation	122,048	112,149	106,219
Amortization of intangible assets	15,282	15,610	16,216
Amortization of debt-issuance costs	1,117	950	754
Share-based compensation expense	30,911	36,287	33,205
Deferred income taxes	(13,349)	(39,225)	21,459
Investment (gain) loss	(19,398)	16,225	(37,896)
(Gain) loss on disposal of property, plant and equipment	(2,045)	(3,626)	243
Other	(6,713)	(4,016)	1,239
Changes in operating assets:			
Change in accounts receivable	(2,611)	(20,163)	(52,721)
Change in inventory	(28,947)	(29,675)	(43,038)
Change in other operating assets	(17,971)	1,847	(25,445)
Changes in operating liabilities:			
Change in accounts payable	(2,165)	(50,076)	55,628
Change in accrued liabilities	(17,749)	31,760	29,352
Change in income tax payable	(9,307)	(8,333)	(1,455)
Change in other operating liabilities	1,163	(6,468)	(1,505)
Net cash flows provided by operating activities	280,914	392,501	338,543
Cash flows from investing activities			
Acquisitions, net of cash received	(3)	(83,979)	(157)
Proceeds from disposal of wafer fabrication facility	6,292	19,270	9,939
Receipt of cash for termination of cross currency swap	374	9,429	-
Receipt of insurance recovery	1,413	6,067	-
Purchases of property, plant and equipment	(150,769)	(211,728)	(141,195)
Proceeds from sale of property, plant and equipment	2,769	418	3,207
Proceeds from short-term investments	6,157	8,002	7,328
Purchases of short-term investments	(9,323)	(9,361)	(7,567)
Purchases of equity securities	(17,901)	(4,051)	(15,106)
Other	2,669	670	(678)
Net cash and cash equivalents used in investing activities	(158,322)	(265,263)	(144,229)
Cash flows from financing activities			
Advances on lines of credit and short-term debt	29,036	114,291	21,862
Repayments of lines of credit and short-term debt	(24,509)	(93,498)	(146,372)
Proceeds from long-term debt	25,204	372,751	557,882
Repayments of long-term debt	(154,019)	(505,746)	(586,001)
Debt issuance costs	(948)	(134)	(673)
Net proceeds from issuance of common stock	-	140	4,337
Repayment of and proceeds from finance lease obligation	(115)	(69)	(291)
Taxes paid related to net share settlement	(15,637)	(12,300)	(14,823)
Net changes in noncontrolling interests	(3,647)	(1,160)	5,631
Other	(88)	12	7
Net cash and cash equivalents used in financing activities	(144,723)	(125,713)	(158,441)
Effect of exchange rate changes on cash and cash equivalents	(485)	(27,244)	10,416
Change in cash and cash equivalents, including restricted cash	(22,616)	(25,719)	46,289
Cash and cash equivalents, beginning of period, including restricted cash	341,099	366,818	320,529
Cash and cash equivalents, end of period, including restricted cash	$ 318,483	$ 341,099	$ 366,818
Supplemental Cash Flow Information			
Interest paid during the period	$ 4,607	$ 7,355	$ 6,944
Taxes paid during the period	$ 97,668	$ 88,687	$ 56,077
Non-cash investing and financing activities:			
Accounts payable balance related to the purchase of property, plant and equipment	$ 14,602	$ 30,486	$ 24,256
Dividend payable balance to noncontrolling interests	$ 100	$ -	$ -

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 – Summary of Operations and Significant Accounting Policies

Nature of operations

GENERAL

Diodes Incorporated, together with its subsidiaries (collectively the “Company,” “we” or “our” (Nasdaq: DIOD)), a Standard and Poor's Smallcap 600 and Russell 3000 Index company, is a leading global manufacturer and supplier of high-quality application-specific standard products within the broad discrete, logic, analog, and mixed-signal semiconductor markets. The Company serves the industrial, automotive, computing, consumer and communications markets.

The Company's diverse product portfolio covers diodes; rectifiers; transistors; MOSFETs; SiC diodes and MOSFETs; protection devices; logic; voltage translators; amplifiers and comparators; sensors; and power management devices such as AC-DC converters, DC-DC switching, photocoupler, linear voltage regulators, voltage references, LED drivers, power switches, and voltage supervisors. We also have timing and connectivity solutions including clock ICs, crystal oscillators, PCIe packet switches, multi-protocol switches, interface products, and signal integrity solutions for high-speed signals.

The Company's corporate headquarters and Americas’ sales offices are located in Plano, Texas, and Milpitas, California. Design, marketing, and engineering centers are located in Plano, Milpitas, U.S.; Taipei, Taoyuan City, Taiwan; Shanghai, Yangzhou, China; Oldham, England; and Neuhaus, Germany. Diodes’ wafer fabrication facilities are located in South Portland, Maine, U.S., Oldham, Greenock, UK; Shanghai and Wuxi, China; and Keelung and Hsinchu, Taiwan. Diodes has assembly and test facilities located in Shanghai, Chengdu, and Wuxi, China; Neuhaus, Germany; and Jhongli and Keelung, Taiwan. Additional engineering, sales, warehouse, and logistics offices are located in Taipei, Taiwan; Hong Kong; Milan, Italy; Singapore City, Singapore; Oldham, UK; Shanghai, Shenzhen, Wuhan, and Yangzhou, China; Seongnam-si, South Korea; and Munich, Frankfurt, Germany; with support offices throughout the world.

- The Company’s manufacturing facilities have achieved certifications in the internationally recognized standards of ISO 9001:2015, ISO 14001:2015, and, for automotive products, IATF 16949:2016;
- The Company is also C-TPAT certified; and
- We believe these quality awards reflect the superior quality-control techniques established at the Company and further enhance our credibility as a vendor-of-choice to original equipment manufacturers ("OEMs") increasingly concerned with quality and consistency.

Our market focus is on high-growth, end-user applications in the following areas:

- Industrial: embedded systems, precision controls, and Industrial AIoT;
- Automotive: connected driving, comfort/style/safety, and electrification/powertrain;
- Computing: cloud computing including artificial intelligence servers, storage, and data center applications;
- Communications: smartphones, 5G networks, advanced protocols, and charging solutions; and
- Consumer: IoT, wearables, home automation, and smart infrastructure.

Significant Accounting Policies

Principles of consolidation – The consolidated financial statements include the accounts of Diodes Incorporated, its wholly-owned subsidiaries and its controlled majority-owned subsidiaries. We account for equity investments in companies over which we have the ability to exercise significant influence, but do not hold a controlling interest, under the equity method, and we record our proportionate share of income or losses in Interest and other, net in the consolidated statements of income. All significant intercompany balances and transactions have been eliminated.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (“GAAP”) requires that management make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. Actual results may differ from these estimates in amounts that may be material to the consolidated financial statements and accompanying notes.

Revenue recognition – The Company generates revenue from sales of its semiconductor products to direct customers and distributors and recognizes revenue when control is transferred. This transfer generally occurs at a point in time upon shipment or delivery to the customer or distributor, depending upon the terms of the sales order. The payment terms on our sales are based on negotiations with our customers. For sales to distributors, payment is not contingent upon resale of the products. The vast majority of our revenue from products and services is accounted for at a point in time.

Our customers can order different types of semiconductors in a single contract (purchase order), and each line on a purchase order represents a separate performance obligation. Depending on the terms of an arrangement, we may also be responsible for shipping and handling activities. We have elected to account for shipping and handling as activities to fulfill our promise to transfer the good(s). As such, shipping and handling activities do not represent a separate performance obligation, and are accrued as a fulfillment cost. Further, although we offer warranties on our products, our warranties are considered to be assurance-type in nature and do not cover anything beyond ensuring that the product is functioning as intended. Based on the guidance in ASC 606, assurance-type warranties do not represent separate performance obligations; therefore, the primary performance obligation in the majority of our contracts is the delivery of a specific good through the purchase order submitted by our customer.

We record allowances/reserves for a number of items. The following items are the largest dollar items for which we record allowances/reserves, with ship and debit making up the vast majority: (i) ship and debit, which arise when we issue credit to certain distributors upon their shipments to their end customers; (ii) stock rotation, which are contractual obligations that permit certain distributors, up to four times a year, to return a portion of their inventory based on historical shipments to them in exchange for an equal and offsetting order; and (iii) price protection, which arise when market conditions cause average selling prices to decrease and we issue credit to certain distributors on their inventory. Ship and debit reserves are recorded as a reduction to net sales with a corresponding reduction to accounts receivable. Stock rotation reserves and price protection reserves are recorded as a reduction to net sales with a corresponding increase in accrued liabilities.

We also assess our customer's ability and intention to pay, which is based on a variety of factors including our customer's historical payment experience, their financial condition and the condition of the global economy and financial markets. Payment terms and conditions typically vary depending on negotiations with the customer.

Net sales are reduced in the period of sale for estimates of product returns and other allowances including distributor adjustments, which were approximately $262.8 million, $190.7 million and $220.3 million in 2023, 2022 and 2021, respectively.

Product warranty – We generally warrant our products for a period of one year from the date of sale. Historically, warranty expense has not been material.

Cash, cash equivalents, and short-term investments – We consider all highly liquid investments with maturity of three months or less at the date of purchase to be cash equivalents. We currently maintain substantially all of our day-to-day operating cash balances with major financial institutions. We hold short-term investments consisting of time deposits, which are highly liquid with maturity dates greater than three months at the date of purchase. Generally, we can access these investments in a relatively short amount of time but in doing so we generally forfeit a portion of interest income. See Note 3 below for additional information regarding fair value of financial instruments.

Allowance for doubtful accounts – We evaluate the collectability of our accounts receivable based upon a combination of factors, including the current business environment and historical experience. If we are aware of a customer's inability to meet its financial obligations, we record an allowance to reduce the receivable to the amount we reasonably believe will be collected from the customer. For all other customers, we record an allowance based upon the amount of time the receivables are past due. If actual accounts receivable collections differ from these estimates, an adjustment to the allowance may be necessary with a resulting effect on operating expense. Accounts receivable are presented net of valuation allowance, which were approximately $5.6 million at December 31, 2023 and $5.9 million at December 31, 2022.

Inventories – Inventories are stated at the lower of cost or net realizable value. Cost is determined principally by the first-in, first-out method. Cost includes materials, labor, and manufacturing overhead related to the purchase and production of inventories. Any write-down of inventory to the lower of cost or net realizable value at the close of a fiscal period creates a new cost basis that subsequently would not be marked up based on changes in underlying facts and circumstances. On an on-going basis, we evaluate inventory for obsolescence and slow-moving items. This evaluation includes analysis of sales levels, sales projections, and purchases by item, as well as raw material usage related to our manufacturing facilities. If our review indicates a reduction in utility below carrying value, we reduce inventory to a new cost basis. If future demand or market conditions are different from our current estimates, an inventory adjustment to write down inventory may be required, and would be reflected in cost of goods sold in the period the revision is made.

Property, plant and equipment – Purchased property, plant and equipment is recorded at historical cost, and property, plant and equipment acquired in a business combination is recorded at fair value on the date of acquisition. Property, plant and equipment is depreciated using straight-line methods over the estimated useful lives, which range from 20 to 55 years for buildings and 3 to 10 years for machinery and equipment. The estimated lives of leasehold improvements range from 3 to 5 years, and are amortized over the shorter of the remaining lease term or their estimated useful lives.

Leases – The Company determines if an arrangement is a lease at its inception. Operating and financing lease arrangements are comprised primarily of real estate and equipment agreements for which the right-of-use ("ROU") assets are included in other assets and the corresponding lease liabilities, depending on their maturity, are included in Accrued liabilities and other current or Other long-term liabilities in the Consolidated Balance Sheet.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The lease term includes options to extend the lease when it is reasonably certain that the option will be exercised. Leases with a term of 12 months or less are not recorded on the Consolidated Balance Sheet.

The Company uses its estimated incremental borrowing rate in determining the present value of lease payments considering the term of the lease, which is derived from information available at the lease commencement date, giving consideration to publicly available data for instruments with similar characteristics. The Company accounts for the lease and non-lease components as a single lease component.

Goodwill and other indefinite lived intangible assets – Goodwill and indefinite lived assets are tested for impairment on an annual basis or when an event or changes in circumstances indicate that its carrying value may not be recoverable. Goodwill impairment is tested at the reporting unit level, which is defined as an operating segment or one level below the operating segment. Diodes has one operating segment. No goodwill impairment occurred in 2023, 2022, or 2021. Goodwill is reviewed for impairment using either a qualitative assessment or a quantitative goodwill impairment test. If we choose to perform a qualitative assessment and determine the fair value more likely than not exceeds the carrying value, no further evaluation is necessary. When we perform the quantitative goodwill impairment test, we compare fair value to carrying value, which includes goodwill. If fair value exceeds carrying value, the goodwill is not considered impaired. If the carrying value is higher than the fair value, the difference would be recognized as an impairment loss.

Impairment of long-lived assets – Our long-lived assets are reviewed whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We consider assets to be impaired if the carrying value exceeds the undiscounted projected cash flows from operations. If impairment exists, the assets are written down to fair value or to the projected discounted cash flows from related operations. As of December 31, 2023, we expect the remaining carrying value of assets to be recoverable.

Business combinations – We account for acquired businesses using the acquisition method of accounting, which requires that once control of a business is obtained, 100% of the assets acquired and liabilities assumed, including amounts attributed to noncontrolling interests, be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

For significant acquisitions we may use independent third-party valuation specialists to assist us in determining the fair value of assets acquired and liabilities assumed.

Significant judgment is often required in estimating the fair value of assets acquired and liabilities assumed. The Company makes estimates and assumptions about conditions of the assets, other costs not captured in the base costs, and consideration for entrepreneurial profit, depreciation, functional obsolescence, and economic obsolescence allocated to the various property, plant and equipment categories considering the perspective of marketplace participants.

While management believes those expectations and assumptions are reasonable, they are inherently uncertain. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions, which could result in subsequent impairments.

During the normal course of business the Company pursues acquisitions. See Note 20 for additional information regarding business acquisitions.

Equity investments – We regularly invest in equity securities of public and private companies to promote business and strategic objectives. Equity investments are measured and recorded as follows:

Marketable equity securities are equity securities with readily determinable fair value ("RDFV") that are measured and recorded at fair value on a recurring basis with changes in fair value, whether realized or unrealized, recorded through the income statement.

Non-marketable equity securities are equity securities without RDFV that are measured and recorded using a measurement alternative that measures the security at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes.

Equity-method investments are equity securities in investees we do not control but over which we have the ability to exercise significant influence. Equity method investments are measured at cost minus impairment, if any, plus or minus our share of equity method investee income or loss.

Income taxes – Income taxes are accounted for using an asset and liability approach whereby deferred tax assets and liabilities are recorded for differences in the financial reporting bases and tax bases of our assets and liabilities. If it is more likely than not that some portion of deferred tax assets will not be realized, a valuation allowance is recorded.

GAAP prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Tax positions shall initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions shall initially and subsequently be measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and all relevant facts. All deferred income taxes are classified as noncurrent assets or noncurrent liabilities on the consolidated balance sheet as of December 31, 2023 and 2022, respectively.

Research and development costs – Internally-developed research and development costs are expensed as incurred. Acquired in-process research and development ("IPR&D") is capitalized as an indefinite-lived intangible asset and evaluated periodically for impairment. When the project is completed, an expected life is determined and the IPR&D is amortized as an expense over the expected life.

Shipping and handling costs – Shipping and handling costs for products shipped to customers, which are included in selling, general and administrative expenses, were approximately $20.8 million, $28.0 million and $24.1 million for the twelve months ended December 31, 2023, 2022 and 2021, respectively.

Concentration of credit risk – Financial instruments, which potentially subject us to concentrations of credit risk, include trade accounts receivable. Credit risk is limited by the dispersion of our customers over various geographic areas, operating primarily in electronics manufacturing and distribution. We perform a credit evaluation of new customers and monitor the accounts receivable aging of our existing customers. Generally we require no collateral from our customers and historically credit losses have been insignificant.

We currently maintain substantially all of our day-to-day cash balances and short-term investments with major financial institutions. Cash balances are usually in excess of Federal and/or foreign deposit insurance limits.

Valuation of financial instruments – The carrying value of our financial instruments, including cash and cash equivalents, short-term investments, accounts receivable, accounts payable, credit line, and long-term debt approximate fair value due to their current market conditions, maturity dates and other factors.

Share-based compensation – Restricted stock grants are measured based on the fair market value of the underlying stock on the date of grant and compensation expense is recognized on a straight-line basis over the requisite four-year service period. Performance stock units are measured based on the fair market value of the underlying stock on the date of grant and compensation expense is recognized over the three-year performance period, with adjustments made to the expense to recognize the probable payout percentage.

We use the Black-Scholes-Merton model to determine the fair value of stock options on the date of grant and recognize compensation expense for stock options on a straight-line basis. The amount of compensation expense recognized using the Black-Scholes-Merton model requires us to exercise judgment and make assumptions relating to the factors that determine the fair value of our stock option grants. The fair value calculated by this model is a function of several factors, including the grant price, the expected future volatility, the expected term of the option and the risk-free interest rate of the option. The expected term and expected future volatility of the options require judgment. In addition, we estimate the expected forfeiture rate and only recognize expense for those stock options expected to vest. We estimate the forfeiture rate based on historical experience, and to the extent our actual forfeiture rate is different from our estimate, share-based compensation expense is adjusted accordingly.

Treasury stock – We currently have no program authorized by our board of directors to purchase shares of our common stock. Shares than have been previously acquired recorded as treasury stock, at cost, the measurement date of cost being date of purchase, as a reduction to stockholders' equity.

Functional currencies and foreign currency translation – We translate the assets and liabilities of our non-U.S. dollar functional currency subsidiaries into U.S. dollars using exchange rates on the balance sheet date. Net sales and expense for these subsidiaries are translated at the weighted-average exchange rate during the period presented. Resulting translation adjustments are recorded as a separate component of accumulated other comprehensive income or loss within stockholders' equity in the consolidated balance sheets. Included in other income are foreign exchange losses of approximately $5.3 million for the twelve months ended December 31, 2023 and foreign exchange gains of approximately $2.1 million for the twelve months ended December 31, 2022, and foreign exchanges losses of approximately $2.1 million for the twelve months ended December 31, 2021.

Defined benefit plan – We maintain plans covering certain of our employees in the U.K. The overfunded or underfunded status of pension and postretirement benefit plans are recognized on the balance sheet. Actuarial gains and losses, and prior service costs or credits, are recognized in other comprehensive income (loss), net of tax effects, until they are amortized as a component of net periodic benefit cost. For financial reporting purposes, the net pension and supplemental retirement benefit obligations and the related periodic pension costs are calculated based upon, among other things, assumptions of the discount rate for plan obligations, estimated return on pension plan assets and mortality rates. These obligations and related periodic costs are measured using actuarial techniques and assumptions. The projected unit credit method is the actuarial cost method used to compute the pension liabilities and related expenses. The expected long-term return on plan assets was determined based on historical and expected future returns of the various asset classes. The plan's investment policy includes a mandate to diversify assets and invest in a variety of asset classes to achieve its expected long-term return and is currently invested in a variety of funds representing most standard equity and debt security classes. Trustees of the plan may make changes at any time.

Noncontrolling interest - Noncontrolling interest primarily relates to the minority investors' share of the earnings of certain China and Taiwan subsidiaries. Noncontrolling interests are a separate component of equity and not a liability. Increases or decreases in noncontrolling interest, due to changes in our ownership interest of the subsidiaries that leave control intact, are recorded as equity transactions. The noncontrolling interest in our subsidiaries and their equity balances are reported separately in the consolidated financial statements, and activities of these subsidiaries are included therein.

Contingencies – From time to time, we may be involved in a variety of legal matters that arise in the normal course of business. Based on information available, we evaluate the likelihood of potential outcomes. We record and disclose the appropriate liability when the amount is deemed probable and reasonably estimable. In addition, we do not accrue for estimated legal fees and other directly related costs as they are expensed as incurred.

Comprehensive income (loss) – GAAP generally requires that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities are reported as separate components of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income or loss. The components of accumulated other comprehensive income or loss include foreign currency translation adjustments and unrealized gain or loss on defined benefit plan. Accumulated other comprehensive loss was approximately $143.2 million, $128.2 million and $50.5 million at December 31, 2023, 2022 and 2021, respectively.

As of December 31, the accumulated balance for each component of comprehensive income is as follows:

	2023		2022		2021	
Unrealized foreign currency losses	$	(63,171)	$	(89,059)	$	(7,760)
Unrealized (loss) gain on cross currency and interest rate swaps, net of tax	$	(37,294)	$	2,122	$	(2,157)
Unrealized loss on defined benefit plan	$	(42,762)	$	(41,296)	$	(40,600)

Government assistance - We recognize government grants in our consolidated statements of income on a systematic basis over the periods which they are intended to benefit. Grants that relate to current expenses are reflected as reductions of the related expenses in the period in which they are reported. Grants that relate to depreciable property and equipment are recorded as a deferred liability account and then reflected in income over the useful lives of the related assets. Grants received as compensation for losses, or expenses already incurred or for the purpose of providing immediate financial support with no future related costs, are recognized as income in the period they become recognizable. During 2023 and 2022 we recognized approximately $5.2 million and $2.1 million, respectively, in government subsidies, primarily in China and the United Kingdom. Of this $5.2 million and $2.1 million, approximately $1.1 million and $1.8 million, respectively, was recognized as reduction in expense or other income and approximately $4.1 million and $0.3 million, respectively, was related to property, plant and equipment. The Company also has approximately $9.2 million at December 31, 2023 and had $13.3 million at December 31, 2022 of deferred grants and subsidies, that were recognized as a reduction to amortization expense of $4.9 million and $5.5 million for the twelve months ended December 31, 2023 and 2022, respectively.

Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued the following Accounting Standards Updates ("ASU") which could have potential impact to the Company's financial statements:

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures.* The amendments in this update require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate). For public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2024. The Company will adopt the new standard and comply with the additional disclosure requirements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.* The purpose of this ASU is to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company will adopt the new standard and comply with the additional disclosure requirements.

In August 2023, the FASB issued ASU 2023-05, *Business Combinations-Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement ("ASU 2023-05").* ASU 2023-05 applies to the formation of a joint venture or a corporate joint venture and requires a joint venture to initially measure all contributions received upon its formation at fair value. The guidance does not impact accounting by the venturers. The new guidance is applicable to joint venture entities with a formation date on or after January 1, 2025 on a prospective basis. The Company will apply this guidance in future reporting periods after the guidance is effective to any future arrangements entered into that meet the definition of a joint venture.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses (Topic 740): Troubled Debt Restructurings and Vintage Disclosures.* This ASU among other things, updates accounting and disclosures for public business entities to disclose gross write-offs and gross recoveries by class of financing receivable and major security type in vintage disclosures. This guidance is effective for annual reporting periods beginning after December 15, 2022, including interim periods therein. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Acquired Contract Assets and Contract Liabilities.* Under the new guidance, the acquirer should determine what contract assets and/or contract liabilities it would have recorded under ASC 606 as of the acquisition date, as if the acquirer had entered into the original contract at the same date and on the same terms as the acquiree. The recognition and measurement of those contract assets and contract liabilities will likely be comparable to what the acquiree has recorded on its books under ASC 606 as of the acquisition date. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted, including in an interim period, for any period for which financial statements have not yet been issued. However, adoption in an interim period other than the first fiscal quarter requires an entity to apply the new guidance to all prior business combinations that have occurred since the beginning of the annual period in which the new guidance is adopted. The Company does not anticipate this amendment to have a significant impact on the consolidated financial statements.

In November 2021, the FASB issued ASU No. 2021-10 *Government Assistance (Topic 832), Disclosures by Business Entities About Government Assistance*, which requires entities to provide disclosures on material government assistance transactions for annual reporting periods. The disclosures include information around the nature of the assistance, the related accounting policies used to account for government assistance, the effect of government assistance on the entity's financial statements, and any significant terms and conditions of the agreements, including commitments and contingencies. The new standard was effective for the Company on January 1, 2022 and only impacts annual financial statement footnote disclosures. The adoption did not have a material effect on our consolidated financial statements.

Note 2 – Earnings per Share

Basic earnings per share is calculated by dividing net earnings attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is calculated similarly but includes potential dilution from the exercise of stock options and stock awards, except when the effect would be anti-dilutive. Earnings per share are computed using the "treasury stock method."

	Twelve Months Ended December 31,		
	2023	**2022**	**2021**
Earnings (numerator)			
Net income attributable to common stockholders	$ 227,182	$ 331,283	$ 228,763
Shares (denominator)			
Weighted average common shares outstanding (basic)	45,803	45,330	44,772
Dilutive effect of stock options and stock awards outstanding	508	706	1,009
Adjusted weighted average common shares outstanding (diluted)	46,311	46,036	45,781
Earnings per share attributable to common stockholders			
Basic	$ 4.96	$ 7.31	$ 5.11
Diluted	$ 4.91	$ 7.20	$ 5.00
Stock options and stock awards excluded from EPS calculation because their inclusion would be anti-dilutive	138	82	1

Note 3 – Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

We use valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. These two types of inputs create a three-tier fair value hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example, interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs - Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

As of December 31, 2023, we had short-term and long-term investments. Long-term investments are included with Other long-term assets on the consolidated balance sheet. Trading securities held at December 31, 2023, were purchased on the open market and unrealized gains and losses are included in Other income (expense). The trading securities are valued under the fair value hierarchy using Level 1 Inputs. Short-term investments consist of investments such as time deposits, which are highly liquid with maturity dates greater than three months at the date of purchase. Generally, we can access these short-term investments in a relatively short amount of time but in doing so we generally forfeit a portion of earned and future interest income. Long-term investments consist of certain equity securities acquired as part of the LSC acquisition. Deferred compensation investments consist primarily of life insurance policies, but may also include investments in the Company's stock, mutual funds and cash. See Note 13 for additional information related to our deferred compensation program and Note 18 for additional information related to our interest rate swaps and foreign currency hedges. The short-term investments, long-term investments and deferred compensation investments are valued under the fair value hierarchy using Level 1 and Level 2 Inputs.

Financial assets and liabilities carried at fair value as of December 31, 2023, are classified in the following table:

Description	**Fair Market Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Changes in Fair Values Included in Current Period Earnings**
Short-term investments	$ 10,174	$ 10,174	$ -	$ -	$ -
Long-term investments	25,521	25,521	-	-	3,007
Cross-currency swap liability	6,936	-	6,936	-	-
Foreign-currency forward and collar liability	10,202	-	10,202	-	-
Deferred compensation investments	14,638	169	14,469	-	2,587

Financial assets and liabilities carried at fair value as of December 31, 2022 are classified in the following table:

Description	**Fair Market Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Changes in Fair Values Included in Current Period Earnings**
Short-term investments	$ 7,059	$ 7,059	$ -	$ -	$ -
Long-term investments	22,918	22,918	-	-	(20,386)
Cross-currency swap asset	1,427	-	1,427	-	-
Cross-currency swap liability	6,314	-	6,314	-	-
Deferred compensation investments	12,051	26	12,025	-	(3,048)

Certain financial assets and financial liabilities are measured at fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). We believe our long-term debt under our revolving credit facility approximates fair value and is valued under the fair value hierarchy using Level 2 Inputs. Financial assets and financial liabilities measured at fair value on a non-recurring basis were not significant at December 31, 2023 and 2022.

We also are responsible for a pension plan in the U.K. that holds investments carried at fair value. See Note 13 below for additional information related to these pension plan investments.

Note 4 – Inventories

Inventories, stated at the lower of cost or market value, at December 31 were:

	2023	2022
Finished goods	$ 129,802	$ 96,659
Work-in-progress	72,876	80,616
Raw materials	187,096	183,006
	$ 389,774	$ 360,281

Note 5 – Property, Plant and Equipment

Property, plant and equipment at December 31 were:

	2023	2022
Buildings and leasehold improvements	$ 340,488	$ 323,941
Machinery and equipment	1,201,400	1,137,737
	1,541,888	1,461,678
Less: Accumulated depreciation and amortization	(1,004,270)	(913,245)
	537,618	548,433
Construction in-progress	134,333	120,451
Land	74,218	67,846
	$ 746,169	$ 736,730

Depreciation and amortization of property, plant and equipment was $122.0 million, $112.1 million and $106.2 million for the twelve months ended December 31, 2023, 2022 and 2021, respectively.

Note 6 – Intangible Assets

Intangible assets at December 31 were as follows:

December 31, 2023					
Intangible Assets	**Useful life**	**Gross Carrying Amount**	**Accumulated Amortization**	**Currency Exchange**	**Net**
Amortized intangible assets					
Patents	5-15 years	$ 16,040	$ (15,699)	$ (245)	$ 96
Developed product technology	2-10 years	169,499	(122,788)	(6,192)	40,519
Customer relationships	7-12 years	62,465	(46,656)	(1,671)	14,138
Software license and other	3-4 years	2,743	(2,677)	(62)	4
Total amortized intangible assets		250,747	(187,820)	(8,170)	54,757
Intangible assets with indefinite lives					
In process research and development	Indefinite	-	-	-	-
Trademarks and trade names	Indefinite	10,303	-	(1,123)	9,180
Total Intangible assets with indefinite lives		10,303	-	(1,123)	9,180
Total intangible assets		$ 261,050	$ (187,820)	$ (9,293)	$ 63,937

December 31, 2022					
Intangible Assets	**Useful life**	**Gross Carrying Amount**	**Accumulated Amortization**	**Currency Exchange**	**Net**
Amortized intangible assets					
Patents	5-15 years	$ 16,040	$ (15,437)	$ (234)	$ 369
Developed product technology	2-10 years	169,499	(111,639)	(6,176)	51,684
Customer relationships	7-12 years	62,465	(42,784)	(1,672)	18,009
Software license and other	3-4 years	2,743	(2,677)	(59)	7
Total amortized intangible assets		250,747	(172,537)	(8,141)	70,069
Intangible assets with indefinite lives					
In process research and development	Indefinite	-	-	-	-
Trademarks and trade names	Indefinite	10,303	-	(1,235)	9,068
Total Intangible assets with indefinite lives		10,303	-	(1,235)	9,068
Total intangible assets		$ 261,050	$ (172,537)	$ (9,376)	$ 79,137

Amortization expense related to intangible assets subject to amortization was $15.3 million, $15.6 million and $16.2 million for the twelve months ended December 31, 2023, 2022 and 2021, respectively. In process research and development is transferred to amortized intangible assets at the time the product becomes viable.

The weighted amortization period for intangible assets subject to amortization is 9.9 years. The schedule below sets future amortization expense of our currently owned intangible assets:

2024	$ 14,899
2025	13,904
2026	12,340
2027	11,348
2028	878
2029 and thereafter	1,388
Total	$ 54,757

Note 7 – Goodwill

Changes in goodwill for the twelve months ended December 31, were as follows:

Balance at December 31, 2021	$ 149,890
Acquisitions	1,818
Foreign currency translation adjustment	(6,951)
Balance at December 31, 2022	144,757
Foreign currency translation adjustment	1,801
Balance at December 31, 2023	$ 146,558

Note 8 – Bank Credit Agreements and Other Short-term and Long-term Debt

Short-term debt

Our Asia subsidiaries maintain credit facilities with several financial institutions through our foreign entities worldwide totaling $147.9 million. Other than two Taiwanese credit facilities that are collateralized by assets, our foreign credit lines are unsecured, uncommitted and contain no restrictive covenants. These credit facilities bear interest at the Taipei Interbank Offered Rate (or similar indices plus a specified margin. Interest payments are due monthly on outstanding amounts under the credit lines. The unused and available credit under the various facilities as of December 31, 2023, was approximately $106.8 million, net of $40.7 million advanced under our foreign credit lines and $0.4 million credit used for import and export guarantee.

Long-term debt

On May 26, 2023, the Company, Diodes Holdings UK Limited (the “Foreign Borrower” and, collectively with the Company, the “Borrowers”), and certain subsidiaries of the Company as guarantors, entered into a Third Amended and Restated Credit Agreement (the “Credit Agreement”) that amended and restated that certain Second Amended and Restated Credit Agreement dated as of May 29, 2020 (as amended, modified and/or supplemented from time to time prior to the date of the Credit Agreement, the “Existing Credit Agreement”). Certain capitalized terms used in this description of the Credit Agreement have the meanings given to them in the Credit Agreement, which is attached as Exhibit 10.1 to our Current Report on Form 8-K that we filed with the SEC on June 2, 2023.

The Existing Credit Agreement consisted of a term loan with no outstanding balance as of the date of the Credit Agreement and a $225.0 million revolving senior credit facility with nothing drawn as of the date of the Credit Agreement.

The Credit Agreement, which represented a complete amendment and restatement of the Existing Credit Agreement, consists of a Revolving Credit Facility in the amount of $225.0 million, including a swing line sublimit equal to the lesser of $50.0 million and the Revolving Credit Facility, a letter of credit sublimit equal to the lesser of $100.0 million and the Revolving Credit Facility, and an alternative currency sublimit equal to the lesser of $40.0 million and the Revolving Credit Facility. The Borrowers have the option to increase the Revolving Facility and/or incur Incremental Term Loans in an aggregate principal amount of up to $350.0 million. The Revolving Credit Facility bears interest at Term SOFR or similar other indices plus a specified margin. The Credit Agreement contains certain financial and non-financial covenants, including, but not limited to, a maximum Consolidated Leverage Ratio, a minimum Consolidated Interest Coverage Ratio, and restrictions on liens, indebtedness, investments, fundamental changes, dispositions, and restricted payments (including dividends and share repurchases). The Company is permitted to pay dividends up to $75.0 million per fiscal year to our stockholders so long as we have not defaulted at the time of such dividend and no default would result from declaring and paying such dividend. Furthermore, under the Credit Agreement, restricted payments, including dividends and share repurchases, are permitted in certain circumstances, including while the pro forma Consolidated Leverage Ratio is, both before and after giving effect to any such restricted payment, at least 0.25 to 1.00 less than the maximum permitted under the Credit Agreement.

The Revolving Credit Facility matures on May 26, 2028. The Company used a portion of the proceeds available under the Credit Agreement (i) to refinance certain existing indebtedness of the Borrowers and their subsidiaries under the Existing Credit Agreement and (ii) for working capital, capital expenditures, and other general corporate purposes, including, without limitation, financing permitted acquisitions.

Borrowings outstanding as of December 31, 2023 and December 31, 2022, are set forth in the table below:

	December 31,			
Description	**2023**	**2022**	**Interest Rate**	**Current Amount Maturity**
Short-term debt	$ 40,685	$ 36,280	Various indices plus margin	Various during 2024
Long-term debt				
Notes payable to Bank of Taiwan	1,880	2,063	2-yr deposit rate floating plus 0.1148%	June 2033
Notes payable to Bank of Taiwan	1,626	1,628	2-yr deposit rate floating plus 0.082%	September 2025
Notes payable to CTBC Bank	3,252	3,256	TAIBOR 3M plus 0.5%	December 2024
Notes payable to CTBC Bank	13,098	13,840	TAIBOR 3M plus 0.5%	May 2028
Notes payable to E Sun Bank	217	275	1-M deposit rate floating plus 0.08%	July 2027
Notes payable to E Sun Bank	1,325	1,516	1-M deposit rate floating plus 0.08%	July 2027
Notes payable to E Sun Bank	-	3,256	1-M deposit rate floating plus 0.08%	December 2024
Notes payable to HSBC	-	105,000	1M SOFR+Margin	January 2025
Notes payable to HSBC	-	18,558	1M SOFR+Margin	January 2025
Notes Payable to E Sun Bank	-	166	2-yr deposit rate plus annual rate floating	September 2023
Notes Payable to Taishin International Bank	-	43	Annual rate plus cost of capital	April 2023
Notes Payable to Taishin International Bank	-	11	Fixed annual rate	April 2023
Notes Payable to Taishin International Bank	-	217	Fixed annual rate	April 2024
Notes payable to Chang Hwa Bank	-	518	2-yr deposit rate floating plus 1.405% - 1.655%	June-July 2026
Total long-term debt	21,398	150,348		
Less: Current portion of long-term debt	(4,419)	(1,693)		
Less: Unamortized debt-issuance costs	-	(1,185)		
Total long-term debt, net of current portion	$ 16,979	$ 147,470		

The table below sets forth the annual contractual maturities of long-term debt at December 31, 2023:

2024	$ 4,419
2025	2,799
2026	1,178
2027	1,159
2028	10,587
2029 and thereafter	1,256
Total long-term debt	$ 21,398

Note 9 – Leases

The Company leases certain assets used in its business, including land, buildings and equipment. These leased assets are used for operational and administrative purposes.

The table below sets forth the components of lease expense for the twelve months ended December 31:

	2023	2022	2021
Operating lease expense	$ 13,066	$ 13,275	$ 16,533
Finance lease expense:			
Amortization of assets	32	17	221
Interest on lease liabilities	3	1	1
Short-term lease expense	1,899	975	954
Variable lease expense	4,350	3,561	4,853
Total lease expense	$ 19,350	$ 17,829	$ 22,562

The table below sets forth supplemental balance sheet information related to leases as of December 31:

	2023	2022
Operating leases:		
Operating lease ROU assets	$ 50,833	$ 43,907
Current operating lease liabilities	8,840	7,390
Noncurrent operating lease liabilities	27,289	20,765
Total operating lease liabilities	$ 36,129	$ 28,155
Finance leases:		
Finance lease ROU assets	$ 2,717	$ 2,618
Accumulated amortization	(2,573)	(2,542)
Finance lease ROU assets, net	$ 144	$ 76
Current finance lease liabilities	$ 52	$ 30
Non-current finance lease liabilities	94	46
Total finance lease liabilities	$ 146	$ 76
Weighted average remaining lease term (in years):		
Operating leases	7.8	8.2
Finance leases	3.6	2.6
Weighted average discount rate:		
Operating leases	4.1%	4.2%
Finance leases	3.6%	3.6%

The table below sets forth supplemental cash flow and other information related to leases for the twelve months ended December 31:

	2023	2022	2021
Cash paid for the amounts included in the measurements of lease liabilities:			
Operating cash outflows from operating leases	$ 18,609	$ 17,788	$ 24,040
Operating cash outflows from finance leases	3	1	1
Financing cash outflow from finance leases	115	69	291
ROU assets obtained in exchange for lease liabilities incurred:			
Operating leases	14,251	8,384	13,038

The table below sets forth information about lease liability maturities:

	December 31,	
	Operating Leases	Finance Leases
2024	$ 10,099	$ 57
2025	8,538	41
2026	6,579	21
2027	3,985	19
2028	1,912	18
2029	1,446	-
2030 and thereafter	10,275	-
Total lease payments	42,834	156
Less: imputed interest	(6,705)	(10)
Total lease obligations	36,129	146
Less: current obligations	(8,840)	(52)
Long-term lease obligations	$ 27,289	$ 94

Note 10 – Accrued Liabilities and Other Long-Term Liabilities

Accrued liabilities and other current liabilities at December 31 were:

	2023	2022
Accrued expenses	$ 60,102	$ 66,192
Compensation and payroll taxes	64,000	82,349
Equipment purchases	14,602	30,486
Operating lease	8,840	7,390
Finance lease	52	30
Accrued pricing adjustments	26,423	18,777
Accrued professional services	2,300	2,825
Tax payable - non-income tax related	3,218	3,034
Other	137	3,350
	$ 179,674	$ 214,433

Other long-term liabilities at December 31 were:

	2023	2022
Accrued defined benefit plan	$ 14,656	$ 12,134
Operating lease	27,289	20,765
Finance lease	94	46
Deferred grants and subsidy	9,103	9,967
Deferred compensation	18,392	16,009
Tax contingencies	8,787	8,787
Other	21,487	13,188
	$ 99,808	$ 80,896

Note 11 – Dividends

We have never declared or paid cash dividends on our Common Stock. The Credit Facility permits us to pay dividends up to $75.0 million per fiscal year to its stockholders so long as we have not defaulted under the Credit Agreement at the time of such dividend and no default would result from declaring or paying such dividend. The payment of dividends is within the discretion of our Board of Directors. See Note 8 for additional information regarding our credit agreements.

Note 12 – Income Taxes

The table below sets forth our income before taxes for the twelve months ended December 31:

Income before income taxes	2023	2022	2021
U.S.	$ 172,781	$ 221,288	$ 122,127
Foreign	105,152	174,652	192,968
Total	$ 277,933	$ 395,940	$ 315,095

The table below sets forth the components of our income tax provision (benefit) for the twelve months ended December 31:

	2023	2022	2021
Current tax provision			
Federal	$ 27,028	$ 46,368	$ 15,691
Foreign	34,408	37,598	25,489
State	54	56	(17)
	61,490	84,022	41,163
Deferred tax provision (benefit)			
Federal	(8,273)	(6,486)	(1,116)
Foreign	(10,463)	(25,537)	31,222
State	(5)	(8)	-
	(18,741)	(32,031)	30,106
Liability for unrecognized tax benefits	4,536	4,694	7,538
Total income tax provision	$ 47,285	$ 56,685	$ 78,807

Effective Tax Rate Reconciliation

The table below sets forth a reconciliation between the effective tax rate and the statutory tax rates for the twelve months ended December 31:

	2023		2022		2021	
	Amount	Percent of pretax earnings*	Amount	Percent of pretax earnings*	Amount	Percent of pretax earnings*
Federal tax	$ 58,366	21.0	$ 83,147	21.0	$ 66,170	21.0
State income taxes, net of federal tax provision	49	-	33	-	(474)	(0.2)
Foreign income taxed at different tax rates	834	0.3	(6,527)	(1.6)	(2,018)	(0.6)
U.S. tax impact of foreign operations	(14,778)	(5.3)	(7,369)	(1.9)	(17,375)	(5.5)
Foreign withholding taxes	5,751	2.1	(12,441)	(3.1)	33,175	10.5
Research and development	(5,497)	(2.0)	(5,865)	(1.5)	(6,310)	(2.0)
Liability for unrecognized tax benefits	4,536	1.6	4,694	1.2	7,538	2.4
Valuation allowance	2,109	0.8	(1,986)	(0.5)	(1,068)	(0.3)
Employee stock-based compensation	627	0.2	1,784	0.4	(812)	(0.3)
Other	(4,712)	(1.7)	1,215	0.3	(19)	-
Income tax provision	$ 47,285	17.0	$ 56,685	14.3	$ 78,807	25.0

* *The sum of the amounts in the table may not equal to the effective tax rate due to rounding.*

Uncertain Tax Positions

In accordance with the provisions related to accounting for uncertainty in income taxes, we recognize the benefit of a tax position if the position is "more likely than not" to prevail upon examination by the relevant tax authority. The table below sets forth a reconciliation of the beginning and ending amount of unrecognized tax benefits:

	2023	2022	2021
Balance at January 1,	$ 48,072	$ 43,378	$ 42,466
Additions based on tax positions related to the current year	11,370	10,022	9,244
Additions for prior year tax positions	110	75	138
Reductions for prior year tax positions	(10,714)	(5,403)	(8,470)
Balance at December 31,	$ 48,838	$ 48,072	$ 43,378

If the $48.8 million of unrecognized tax benefits as of December 31, 2023, is recognized, approximately $46.7 million would affect the effective tax rate. It is reasonably possible that the amount of the unrecognized benefit with respect to certain of our unrecognized tax positions will significantly increase or decrease within the next 12 months. These changes may be the result of settlements of ongoing audits or competent authority proceedings. At this time, an estimate of the range of the reasonably possible outcomes cannot be made.

We file income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions. We are no longer subject to U.S. federal income tax examinations by tax authorities for tax years before 2012. We are no longer subject to China income tax examinations by tax authorities for tax years before 2013. With respect to state and local jurisdictions and countries outside of the U.S., with limited exceptions, we are no longer subject to income tax audits for years before 2017. Although the outcome of tax audits is always uncertain, we believe that adequate amounts of tax, interest and penalties, if any, have been provided for in our reserve for any adjustments that may result from future tax audits. We recognize accrued interest and penalties, if any, related to unrecognized tax benefits in interest expense. We had an immaterial amount of accrued interest and penalties at December 31, 2023, 2022 and 2021.

Deferred Taxes

The table below sets forth our deferred tax assets and liabilities as of December 31:

	2023	2022
Deferred tax assets		
Inventory cost	$ 32,682	$ 30,322
Accrued expenses and accounts receivable	6,120	6,931
Research and development tax credits	9,613	9,613
Net operating loss carryforwards	43,616	52,599
Lease obligations	3,042	3,845
Accrued pension	3,164	2,500
Share based compensation and others	21,754	20,088
	119,991	125,898
Valuation allowances	(25,836)	(42,405)
Total deferred tax assets, non-current	94,155	83,493
Deferred tax liabilities		
Plant, equipment and intangible assets	(8,003)	(6,595)
Right of use assets	(6,358)	(3,883)
Outside basis differences and others	(28,989)	(36,114)
Total deferred tax liabilities, non-current	(43,350)	(46,592)
Net deferred tax assets	$ 50,805	$ 36,901

ASU No. 2013-11 provides that an entity is required to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The $38.0 million net deferred tax asset presented in the balance sheet as of December 31, 2023, is net of $12.8 million of unrecognized tax benefits. The $50.8 million and $36.9 million net deferred tax asset presented above for December 31, 2023 and 2022, respectively, is prior to the net balance sheet presentation required by ASU 2013-11.

At December 31, 2023, we had no federal research credit carryforward and approximately $9.6 million of state tax credit and research credit carryforwards, which are available to offset future income tax liabilities. The state tax credit carryforwards will began expiring in 2023. Consistent with prior years, we determined that it is more likely than not that our state research credit carryforwards will expire before they are utilized. The valuation allowances recorded against the related deferred tax assets totaled $8.6 million as of December 31, 2023 and 2022.

At December 31, 2023, we had state net operating loss (“NOL”) carryforwards of approximately $1.2 million, and foreign NOL carryforwards of $222.7 million which are available to offset future taxable income. The state NOL carryforward began to expire in 2022. We determined that it is more likely than not that the state NOL carryforwards will expire before they are fully utilized and recorded a full valuation allowance on the related deferred tax assets. The foreign NOL carryforwards will began expiring in 2022. We determined that it is more likely than not that a portion of the foreign NOL carryforwards will expire before they are fully utilized. The valuation allowances recorded against the related deferred tax assets totaled $16.7 million and $33.8 million as of December 31, 2023 and 2022, respectively.

Supplemental Information

Our undistributed foreign earnings continue to be indefinitely reinvested in foreign operations, with limited exceptions related to earnings of European and Asian subsidiaries. As of December 31, 2023, we had undistributed earnings from non-U.S. operations of approximately $1.3 billion (including approximately $95.7 million of restricted earnings, which are not available for dividends). Undistributed earnings of our China subsidiaries comprise $511.4 million of this total. Additional Chinese withholding taxes of approximately $52.0 million would be required should the $511.4 million of such earnings be distributed out of China as dividends.

The impact of tax holidays decreased our tax expense by approximately $0.7 million, $0.2 million and ($0.2) million for the twelve months ended December 31, 2023, 2022 and 2021, respectively. The benefit of the tax holidays on basic and diluted earnings per share was $0.02, $0.00 and $0.00 for the twelve months ended December 31, 2023, 2022 and 2021, respectively.

Note 13 – Employee Benefit Plans

Defined Benefit Plan

We have a contributory defined benefit plan that covers certain employees in the U.K. The defined benefit plan is closed to new entrants and frozen with respect to future benefit accruals. The retirement benefit is based on the final average compensation and service of each eligible employee. We determined the fair value of the defined benefit plan assets and utilize an annual measurement date of December 31. At subsequent measurement dates, defined benefit plan assets will be determined based on fair value. Defined benefit plan assets consist of a diverse range of listed and unlisted securities including corporate bonds and mutual funds and are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The net pension and supplemental retirement benefit obligations and the related periodic costs are based on, among other things, assumptions of the discount rate, estimated return on plan assets and mortality rates. These obligations and related periodic costs are measured using actuarial techniques and assumptions. The projected unit credit method is the actuarial cost method used to compute the pension liabilities and related expenses. All unrecognized actuarial gains and losses, prior service costs and accumulated other comprehensive income are eliminated and the balance sheet liability is set equal to the funded status of the defined benefit plan at acquisition date.

The table below sets forth net periodic benefit costs of the plan for the twelve months ended December 31:

	Defined Benefit Plan	
	2023	**2022**
Components of net periodic benefit cost:		
Service cost	$ 373	$ 245
Interest cost	4,687	2,834
Recognized actuarial gain	3,082	2,211
Expected return on plan assets	(5,686)	(7,405)
Prior service cost	65	64
Net periodic benefit cost	$ 2,521	$ (2,051)

The table below sets forth the benefit obligation, the fair value of plan assets, and the funded status as of December 31:

	Defined Benefit Plan	
	2023	**2022**
Change in benefit obligation:		
Beginning balance	$ 98,797	$ 166,764
Service cost	373	245
Interest cost	4,687	2,834
Actuarial loss (gain)	3,441	(48,234)
Benefits paid	(4,918)	(4,710)
Settlements	-	(1,052)
Currency changes	5,728	(17,050)
Benefit obligation at December 31	$ 108,108	$ 98,797
Change in plan assets:		
Beginning balance - fair value	$ 91,307	$ 155,029
Employer contribution	2,863	2,697
Actual return on plan assets	3,515	(44,637)
Benefits paid	(4,918)	(4,710)
Settlements	-	(1,230)
Currency changes	5,249	(15,842)
Fair value of plan assets at December 31	$ 98,016	$ 91,307
Underfunded status at December 31	$ (10,092)	$ (7,490)

Based on an actuarial study performed as of December 31, 2023, the plan was underfunded by approximately $10.1 million and the liability is reflected in our consolidated balance sheets as a noncurrent liability and the amount recognized in accumulated other comprehensive loss was approximately $42.8 million.

We apply the “10% corridor” approach to amortize unrecognized actuarial gains (losses). Under this approach, only actuarial gains (losses) that exceed 10% of the greater of the projected benefit obligation or the market-related value of the plan assets are amortized. For the twelve months ended December 31, 2023, the plan’s accumulated other comprehensive income increased by approximately $2.4 million. The variance between the actual and expected return on plan assets during the period increased the accumulated other comprehensive income by $2.2 million. The total unrecognized net loss is more than 10% of the projected benefit obligation and 10% of the plan assets. Therefore, the excess amount will be amortized over the average term to retirement of plan participants, not yet in receipt of pension, which as of December 31, 2023, was approximately 7.5 years. The following weighted-average assumptions were used to determine net periodic benefit costs for the twelve months ended December 31:

	2023	2022
Discount rate	4.7%	4.7%
Expected long-term return on plan assets	6.1%	6.1%

The following weighted-average assumption was used to determine the benefit obligations at December 31:

	2023	2022
Discount rate	4.4%	4.7%

The expected long-term return on plan assets was determined based on historical and expected future returns of the various asset classes. The plan's investment policy includes a mandate to diversify assets and invest in a variety of asset classes to achieve its expected long-term return and is currently invested in a variety of funds representing most standard equity and debt security classes. Trustees of the plan may make changes at any time.

The table below sets forth the plan asset allocations of the assets in the plan and expected long-term return by asset category:

Asset category	Expected long-term return	Asset allocation
Growth assets	7.5%	50%
Hedging assets	4.1%	35%
Cash	5.3%	15%

The defined benefit plan's investment strategy is to invest 65% in growth strategy assets and 35% in hedging strategy assets. The growth strategy consists of a highly diversified set of assets, and the hedging component is designed to hedge a significant proportion of the plan's interest and inflation rate risks. The overall strategy is designed to return a long-term return of 2.6% p.a. above the liability benchmark which is broadly equal to changes in the plan's liabilities.

Benefit plan payments are primarily made from funded benefit plan trusts and current assets. The table below sets forth the expected future benefit payments, including future benefit accrual, as of December 31, 2023:

2024	$	5,310
2025		5,391
2026		5,516
2027		5,658
2028		5,810
2029-2033		30,288

The trustees are required to review the funding position every three years. An actuarial valuation was performed as of March 31, 2022, resulting in a deficit of approximately GBP 20 million (approximately $26 million based on a GBP: USD exchange rate of 1:1.3). As a result of this valuation we have agreed to a revised schedule of contributions of GBP 2.0 million (approximately $2.6 million based on a GBP: USD exchange rate of 1:1.3) to be paid annually with effect from January 1, 2023 to address the deficit revealed by the valuation (with the first payment made by December 31, 2023 through December 31, 2028). A final payment of GBP 1.5 million (approximately $1.95 million based on a GBP: USD rate of 1:1.3) will be made by December 31, 2029. These contributions, together with the assumed asset outperformance, are expected to eliminate the deficit by December 31, 2029.

The plan's trustees appoint fund managers to carry out all the day-to-day functions relating to the management of the fund and its administration. The fund managers must invest their portion of the plan's assets in accordance with their investment manager agreement agreed by the trustees. The trustees are responsible for agreeing these investment manager agreements and for deciding on the portion of the plan's assets that will be invested with each fund manager. When making decisions, the trustees take advice from experts including the plan's actuary and also have the option to consult with the Company.

The following table summarizes the major categories of the plan assets:

	December 31, 2023							
Asset category	**Level 1**		**Level 2**		**Level 3**		**Total**	
Cash and cash equivalents	$	8,961	$	-	$	-	$	8,961
Equity securities:								
U.K.		-		534		-		534
Overseas equities		-		12,424		-		12,424
Emerging markets		-		3,296		-		3,296
Fixed income securities:								
Government bonds		-		87		-		87
Non-government bonds		-		12,860		-		12,860
Other types of investments								
Hedge funds		-		18,898		-		18,898
Liability-driven investments		-		34,681		-		34,681
Commodities		-		676		-		676
Other		-		5,599		-		5,599
Total	$	8,961	$	89,055	$	-	$	98,016

Fair value is taken to mean the bid value of securities, as supplied by the fund managers. All the plan's securities are highly liquid. The plan does not hold any Level 3 securities. See Note 3 for additional information regarding fair value and Levels 1, 2 and 3.

The investment manager agreements require the fund managers to invest in a diverse range of stocks and bonds across each particular asset class. The stocks held by the plan in a particular asset class should therefore match closely the underlying stocks in the relevant index. We believe that this leads to minimal concentration of risk within each asset class; although we recognize that some asset classes are inherently more risky than others.

We also have pension plans in Asia for which the benefit obligation, fair value of the plan assets and the funded status amounts are immaterial and therefore, not included in the amounts or assumptions above. As of December 31, 2023 and 2022, the Company has recorded a net liability of $3.2 million related to these defined benefit plans in Asia.

401(k) Retirement Plan

We maintain a 401(k) retirement plan (the "Plan") for the benefit of qualified employees at our U.S. locations. Employees who participate may elect to make salary deferral contributions to the Plan up to 100% of the employees' eligible payroll subject to annual Internal Revenue Code maximum limitations. We currently make a matching contribution of $1 for every $2 contributed by the participant up to 6% (3% maximum matching) of the participant's eligible payroll, which vests over an initial four years. In addition, we may make a discretionary contribution to the entire qualified employee pool, in accordance with the Plan.

As stipulated by the regulations of China, we maintain a retirement plan pursuant to the local municipal government for the employees in China and are required to make contributions of 8% of the employee's eligible payroll. Pursuant to the Taiwan Labor Standard Law and Factory Law, we maintain a retirement plan for the employees in Taiwan, whereby we make contributions at a rate of 8% of the employee's eligible payroll.

For the twelve months ended December 31, 2023, 2022 and 2021, total amounts expensed under these plans were approximately $22.3 million, $21.5 million and $21.7 million, respectively.

Deferred Compensation Plan

We maintain a Non-Qualified Deferred Compensation Plan (the "Deferred Compensation Plan") for executive officers, key employees and members of the Board of Directors. The Deferred Compensation Plan allows eligible participants to defer the receipt of eligible compensation, including equity awards, until designated future dates. We offset our obligations under the Deferred Compensation Plan primarily by investing in the actual underlying investments. At December 31, 2023 and December 31, 2022, these investments totaled approximately $14.6 million and $12.1 million, respectively.

Note 14 – Share-Based Compensation

In May 2022, our stockholders approved our 2022 Equity Incentive Plan ("2022 Plan"). Since the approval of the 2022 Plan, all share-based compensation awards have been granted under and will continue to be granted under the 2022 Plan, no additional share-based awards will be granted under any previous plan. The number of shares authorized to be awarded under the 2022 Plan is 7.0 million shares.

The table below sets forth the line items where share-based compensation expense was recorded for the twelve months ended December 31:

	2023	2022	2021
Cost of goods sold	$ 1,860	$ 1,630	$ 1,321
Selling, general and administrative expense	24,470	30,295	28,188
Research and development expense	4,581	4,362	3,696
Total share-based compensation expense	$ 30,911	$ 36,287	$ 33,205

The table below sets forth share-based compensation expense by type for the twelve months ended December 31:

	2023	2022	2021
Share grants	30,894	36,251	33,132
Stock options	17	36	73
Total share-based compensation expense	$ 30,911	$ 36,287	$ 33,205

Share Grants – Restricted stock awards and restricted stock units generally vest in equal annual installments over a four-year period. Restricted stock grants are measured based on the fair market value of the underlying stock on the date of grant and compensation expense is recognized on a straight-line basis over the requisite four-year service period.

Performance stock units ("PSUs") are measured based on the fair market value of the underlying stock on the date of grant and compensation expense is recognized over the three-year performance period, with adjustments made to the expense to recognize the probable payout percentage. PSUs will vest upon the Company achieving a cumulative 3-year non-GAAP operating income target for the applicable periods.

The table below sets forth a summary of our non-vested share grants in 2023, 2022 and 2021:

Restricted Stock Grants	Shares	Weighted Average Grant Date Fair Value ($)	Aggregate Intrinsic Value
Nonvested at December 31, 2021	1,402	54.94	
Granted	535	69.87	
Vested	(614)	45.96	$ 46,633
Forfeited and other	(55)	61.87	
Nonvested at December 31, 2022	1,269	65.29	$ 96,634
Granted	645	84.87	
Vested	(643)	54.20	$ 59,701
Forfeited and other	(48)	73.33	
Nonvested at December 31, 2023	1,223	81.02	$ 98,493

The total unrecognized share-based compensation expense as of December 31, 2023, was approximately $62.8 million, relating to share grants, which was expected to be recognized over a weighted average period of approximately 2.3 years.

Stock Options – All stock option expense is related to stock options granted by Savitech Corporation ("Savitech") in Savitech stock to their employees. We acquired a controlling interest in Savitech in 2020. Total cash received from option exercises was approximately $0.0 million, $0.1 million and $4.3 million during 2023, 2022 and 2021, respectively.

At December 31, 2023, there was no unrecognized compensation expense related to unvested options.

The table below sets forth a summary of activity in our stock option plan:

Stock Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding and exercisable at December 31, 2021	5	27.92	0.4	$ 409
Exercised during 2022	(5)	27.92	0.4	$ 409
Outstanding and exercisable at December 31, 2022 and 2023, respectively	-			

Note 15 – Related Party Transactions

We conduct business with the following related parties: Keylink International (B.V.I.) Inc. and its subsidiaries and affiliates (“Keylink”), Nuvoton Technology Corporation (“Nuvoton”), Jiyuan Crystal Photoelectric Frequency Technology Ltd. (“JCP”) and Atlas Magnetics, Co ("Atlas").

Keylink is a 5% joint venture partner in our Shanghai assembly and test facilities. We sell products to, and purchase inventory from, companies owned by Keylink. In addition, our subsidiaries in China lease their manufacturing facilities in Shanghai from, and subcontract a portion of our manufacturing process (metal plating and environmental services) to Keylink. We also pay a consulting fee to Keylink.

Warren Chen, a member of the Company's board of directors serves as a member of the Nuvoton board of directors. We purchase wafers from Nuvoton for use in our production process and consider our relationships Nuvoton to be mutually beneficial, and plan to continue our strategic alliance with Nuvoton. We have an agreement to purchase approximately $18.1 million of wafers from Nuvoton that ends in the fourth quarter of 2025.

JCP is an FCP manufacturing company from which we purchase material and in which we have made an equity investment. We account for using the equity method of accounting.

Atlas is an early stage privately held fabless wafer design company in which the Company holds a majority interest. The Company determined that Atlas is a VIE and the Company does not have the power to direct the activities that most significantly impact Atlas. The Company has therefore determined that the Company is not the primary beneficiary. For additional information related to Atlas see Note 19 - Equity Investments - *Variable Interest Entities*, below.

The tables below set forth the revenues, expenses, accounts receivable and accounts payable with our related parties. The tables below set forth the net sales, purchases and expenses, for the twelve months ended December 31:

		2023		2022		2021
Keylink						
Net sales	$	12,595	$	19,998	$	19,689
Purchases	$	1,535	$	1,949	$	2,015
Plating, rental and consulting expense	$	16,916	$	18,176	$	17,922
Nuvoton						
Net sales	$	49	$	149	$	65
Purchases	$	10,454	$	15,068	$	9,764
JCP						
Purchases	$	364	$	581	$	1,240
Atlas						
Purchases	$	177	$	-	$	-

The table below sets forth accounts receivable from and accounts payable to related parties at December 31:

		2023		2022
Keylink				
Accounts receivable	$	34,774	$	40,510
Accounts payable	$	33,882	$	33,733
Nuvoton				
Accounts receivable	$	26	$	30
Accounts payable	$	924	$	2,859
JCP				
Accounts payable	$	159	$	133
Atlas				
Accounts payable	$	133	$	-

The Audit Committee of the Board reviews all related party transactions for potential conflict of interest situations on an ongoing basis, all in accordance with such procedures as the Audit Committee may adopt from time to time.

Note 16 – Segment Information, Revenue and Enterprise-Wide Disclosures

Segment Reporting. For financial reporting purposes, we operate in a single segment, standard semiconductor products, through our various manufacturing and distribution facilities. We aggregate our products because the products are similar and have similar economic characteristics, use similar production processes and share the same customer type. Our primary operations include operations in Asia, North America and Europe. The accounting policies of the operating entities are the same as those described in the summary of significant accounting policies. During the twelve months ended December 31, 2023, two customers, both broad-based distributors serving thousands of customers, accounted for 10% or more of our net sales. During the twelve months ended December 31, 2022 one customer, a broad-based distributor serving thousands of customers, accounted for 10% or more or our net sales. During the twelve months ended December 31, 2021 no customer accounting for 10% or more of our net sales. At December 31, 2023, one of the customers that accounted for 10% or more of the Company's 2023 net sales also accounted for approximately 13.8% of our outstanding accounts receivable. No customer accounted for 10% or greater of our outstanding accounts receivable at December 31, 2022.

The tables below set forth net sales based on the location of the subsidiary producing the net sale:

2023	**Asia**	**Americas**	**Europe**	**Consolidated**
Total sales	$ 1,560,595	$ 1,210,561	$ 378,442	$ 3,149,598
Inter-company sales	(684,927)	(670,624)	(132,308)	(1,487,859)
Net sales	$ 875,668	$ 539,937	$ 246,134	$ 1,661,739
Property, plant and equipment	$ 545,865	$ 85,005	$ 115,299	$ 746,169
Assets	$ 1,600,858	$ 544,247	$ 222,554	$ 2,367,659

2022	**Asia**	**Americas**	**Europe**	**Consolidated**
Total sales	$ 1,891,855	$ 1,361,223	$ 358,930	$ 3,612,008
Inter-company sales	(769,630)	(722,872)	(118,926)	(1,611,428)
Net sales	$ 1,122,225	$ 638,351	$ 240,004	$ 2,000,580
Property, plant and equipment	$ 529,365	$ 95,584	$ 111,781	$ 736,730
Assets	$ 1,599,805	$ 440,014	$ 248,493	$ 2,288,312

2021	**Asia**	**Americas**	**Europe**	**Consolidated**
Total sales	$ 1,939,540	$ 1,108,460	$ 278,126	$ 3,326,126
Inter-company sales	(730,058)	(678,662)	(112,244)	(1,520,964)
Net sales	$ 1,209,482	$ 429,798	$ 165,882	$ 1,805,162
Property, plant and equipment	$ 456,109	$ 22,943	$ 103,026	$ 582,079
Assets	$ 1,547,518	$ 415,133	$ 231,844	$ 2,194,495

Disaggregation of Revenue. We disaggregate net sales from contracts with customers into direct sales and distribution sales ("Distributors") and by geographic area. Direct sales customers consist of those customers using our product in their manufacturing process, and Distributors are those customers who resell our products to third parties. We deliver our products to customers around the world for use in industrial, automotive, computing, communications and consumer applications. Further, most of our contracts are fixed-price arrangements, and are short term in nature, ranging from days to several months.

The tables below set forth net sales for the Company disaggregated into geographic locations based on shipment and by type (*direct sales or distributor*) for the twelve months ended December 31, 2023, 2022 and 2021:

Net Sales by Region	**2023**	**2022**	**2021**
Asia	$ 1,181,519	$ 1,480,191	$ 1,439,545
Europe	287,549	283,900	220,772
Americas	192,671	236,489	144,845
Total net sales	$ 1,661,739	$ 2,000,580	$ 1,805,162

Net Sales by Type	**2023**	**2022**	**2021**
Direct sales	$ 530,446	$ 590,173	$ 607,645
Distributor sales	1,131,293	1,410,407	1,197,517
Total net sales	$ 1,661,739	$ 2,000,580	$ 1,805,162

Net sales from products shipped to China for the twelve months ended December 31, 2023, 2022 and 2021, was $704.8 million $941.3 million and $938.1 million, respectively.

Note 17 – Commitments and Contingencies

Lease commitments – We lease offices, manufacturing plants, equipment, vehicles and warehouses under various lease agreements expiring through 2048. For information related to our lease commitments see Note 9.

In addition, we have the following land right leases.   None of the leases requires a rental payment.

	Term (years)	**Expiration Date**
Chengdu, China	50	2061
Shanghai, China*	50	2056
Shanghai, China*	50	2058
Shandong, China	50	2058
Yangzhou, China	50	2065

*Separate leases by separate Diodes' subsidiaries

Purchase commitments – We have entered into non-cancelable purchase contracts for capital expenditures, primarily for manufacturing equipment, for approximately $30.5 million at December 31, 2023. As of December 31, 2023, we also had a commitment to purchase approximately $44.1 million of wafers to be used in our manufacturing process. These wafer purchases are scheduled to occur through 2025.

Contingencies - From time to time, we are involved in various legal proceedings that arise in the normal course of business. While we intend to defend any lawsuit vigorously, we presently believe that the ultimate outcome of any current pending legal proceeding will not have any material adverse effect on our financial position, cash flows or operating results. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages, which could impact on our business and operating results for the period in which the ruling occurs or future periods. Based on information available, we evaluate the likelihood of potential outcomes. We record the appropriate liability when the amount is deemed probable and reasonably estimable. In addition, we do not accrue for estimated legal fees and other directly related costs as they are expensed as incurred. The Company is not currently a party to any pending litigation that the Company considers material.

Note 18 – Derivative Financial Instruments

We use derivative instruments to manage risks related to foreign currencies, interest rates and the net investment risk in our foreign subsidiaries. Our objectives for holding derivatives include reducing, eliminating, and efficiently managing the economic impact of these exposures as effectively as possible. Our derivative programs include strategies that both qualify and do not qualify for hedge accounting treatment.

Hedges of Foreign Currency Risk

We are exposed to fluctuations in various foreign currencies against our different functional currencies. We use foreign currency forward agreements to manage this exposure. We use foreign currency forward agreements to manage this exposure. At December 31, 2023 and December 31, 2022, we had $230.4 million and $183.1 million, respectively, of outstanding foreign currency forward agreements that are intended to preserve the economic value of foreign currency denominated monetary assets and liabilities; these instruments are not designated for hedge accounting treatment in accordance with Accounting Standards Codification ("ASC") No. 815.

Hedges of Interest Rate and Net Investment Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps, including interest rate collars, as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The Company makes use of cross currency swaps to decrease the foreign exchange risk inherent in the Company's investment in some of its foreign subsidiaries.

The table below sets forth the number of instruments and the notional amounts of the Company's cross currency swaps at December 31, 2023 and December 31, 2022:

	Number of Instruments		Notional Amount	
	2023	2022	2023	2022
Cross currency swaps	2	2	160,000	160,000

The table below sets forth the fair value of the Company's interest rate related derivative financial instruments as well as their classification on the Consolidated Balance Sheets as of December 31, 2023 and December 31, 2022:

	Fair Value			
	Other Assets		Other Liabilities	
	2023	2022	2023	2022
Cross currency swaps	$ -	$ 1,427	$ 6,936	$ 6,314
Foreign-currency forward contracts	-	-	10,202	-

The tables below sets forth the effect of the Company's derivative financial instruments on the Consolidated Statements of Income for the twelve months ended December 31 2023, 2022 and 2021:

Derivative Instruments Designated as Hedging Instruments	Amount of Gain or (Loss) Recognized in OCI on Derivative December 31, 2023	2022	2021	Location of Gain or (Loss) Reclassified from OCI into Accumulated Income	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Net Income December 31, 2023	2022	2021	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) December 31, 2023	2022	2021
Interest rate swaps and collars	$ -	$ -	$ (13)	Interest expense	$ -	$ -	$ (555)	N/A	$ -	$ -	$ -
Cross currency swaps	(1,442)	5,383	989	N/A	-	-	-	Interest income	1,653	2,308	2,469
Foreign-currency forward contracts	(10,202)	-	-	N/A	-	-	-	Interest income	4,304	-	-

Derivative Instruments Not Designated as Hedging Instruments	Amount of Gain or (Loss) Recognized in Net Income December 31, 2023	2022	2021	Location of Gain or (Loss) Recognized in Net Income
Foreign currency forward contracts	$ (5,364)	$ (21,188)	$ 3,925	Foreign currency loss, net

We estimate that none of the net derivative losses included in accumulated other comprehensive income ("AOCI") as of December 31, 2023, will be reclassified into earnings within the following 12 months. No gains or losses were reclassified from AOCI into earnings as a result of forecasted transactions that failed to occur during fiscal year 2023. As of December 31, 2023 and 2022, the Company had not posted any collateral related to these agreements.

Note 19 - Equity Investments

The Company maintains equity investments in companies which are accounted for under the measurement alternative described in ASC 321-10-35-2 for equity securities that lack readily determinable fair values. During the twelve months ended December 31, 2023 and 2022, the Company recognized upward adjustments in value of $15.3 million and $3.9 million, respectively, for a cumulative total of upward adjustments of $19.2 million on these investments. These adjustments were based on the valuation of additional equity issued by the investee which was deemed to be an observable transaction of a similar investment under ASC 321. The upward adjustments were recorded within other income, in the condensed consolidated statement of operations. The upward fair value adjustment represents a nonrecurring fair value measurement based on observable price changes.

Variable Interest Entities

The Company determines at the inception of each arrangement whether an entity in which it has made an investment or in which the Company has other variable interests is considered a variable interest entity ("VIE"). The Company consolidates VIEs when it is the primary beneficiary. The Company is the primary beneficiary of a VIE when it has the power to direct activities that most significantly affect the economic performance of the VIE and has the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. If the Company is not the primary beneficiary of a VIE, the Company accounts for the investment or other variable interests in a VIE in accordance with applicable GAAP. The Company will reassess whether they are the primary beneficiary at each reporting date.

Unconsolidated Variable Interest Entity

During July 2021, the Company acquired an interest in Atlas, an early stage privately held fabless wafer design company located in the western United States. The Company's initial investment in July 2021 was $10.0 million of preferred stock and a $5.0 million convertible promissory note. In April 2023, the Company acquired an additional interest in Atlas by purchasing $13.9 million of preferred stock. The primary purpose for providing the additional investment in Atlas was for continued access to developing technology with potential future benefit to the Company. As part of the April 2023 agreement, the Company's previously held convertible note converted to $5.2 million of preferred stock and at December 31, 2023, the Company owned more than 50% of Atlas. The Company determined that Atlas is a VIE and a related party. While the Company does own more that 50% of Atlas, according to the voting agreement governing the transaction, the Company does not have the power to control the board of directors or direct the activities that most significantly impact Atlas, including:

- The hiring and firing of officers (i.e., CEO, CFO, etc.) – The hiring and firing of personnel responsible for making the key daily decisions and implementing the strategic operating direction will determine the success the Company has in their initiatives, thereby affecting the economic performance;
- Determining the business plan and budget, including incurring additional indebtedness or issuing additional equity interests – As Atlas is thinly capitalized, the decisions around when and how to obtain cash will influence whether AM can continue operating; and
- Determining the strategic operating direction of Atlas – The decisions made around the significant operating direction of Atlas will significantly impact the overall performance of the Company by determining where and how Atlas limited capital is spent without having significant revenues to keep the Company operating.

As the Company is not the primary beneficiary of Atlas, the Company did not consolidate the assets and liabilities of Atlas in our financial statements and instead accounts for the investment under the measurement alternative described in ASC 321-10-35-2 using the available measurement alternative for equity securities that lack readily determinable fair value. As such, the Company's investment is measured at cost less impairment, and adjusted to fair value if there are any observable price changes for identical or similar investment of the same issuer.

As a result of acquiring additional equity interest in Atlas in May 2023, the Company recorded an upward adjustment of $15.3 million during the nine months ended December 31, 2023. Atlas is funded through debt and equity. The Company's maximum exposure to loss is limited to its investment in Atlas and notes receivable and accrued interest owed to the Company from Atlas.

The following is a summary of the Company's holdings in Atlas, a VIE, in which we are not the primary beneficiary:

	December 31,	
	2023	**2022**
Privately Held Wafer Design Company ("PWDC")		
VIE total assets	$ 26,445	$ 13,671
VIE total liabilities	4,532	6,625
Diodes' preferred equity in VIE	$ 44,420	$ 10,000
Diodes' note receivable from VIE	4,000	5,000
Diodes' interest receivable from VIE	45	222
Diodes' maximum exposure to loss	$ 48,465	$ 15,222

Note 20 – Acquisitions and Divestitures

Wafer Fabrication Plant in South Portland, Maine

On June 3, 2022, the Company completed the acquisition of onsemi's wafer fabrication facility and operations located in South Portland, Maine ("SPFAB"). SPFAB was purchased to provide additional 200mm wafer fabrication capacity for analog products to accelerate the Company's growth initiatives in the automotive and industrial end markets. This US-based facility, together with the Company's existing wafer fabrication facilities in Asia and Europe, will further enhance the Company's global manufacturing operations. The Company recorded the purchase of SPFAB as a business combination. Total consideration paid by the Company was $80.4 million and was funded by existing cash and advances under the revolving portion of our U.S. Credit Agreement. The SPFAB facility and assets were wholly acquired, and there is no remaining minority interest. The goodwill is assigned to the standard semiconductor products segment and will not be tax deductible. The Company also incurred acquisition costs of approximately $0.5 million that were recognized in selling, general and administrative expense. The table below sets forth the fair value of the assets and liabilities recorded in the SPFAB acquisition and the corresponding line item in which the item is recorded in our condensed consolidated balance sheet. Due to a lack of data we are unable to provide historical financial pro forma data.

Assets		
Spare parts and inventories	$	1,257
Prepaid expenses		257
Property, plant and equipment		77,825
Goodwill		1,069
Total assets purchased	$	80,408

Manufacturing Subsidiary Located in China

In December 2021, the Company closed a transaction to sell a manufacturing subsidiary in China for total consideration of approximately $41.5 million, which included a combination of cash and equity. The cash consideration consists of $15.2 million of agreed upon cash and a $23.3 million working capital adjustment while the equity is valued at $3.1 million, which increases the Company’s investment in the buyer to approximately 10%. The Company and the purchaser of the manufacturing facility have entered into an ongoing agreement in which the purchaser will continue to provide wafer -foundry services, on a preferential basis to the Company.

Management determined that the disposal group met the held-for-sale criteria and reclassified the carrying value of the disposal group to assets held-for-sale, which were previously included in prepaid expenses and other in the consolidated balance sheet. Upon closing of the transaction, Management derecognized the amounts previously classified as held-for-sale and recorded a gain on the sale of $9.5 million. The gain is recorded in other income in the Company's consolidated statement of income. Neither the buyer nor the manufacturing facility will be considered related parties after the transaction. The table below sets forth the major classes of assets and liabilities that were previously classified as held-for-sale on the consolidated balance sheet and the gain recognized in other income on the consolidated statement of income:

Assets		
Cash and cash equivalents	$	8,936
Accounts receivable, net		16,347
Inventories, net		5,415
Other current assets		1,387
Property, plant and equipment		5,598
Deferred income tax		3,198
Other long-term assets		4,807
Total assets disposed	$	45,688
Liabilities		
Accounts payable		5,025
Accrued liabilities and other		4,913
Other long-term liabilities		2,471
Total liabilities disposed		12,409
Net assets disposed	$	33,279

Other Investment

In August 2021, the Company entered into an agreement to make an investment in Taiwan. The Company's investment is $5.4 million for 60% ownership of a company and is being consolidated into our consolidated financial statements. The purpose of the investment is to engage in the development of power modules for the automotive markets. The investment received Taiwan government approval in October 2021, and the Company made the $5.4 million payment in October 2021.

Note 21 – Restructuring costs

During 2023, the Company began the process to consolidate certain activities performed at one of its foreign locations.

The table below sets forth the restructuring costs, recorded in restructuring expense in the condensed consolidated statements of operations, incurred during the twelve months ended December 31, 2023, 2022 and 2021:

	For the Twelve Months Ended December 31,		
	2023	2022	2021
Asset impairment	$ 200	$ -	$ -
Contract termination	207	-	-
Employee severance	1,139	-	-
Other	37	-	-
	$ 1,583	$ -	$ -

The table below sets forth the costs accrued related to the restructuring:

	Contract Termination	Employee Severance	Other	Total
Beginning balance, December 31, 2022	$ -	$ -	$ -	$ -
Costs accrued	207	1,139	245	1,592
Costs paid	-	(1,139)	(135)	(1,274)
Ending balance, December 31, 2023	$ 207	$ -	$ 110	$ 317

Note 22 - Subsequent Event

During January 2024, Diodes Hong Kong Limited, a company incorporated under the laws of Hong Kong and a subsidiary of the Company, entered into an amendment of its US Dollar revolving loan facility in an aggregate amount equal to $90.0 million (the "Facility"). The Facility was previously $105.0 million, with a maturity date of January 2025. In addition the changing the amount of the Facility, this amendment also changed the maturity date of January 2027. The Facility is governed by the laws of Hong Kong.

INDEX TO EXHIBITS

Number	Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
3.1	Certificate of Incorporation, as amended	10-K	February 20, 2018	3.1	
3.2	Amended By-laws of the Company, amended as of January 6, 2016	8-K	January 11, 2016	3.1	
4.1	Form of Certificate for Common Stock, par value $0.66-2/3 per share	S-3	August 25, 2005	4.1	
4.2	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	10-K	February 12, 2020	4.2	
10.1*	Stock Award Agreement dated as of September 22, 2009, between the Company and Keh-Shew Lu	10-Q	May 9, 2014	10.6	
10.2*	Confirmation Agreement dated April 1, 2013, between the Company and Keh-Shew Lu	8-K	April 3, 2013	99.1	
10.3*	Employment Agreement dated as of July 21, 2015, between the Company and Keh-Shew Lu	8-K	July 27, 2015	99.1	
10.4*	Stock Unit Agreement, dated as of July 21, 2015, between the Company and Keh-Shew Lu	8-K	July 27, 2015	99.3	
10.5*	Amendment No. 1 to Employment Agreement dated as of February 22, 2017, between the Company and Keh-Shew Lu.	8-K	February 27, 2017	99.1	
10.5.1*	Amendment No. 2 to Employment Agreement dated as of February 22, 2017, between the Company and Keh-Shew Lu.	8-K	June 1, 2022	99.1	
10.5.2*	Amendment No. 3 to Employment Agreement dated as of February 22, 2017, between the Company and Keh-Shew Lu.	8-K	January 22, 2024	99.1	
10.6*	Form of Indemnification Agreement between the Company and its directors and executive officers	8-K	September 2, 2005	10.5	
10.7*	Diodes Incorporated Second Amended and Restated Deferred Compensation Plan effective January 1, 2009	10-K	February 27, 2017	10.9	
10.8*	First Amendment to the Diodes Incorporated Second Amended and Restated Deferred Compensation Plan effective June 1, 2013	10-K	February 27, 2017	10.10	
10.9	Diodes Incorporated 2013 Equity Incentive Plan, as amended and restated on May 3, 2017	S-8	August 17, 2017	99.1	
10.10*	Form of Incentive Stock Option Agreement for the Diodes Incorporated 2013 Equity Incentive Plan	S-8	June 13, 2013	99.2	
10.11*	Form of Stock Unit Agreement for the Diodes Incorporated 2013 Equity Incentive Plan	S-8	June 13, 2013	99.4	
10.11.1*	Form of Restricted Stock Unit Agreement	8-K	February 27, 2017	99.2	
10.11.2*	Form of Performance Stock Unit Agreement	8-K	February 27, 2017	99.3	

10.12*	Form of Nonstatutory Stock Option Agreement for the Diodes Incorporated 2013 Equity Incentive Plan, as amended (Domestic Version)	10-K	February 27, 2014	10.80
10.13*	Form of Nonstatutory Stock Option Agreement for the Diodes Incorporated 2013 Equity Incentive Plan (International Version)	10-K	February 27, 2014	10.81
10.14*	Form of Unit Stock Agreement for the Diodes Incorporated 2013 Equity Incentive Plan, as amended (Domestic Version)	10-K	February 27, 2014	10.82
10.15*	Form of Stock Unit Agreement for the Diodes Incorporated 2013 Equity Incentive Plan (International Version)	10-K	February 27, 2014	10.83
10.16*	Form of Stock Unit Agreement (Substitute for Pericom Semiconductor Corporation Domestic Existing RSUs and Options)	S-8	June 30, 2016	99.2
10.17*	Form of Stock Unit Agreement (Substitute for Pericom Semiconductor Corporation International Existing RSUs and Options)	S-8	June 30, 2016	99.3
10.18	Diodes Incorporated 2022 Equity Incentive Plan	S-8	May 26, 2022	99.1
10.18.1	Diodes Incorporated 2022 Equity Incentive Plan – Form of Stock Unit Agreement	S-8	May 26, 2022	99.2
10.19	Lease Agreement dated as of September 30, 2003, between Shanghai Kaihong Electronic Co., Ltd. and Shanghai Ding Hong Electronic Equipment, LTD.	10-Q	August 9, 2004	10.52
10.19.1	Supplementary to the Lease Agreement between Shanghai Kaihong Electronic Co. Ltd., and Shanghai Ding Hong Electronic Co., Ltd.	10-Q	August 9, 2004	10.58
10.20	Lease Agreement dated as of June 28, 2004, between Diodes Shanghai Co., Ltd. and Shanghai Yuan Hao Electronic Co., Ltd.	10-Q	August 9, 2004	10.57
10.20.1	Supplementary Agreement dated December 31, 2007, between Shanghai Kai Hong Technology Co., Ltd. and Shanghai Yuan Hao Electronic Co., Ltd.	10-K	February 29, 2008	10.53
10.21	Wafer Purchase Agreement dated January 10, 2006, between Anachip Corporation and Lite-On Semiconductor Corporation	8-K	January 12, 2006	2.1
10.22	Supplementary to the Lease Agreement dated September 5, 2004, between Shanghai Kaihong Electronic Co., Ltd. and Shanghai Ding Hong Electronic Co., Ltd.	10-Q	May 10, 2006	10.14
10.23	Supplementary to the Lease Agreement dated June 28, 2004, between Diodes Shanghai Company Limited and Shanghai Yuan Hao Electronic Co., Ltd.	10-Q	May 10, 2006	10.15
10.24	Supplement dated January 1, 2007 to the Lease Agreement on Disposal of Waste and Scraps, between Shanghai Kaihong Electronic Co., Ltd. and Shanghai Ding Hong Electronic Co., Ltd.	10-K	February 29, 2008	10.51

10.25	Accommodation Building Fourth and Fifth Floor Lease Agreement dated December 31, 2007, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Ding Hong Electronic Co., Ltd.	10-K	February 29, 2008	10.54
10.26	Fourth Floor of the Accommodation Building Lease Agreement dated January 1, 2008, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Ding Hong Electronic Co., Ltd.	10-Q	August 11, 2008	10.5
10.27	Distributorship Agreement dated November 1, 2008, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Keylink Logistic Co., Ltd.	10-K	February 26, 2009	10.83
10.28	Lease Facility Safety Management Agreement dated December 31, 2008, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Yuan Howe Electronic Co., Ltd.	10-K	February 26, 2009	10.84
10.29	Consulting Agreement dated January 1, 2009, between the Company and Keylink International (B.V.I.) Co., Ltd.	10-Q	May 8, 2009	10.1
10.30	Third Floor of the Accommodation Building Lease Agreement dated April 12, 2010, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Ding Hong Electronic Co., Ltd.	10-Q	May 7, 2010	10.3
10.31	Second Floor of the Accommodation Building Lease Agreement dated September 1, 2010, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Ding Hong Electronic Company, Ltd.	10-Q	November 9, 2010	10.1
10.32	Investment Cooperation Agreement effective as of September 10, 2010, between Diodes Hong Kong Holding Company Limited and the Management Committee of the Chengdu Hi-Tech Industrial Development Zone	8-K	September 16, 2010	99.1
10.33	Supplementary Agreement to the Investment Cooperation Agreement effective as of September 10, 2010, between Diodes Hong Kong Holding Company Limited and the Management Committee of the Chengdu Hi-Tech Industrial Development Zone	8-K	September 16, 2010	99.2
10.34	First Floor of the Accommodation Building Agreement dated June 1, 2011, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Ding Hong Electronic Company, Ltd.	10-Q	November 9, 2011	10.1
10.35	Third Floor of the Dormitory Building Lease Agreement dated July 1, 2011, between Diodes Shanghai Co., Ltd. (a/k/a Shanghai Kaihong Technology) and Shanghai Ding Hong Electronic Company, Ltd.	10-Q	November 9, 2011	10.2

10.36	Second Supplementary Agreement dated as of January 23, 2013, to the Investment Cooperation Agreement effective as of September 10, 2010, among Diodes Hong Kong Holding Company Limited, Diodes (Shanghai) Investment Company Limited, Diodes Technology (Chengdu) Company Limited, and the Management Committee of the Chengdu Hi-Tech Industrial Development Zone	10-K	February 27, 2013	10.75
10.37	Supplement Agreement to Lease Agreement dated September 2013, between Shanghai Kaihong Electronic Co., Ltd and Shanghai Ding Hong Electronic Co., Ltd.	10-Q	November 12, 2013	10.6
10.38	Amendment to Dinghong Building Lease Agreements between Shanghai Kaihong Electronic Co. Ltd. and Shanghai Dinghong Electronic Co., Ltd.	10-Q	November 6, 2018	10.2
10.39	Termination Agreement to Dinghong Male Dorm Building Lease Agreement between Shanghai Kaihong Electronic Co. Ltd. and Shanghai Dinghong Electronic Co., Ltd.	10-Q	November 6, 2018	10.4
10.40	Termination Agreement to Dinghong Female Dorm Building Lease Agreement between Shanghai Kaihong Electronic Technology Co. Limited and Shanghai Dinghong Electronic Co. Ltd.	10-Q	November 6, 2018	10.5
10.41	Power Account Transfer Agreement between Shanghai Kaihong Technology Company Limited and Shanghai YuanHao Co.	10-Q	November 6, 2018	10.6
10.42	Procurement Agreement dated May 3, 2013, between Diodes Taiwan Inc. and Lite-On Technology Corporation	10-Q	August 8, 2013	10.2
10.43	Amended Consulting Agreement dated as of January 1, 2015, between Diodes Incorporated and Keylink International (B.V.I) Co., Ltd.	10-K	March 2, 2015	10.78
10.44	Chemical Warehouse Lease Agreement dated November 1, 2014, between Shanghai Kaihong Electronic Co., Ltd. and Shanghai Ding Hong Electronic Co., Ltd.	10-K	March 2, 2015	10.79
10.45	Chemical Warehouse Lease Agreement dated September 22, 2015, between Shanghai Kaihong Technology Co., Ltd. and Shanghai Yuan Hao Electronic Co., Ltd.	10-Q	November 6, 2015	10.1
10.46	Amendment to Yuanhao Building Lease Agreements between Shanghai Kaihong Technology Company Limited and Shanghai Yuanhao Electronic Co. Ltd	10-Q	November 6, 2018	10.3
10.47	Property Lease Safety Agreement dated July 2016, between Zetex (Chengdu) Electronics Ltd. and Chengdu Yaguang Electronic Co., Ltd.	10-Q	August 9, 2016	99.1
10.48	Amendment to Yuanhao Building Lease Agreements	10-Q	May 9, 2023	10.1

10.49	Diodes Zetex Pension Scheme Recovery Plan dated February 22, 2017, between Trustees of the Diodes Zetex Pension Scheme and Diodes Zetex Limited	10-K	February 27, 2017	10.78
10.50	Diodes Zetex Pension Scheme Schedule of Contributions dated February 22, 2017, between Trustees of the Diodes Zetex Pension Scheme and Diodes Zetex Limited	10-K	February 27, 2017	10.79
10.51	Framework Agreement dated January 16, 2017, among Diodes Zetex Limited, Diodes Zetex Semiconductors Limited, the Company, HR Trustees Limited and Trustees	10-K	February 27, 2017	10.80
10.52	Guarantee dated March 26, 2012, among Diodes Zetex Semiconductors Limited, Diodes Zetex Limited, HR Trustees Limited and Trustees	10-Q	August 9, 2012	10.5
10.53	Diodes Zetex Pension Scheme Information Protocol dated April 10, 2012, among Diodes Zetex Limited, Diodes Zetex Semiconductors Limited, the Company, HR Trustees Limited and Trustees	10-Q	August 9, 2012	10.6
10.54	Legal Charge dated March 26, 2012, among Zetex Semiconductors Limited, HR Trustees Limited and Trustees	10-Q	August 9, 2012	10.7
10.55	Amended and Restated Credit Agreement dated October 26, 2016, among the Company, Diodes International B.V., Diodes Holding B.V., Diodes Investment Company, Diodes FabTech Inc., Diodes Holdings UK Limited, Diodes Zetex Limited, Pericom Semiconductor Corporation, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other Lenders party thereto	8-K	November 1, 2016	10.1
10.56.1	Amendment No. 1 and Limited Waiver dated February 13, 2017, among the parties to the Amended and Restated Credit Agreement dated October 26, 2016 (Exhibit 10.87 above)	8-K	February 14, 2017	10.1
10.56.2	Amendment No. 2 dated August 24, 2017, among the parties to the Amended and Restated Credit Agreement dated October 26, 2016 (Exhibit 10.87 above)	10-K	February 20, 2018	10.80.2
10.56.3	Third Amended and Restated Credit Agreement, dated as of May 26, 2023, by and among Diodes Incorporated, Diodes Holding UK Limited, Diodes Zetex Limited, Diodes US Manufacturing Incorporated, Bank of America, N.A., as Administrative Agent, Lender, L/C Issuer, and Swing Line Lender, and the other Lenders party thereto.	8-K	June 2, 2023	10.1
10.57	Consent to Credit Agreement	10-Q	November 6, 2018	10.1
10.58	Consent and Amendment No. 3 to Amended and Restated Credit Agreement dated December 27, 2018, among the parties to the Amended and Restated Credit Agreement dated October 26, 2016 (Exhibit 87 above)	10-K	February 21, 2019	10.89

10.59*	Transition agreement between Diodes Incorporated and Richard White	8-K	March 6, 2019	10.1
10.60*	Amended Transition Agreement between Diodes Incorporated and Richard White	8-K/A	April 1, 2019	10.1
10.61	Consent to Credit Agreement	10-Q	May 7, 2019	10.1
10.62	Consent to Credit Agreement	10-Q	August 5, 2019	10.1
10.63	Share Swap Agreement between Diodes Incorporated and Lite-On Semiconductor Corp. dated as of August 8, 2019	8-K	August 9, 2019	2.1
10.64	First Amendment to Second Amended and Restated Credit Agreement dated as of September 21, 2020	10-K	February 22, 2021	10.95
10.65	Consent Agreement with Respect to Second Amended and Restated Credit Agreement and Foreign Security Agreements dated as of November 2, 2020	10-K	February 22, 2021	10.96
10.66	Consent and Amendment No. 2 to Second Amended and Restated Credit Agreement dated as of November 17, 2020. Portions of this Exhibit have been omitted	10-K	February 22, 2021	10.97
10.67	Facility Agreement, dated January 22, 2021, by and among Diodes Hong Kong Limited, The Hongkong and Shanghai Banking Corporation Limited, as Arranger, the financial institutions listed in Schedule 1 thereto, The Hongkong and Shanghai Banking Corporation Limited, as Agent, and The Hongkong and Shanghai Banking Corporation Limited, as Security Agent. Portions of this Exhibit have been omitted.	8-K	January 26, 2021	10.1
10.68	Hong Kong Debenture, dated January 22, 2021, by and between Diodes Hong Kong Limited and The Hongkong and Shanghai Banking Corporation Limited, as Security Agent.	8-K	January 26, 2021	10.2
10.69	Letter, dated January 22, 2021, from Diodes Incorporated to The Hongkong and Shanghai Banking Corporation.	8-K	January 26, 2021	10.3
10.70	Amendment No. 3 to Second Amended and Restated Credit Agreement, dated as of March 4, 2021, by and among Diodes Incorporated, Diodes Holdings UK Limited, certain subsidiaries of Diodes Incorporated identified therein, the Lenders identified therein, and Bank of America, N.A.	10-Q	May 6, 2021	10.4
10.71	Amendment No. 4 to Second Amended and Restated Credit Agreement, Consent and Incremental Term Assumption Agreement.	10-K	February 18, 2022	10.79
10.72	Amendment No. 5 to Second Amended and Restated Credit Agreement, Consent and Incremental Term Assumption Agreement.	10-K	February 18, 2022	10.80

10.73	Amendment No. 6 to Second Amended and Restated Credit Agreement, Consent and Incremental Term Assumption Agreement.	8-K	January 4, 2022	10.1	
10.74*	Letter agreement dated January 13, 2023, by and between the Company and Evan Yu	8-K	January 17, 2023	10.1	
10.75*	Letter agreement dated March 17, 2023, by and between the Company and Julie Holland	8-K	March 17, 2023	10.1	
10.76	Amendment to Yuanhao Building Lease Agreements	10-Q	May 9, 2023	10.3	
10.77	Third Amended and Restated Credit Agreement, dated as of May 26, 2023, by and among Diodes Incorporated, Diodes Holding UK Limited, Diodes Zetex Limited, Diodes US Manufacturing Incorporated, Bank of America N.A., as Administrative Agent, Lender, L/C Issuer and Swing Line Lender, and the other Lenders party thereto.	8-K	June 2, 2023	10.1	
14**	Code of Ethics for Chief Executive Officer and Senior Financial Officers				
19	Corporate Policy on Insider Trading Adopted July 6, 2001; updated January 15, 2021				X
21	Subsidiaries of the Registrant				X
23.1	Consent of Independent Registered Public Accounting Firm				X
31.1	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, adopted pursuant to Section 302 of the Sarbanes- Oxley Act of 2002				X
31.2	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1***	Certification Pursuant to 18 U.S.C. adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2***	Certification Pursuant to 18 U.S.C. adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
97*	Recoupment of Executive Compensation Policy				X
101.INS	Inline XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbases Document				X
104	Cover Page Interactive Data File, formatted in Inline XBRL				X
*	Constitute management contracts, or compensatory plans or arrangements, which are				

required to be filed pursuant to Item 601 of Regulation S-K.

** Provided in the Corporate Governance portion of the Investor Relations section of the Company's website at http://www.diodes.com

*** A certification furnished pursuant to Item 601 of the Regulation S-K will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

PLEASE NOTE: It is inappropriate for investors to assume the accuracy of any covenants, representations or warranties that may be contained in agreements or other documents filed as exhibits to this Annual Report on Form 10-K. In certain instances the disclosure schedules to such agreements or documents contain information that modifies, qualifies and creates exceptions to the representations, warranties and covenants. Moreover, some of the representations and warranties may not be complete or accurate as of a particular date because they are subject to a contractual standard of materiality that is different from those generally applicable to stockholders or were used for the purpose of allocating risk among the parties rather than establishing certain matters as facts. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts at the time they were made or otherwise.

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.

DIODES INCORPORATED (Registrant)

By: /s/ Keh-Shew Lu — February 9, 2024
KEH-SHEW LU
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Brett R. Whitmire — February 9, 2024
Brett R. Whitmire
Chief Financial Officer
(Principal Financial and Accounting Officer)

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Dr. Keh-Shew Lu, Chairman and Chief Executive Officer, and Brett R. Whitmire, Chief Financial Officer, his true and lawful attorneys-in-fact and agents, with full power of substitution, to sign and execute on behalf of the undersigned any and all amendments to this report, and to perform any acts necessary in order to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requested and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, or their or his or her substitutes, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 9, 2024.

/s/ Keh-Shew Lu
KEH-SHEW LU
Chairman of the Board of Directors and
Chief Executive Officer
(Principal Executive Officer)

/s/ Brett R. Whitmire
BRETT R. WHITMIRE
Chief Financial Officer
(Principal Financial Officer)

/s/ Angie Chen Button
ANGIE CHEN BUTTON
Lead Director

/s/ Elizabeth (Beth) Bull
ELIZABETH (BETH) BULL
Director

/s/ Warren Chen
WARREN CHEN
Director

/s/ Michael R. Giordano
MICHAEL R. GIORDANO
Director

PETER M. MENARD
Director

/s/ Christina Wen-Chi Sung
CHRISTINA WEN-CHI SUNG
Director

/s/ Gary Yu
GARY YU
President and Director

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Additional Information
CONSOLIDATED RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME
(unaudited)

(in thousands, except per share data)

	2023	2022	2021	2020	2019
GAAP net income (loss) - common stockholders	**$ 227,182**	$ 331,283	$ 228,763	$ 98,088	$ 153,250
GAAP earnings (loss) per share - common stockholders					
Diluted	**$ 4.91**	$ 7.20	$ 5.00	$ 1.88	$ 2.96
Adjustments to reconcile net income (loss) - common stockholders to adjusted net income - common stockholders, net of tax:					
Amortization of acquisition-related intangible assets	**12,479**	12,753	13,242	13,270	14,779
Officer retirement	**2,217**	-	-	-	-
Non-cash market-to-market investment value adjustments	**(16,577)**				
Investment gain	**(3,704)**				
Restructuring costs	**1,187**	-	817	2,009	-
Acquisition-related costs	**-**	480	2,225	2,366	1,314
Insurance recovery for manufacturing facility	**-**	(2,875)	-	-	-
LSC investments related	**-**	(3,257)	1,591	(1,714)	-
Loss (gain) on sale of manufacturing subsidiary	**-**	575	(9,446)	-	-
Acquisition-related financing costs	**-**	-	-	7,331	-
Board-member retirement costs	**-**	-	-	1,347	-
Land sale inspection fees	**-**	-	-	-	(336)
Gain on land sale	**-**	-	-	-	(19,201)
Loss on impairment	**-**	-	-	-	1,283
Adjusted net income - common stockholders (Non-GAAP)	**$ 222,784**	$ 338,959	$ 237,192	$ 122,697	$ 151,089
Diluted shares used in computing earnings per share	**46,311**	46,036	45,781	52,133	51,860
Adjusted earnings per share - common stockholders (Non-GAAP)					
Diluted	**$ 4.81**	**$ 7.36**	**$ 5.18**	**$ 2.35**	**$ 2.91**

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

The Company's financial statements present net income and earnings per share that are calculated using accounting principles generally accepted in the United States ("GAAP"). The Company's management makes adjustments to the GAAP measures that it feels are necessary to allow investors and other readers of the Company's financial releases to view the Company's operating results as viewed by the Company's management, board of directors and research analysts in the semiconductor industry. These non-GAAP measures are not prepared in accordance with, and should not be considered alternatives or necessarily superior to, GAAP financial data and may be different from non-GAAP measures used by other companies. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures, even if they have similar names. The explanation of the adjustments made in the table above, are set forth below:

Detail of non-GAAP adjustments

Amortization of acquisition-related intangible assets – The Company excluded this item, including amortization of developed technologies and customer relationships. The fair value of the acquisition-related intangible assets is amortized using straight-line methods which approximate the proportion of future cash flows estimated to be generated each period over the estimated useful life of the applicable assets. The Company believes that exclusion of this item is appropriate because a significant portion of the purchase price for its acquisitions was allocated to the intangible assets that have short lives and exclusion of the amortization expense allows comparisons of operating results that are consistent over time for both the Company's newly acquired and long-held businesses. In addition, the Company excluded this item because there is significant variability and unpredictability among companies with respect to this expense.

Officer retirement – The Company excluded costs related to the retirement of two executives. These costs represent cash payments and the accelerated vesting of previously issued stock awards. The Company feels it is appropriate to exclude these costs since they don't represent ongoing operating expenses and will present investors with a more accurate indication of our continuing operations.

Non-cash mark-to-market investment adjustments – The Company excluded mark-to-market adjustments on various equity related investments. The Company believes this is not reflective of the ongoing operations and exclusion of this provides investors an enhanced view of the Company's operating results.

Investment gain – The Company excluded investment gains on the disposal of various equity related investments. The Company believes this is not reflective of the ongoing operations and exclusion of this provides investors an enhanced view of the Company's operating results.

Restructuring costs – The Company recorded restructuring charges related to various international locations. These restructuring charges are excluded from management's assessment of the Company's operating performance. The Company believes the exclusion of the restructuring charges provides investors an enhanced view of the cost structure of the Company's operations and facilitates comparisons with the results of other periods that may not reflect such charges or may reflect different levels of such charges.

Additional Information – (Continued)
CONSOLIDATED RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME
(unaudited)

Acquisition related costs – The Company excluded expenses associated with previous acquisitions of that typically consist of advisory, legal and other professional and consulting fees. These costs were expensed as they were incurred and as services were received, and in which the corresponding tax adjustments were made for the non-deductible portions of these expenses. The Company believes the exclusion of the acquisition related costs provides investors with a more accurate reflection of costs likely to be incurred in the absence of an unusual event such as an acquisition and facilitates comparisons with the results of other periods that may not reflect such costs.

Insurance recovery for manufacturing facility – The Company recorded gains related to insurance recovery for a manufacturing facility in Asia. The Company believes the exclusion of the insurance recovery provides investors with a more accurate reflection of the continuing operations of the Company and facilitates comparisons with the results of other periods which may not reflect such gains.

LSC investments related – The Company excluded market to market adjustments and the associated tax on certain LSC equity investments. The Company has also excluded certain taxes related to integration and restructuring activities within certain Taiwan subsidiaries including LSC. The Company believes this is not reflective of the ongoing operations and exclusion of this provides investors an enhanced view of the Company's operating results.

Loss (gain) on sale of manufacturing facilities – The Company sold a manufacturing subsidiary and as part of the transaction, there are working capital adjustments that are recorded as gains or losses in the statement of operations. The Company believes this is not reflective of the ongoing operations and exclusion of this provides investors an enhanced view of the Company's operating results.

Acquisition related financing costs – The Company excluded expenses associated with a new credit facility and refinance of existing debt to prepare for the acquisition of Lite-On Semiconductor. The Company believes the exclusion of the acquisition related financing costs provides investors with a more accurate reflection of costs likely to be incurred in the absence of an unusual event such as an acquisition and facilitates comparisons with the results of other periods that may not reflect such costs.

Board member retirement costs – The Company excluded expenses in connection with the retirement of a member of the Company's board of directors. The Company modified that director's unvested RSU grants to vest upon his retirement. The shares subject to the modified grants will be released to that board member as if they were vesting under the original vesting timeline.

Land sale inspection extension fee – The Company excluded receipt of inspection extension fees related to the sale of the land located in Plano, TX. This fee is paid by the land purchaser for the right to extend the sale close date, and the fee is not applied to the purchase price. The Company feels it is appropriate to exclude these fees since they don't represent ongoing operating income and their exclusion will present investors with a more accurate indication of our continuing operations.

Gain on land sale – The Company excluded the gain related to the sale of the land located in Plano, TX during December 2019. The Company feels it is appropriate to exclude this gain since they don't represent ongoing operating income and their exclusion will present investors with a more accurate indication of our continuing operations.

Loss on impairment – In 2019, the Company excluded an impairment loss recognized related to intangible assets previously acquired from TFSS and in 2017 excluded an impairment loss recognized on long-lived assets there were impaired as a result of the shutdown of KFAB.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DR. KEH-SHEW LU [4]
Chairman, President, &
Chief Executive Officer,
Diodes Incorporated
Former Senior Vice President,
Texas Instruments, Inc.
Director since 2001

ANGIE CHEN BUTTON [1, 3]
Lead Director
Member, State of Texas House
Of Representatives
Director since 2021

ELIZABETH BULL [1C, F, 3]
Former Chief Financial Officer of
Communities
Foundation of Texas
Director since 2023

WARREN CHEN [2, 3, 4C]
Board Member,
Lite-On Technology Corporation
Director since 2020

MICHAEL R. GIORDANO [1C, F]
Associate Director,
Senior Wealth Strategy Associate,
UBS Financial Services, Inc.
Director since 1990

PETER M. MENARD [1, 3]
Retired Securities Lawyer
Director since 2018

CHRISTINA WEN-CHI SUNG [1, 2, 4]
Former Chairman,
Taipei Financial Center Corporation
Director since 2017

1 – Audit Committee Member
2 – Compensation Committee Member
3 – Governance and Stockholder Relations Committee Member
4 – Risk Oversight Committee Member
C – Committee Chair
F – Audit Committee Financial Expert

EXECUTIVE OFFICERS

DR. KEH-SHEW LU
Chairman, President, & Chief
Executive Officer
Employee since 2005

GARY YU
Vice President
Employee since 2008

BRETT R. WHITMIRE
Chief Financial Officer
Employee since 2009

FRANCIS TANG
Senior Vice President,
Worldwide Discrete Products
Employee since 2005

ANDY TSONG
President, Asia Pacific Region
Employee since 2009

RICHARD D. WHITE
Corporate Secretary
and Special Assistant to the CEO
Employee since 2006

EMILY YANG
Senior Vice President,
Worldwide Sales & Marketing
Employee since 2015

JIN ZHAO
Senior Vice President,
Analog Business Group
Employee since 2017

SHAREHOLDER INFORMATION

Diodes Incorporated common stock is listed on the Nasdaq Global Select Market (Nasdaq-GS: **DIOD**).

Calendar Ended	Closing Sales Price of Common Stock	
2023	**High**	**Low**
Fourth quarter	$ 82.21	$ 60.74
Third quarter	95.67	74.71
Second quarter	95.81	79.02
First quarter	96.38	75.20
2022		
Fourth quarter	$ 92.23	$ 66.44
Third quarter	84.17	60.95
Second quarter	84.76	63.83
First quarter	111.91	79.07

ANNUAL REPORT ON FORM 10-K

A copy of the Company Annual Report on Form 10-K and other publicly financial reports, as filed with the United States Securities and Exchange Commission, are available at **www.diodes.com** or www.sec.gov. For a hard copy contact Shelton Group at the address below:

INVESTOR RELATIONS

Shelton Group
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Irvine, California 92612
949-224-3874
LSievers@SheltonGroup.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Moss Adams LLP
10960 Wilshire Blvd., Suite 1100
Los Angeles, California 90024

TRANSFER AGENT & REGISTRAR

Continental Stock Transfer & Trust Company
17 Battery Place, 8th Floor
New York, New York 10004
212-509-4000

FINANCIAL INFORMATION ONLINE

World Wide Web users can access Company information on the Diodes Incorporated Investor page at **www.investor.diodes.com**.

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Plano, Texas 75024
972.987.3900

DESIGN, MARKETING AND ENGINEERING CENTERS
Milpitas, California and Plano, Texas, United States
Neuhaus, Germany
Oldham, England
Taipei, Tainan and Taoyuan City, Taiwan
Shanghai and Yangzhou, China

WAFER FABRICATION FACILITIES
South Portland, United States
Greenock, Scotland
Oldham, England
Hsinchu and Keelung, Taiwan
Shanghai and Wuxi, China

ASSEMBLY AND TEST FACILITIES
Shanghai, Chengdu and Wuxi, China
Jhongli, Taiwan
Neuhaus, Germany

ENGINEERING, SALES, WAREHOUSE, AND LOGISTICS OFFICES
Frankfurt and Munich, Germany
Hong Kong, Shanghai, Beijing, Shenzhen, Wuhan and Yangzhou, Qingdao, China
Milan, Italy
Oldham, England
Seongnam-si, South Korea
Singapore City, Singapore
Taipei and Kaohsiung Taiwan
Tokyo, Japan

DIODES INCORPORATED
Registered to UL DQS
Certificate Registration No. 10002233
QM08

www.diodes.com
Nasdaq-GS: DIOD