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

FORM 10-Q

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

For the quarterly period ended March 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 Number)**
4949 Hedgcoxe Road, Suite 200, Plano, Texas	**75024**
(Address of principal executive offices)	**(Zip code)**

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

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

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒
The number of shares of the registrant's Common Stock outstanding as of May 4, 2023 was 45,720,245.

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PART I—FINANCIAL INFORMATION
Item 1. Financial Statements.
DIODES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	March 31, 2023	December 31, 2022
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 323,146	$ 336,732
Restricted cash	2,761	4,367
Short-term investments	8,768	7,059
Accounts receivable, net of allowances of $5,861 and $5,852 at March 31, 2023 and December 31, 2022, respectively	369,054	369,233
Inventories	341,941	360,281
Prepaid expenses and other	76,101	83,999
Total current assets	1,121,771	1,161,671
Property, plant and equipment, net	755,707	736,730
Deferred income tax	36,185	35,308
Goodwill	145,937	144,757
Intangible assets, net	75,398	79,137
Other long-term assets	150,563	130,709
Total assets	$ 2,285,561	$ 2,288,312
Liabilities		
Current liabilities:		
Lines of credit	$ 34,651	$ 36,280
Accounts payable	143,694	160,442
Accrued liabilities and other	176,952	214,433
Income tax payable	33,876	19,682
Current portion of long-term debt	1,173	1,693
Total current liabilities	390,346	432,530
Long-term debt, net of current portion	89,636	147,470
Deferred tax liabilities	13,012	12,903
Other long-term liabilities	126,894	112,490
Total liabilities	619,888	705,393
Commitments and contingencies (See Note 9)		
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 45,706,798 shares and 45,469,722 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	36,661	36,503
Additional paid-in capital	494,598	494,773
Retained earnings	1,519,242	1,448,092
Treasury stock, at cost, 9,281,581 shares at March 31, 2023 and 9,281,581 shares at December 31, 2022	(337,490)	(337,490)
Accumulated other comprehensive loss	(117,546)	(128,233)
Total stockholders' equity	1,595,465	1,513,645
Noncontrolling interest	70,208	69,274
Total equity	1,665,673	1,582,919
Total liabilities and stockholders' equity	$ 2,285,561	$ 2,288,312

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

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net sales	$ 467,241	$ 482,123
Cost of goods sold	272,787	285,426
Gross profit	194,454	196,697
Operating expenses		
Selling, general and administrative	70,991	71,443
Research and development	33,232	28,677
Amortization of acquisition related intangible assets	3,852	3,862
Other operating expense (income)	(48)	(343)
Total operating expense	108,027	103,639
Income from operations	86,427	93,058
Other income (expense)		
Interest income	1,772	826
Interest expense	(2,132)	(1,114)
Foreign currency (loss) gain, net	(1,893)	1,721
Unrealized gain (loss) on investments	3,889	(5,548)
Other income	530	1,876
Total other income (expense)	2,166	(2,239)
Income before income taxes and noncontrolling interest	88,593	90,819
Income tax provision	16,616	16,646
Net income	71,977	74,173
Less net income attributable to noncontrolling interest	(827)	(1,482)
Net income attributable to common stockholders	$ 71,150	$ 72,691
Earnings per share attributable to common stockholders:		
Basic	$ 1.56	$ 1.61
Diluted	$ 1.54	$ 1.59
Number of shares used in earnings per share computation:		
Basic	45,600	45,104
Diluted	46,161	45,844

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

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

	Three Months Ended March 31,	
	2023	2022
Net income	$ 71,977	$ 74,173
Unrealized gain (loss) on defined benefit plan, net of tax	2,706	(1,533)
Unrealized (loss) gain on derivative instruments, net of tax	(3,342)	2,831
Unrealized foreign currency gain (loss), net of tax	11,323	(12,585)
Comprehensive income	82,664	62,886
Less: Comprehensive income attributable to noncontrolling interest	(827)	(1,482)
Total comprehensive income attributable to common stockholders	$ 81,837	$ 61,404

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

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

	Common stock		Treasury stock		Additional paid-in	Retained	Accumulated other comprehensive	Total Diodes Incorporated stockholders'	Noncontrolling	Total
	Shares	Amount	Shares	Amount	capital	earnings	loss	equity	interest	equity
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	-	-	-	-	-	71,150	10,687	81,837	827	82,664
Net changes in noncontrolling interest	-	-	-	-	-	-	-	-	107	107
Common stock issued for share-based plans	237	158	-	-	(158)	-	-	-	-	-
Share-based compensation	-	-	-	-	9,652	-	-	9,652	-	9,652
Tax related to net share settlement	-	-	-	-	(9,669)	-	-	(9,669)	-	(9,669)
Balance, March 31, 2023	54,988	$ 36,661	(9,282)	$ (337,490)	$ 494,598	$ 1,519,242	$ (117,546)	$ 1,595,465	$ 70,208	$ 1,665,673

	Common stock		Treasury stock		Additional paid-in	Retained	Accumulated other comprehensive	Total Diodes Incorporated stockholders'	Noncontrolling	Total
	Shares	Amount	Shares	Amount	capital	earnings	loss	equity	interest	equity
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 (loss)	-	-	-	-	-	72,691	(11,287)	61,404	1,482	62,886
Net changes in noncontrolling interest	-	-	-	-	(1,013)	-		(1,013)	(4,451)	(5,464)
Common stock issued for share-based plans	214	143	-	-	(59)	-	-	84	3	87
Share-based compensation	-	-	-	-	7,818	-	-	7,818	-	7,818
Tax related to net share settlement	-	-	-	-	(8,032)	-	-	(8,032)	-	(8,032)
Balance, March 31, 2022	54,504	$ 36,338	(9,273)	$ (336,894)	$ 470,363	$ 1,189,500	$ (61,804)	$ 1,297,503	$ 62,516	$ 1,360,019

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

DIODES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Three Months March 31, 2023	Three Months March 31, 2022
Cash flows from operating activities		
Net income	$ 71,977	$ 74,173
Adjustments to reconcile net income to net cash provided by operating activities, net of effects of acquisitions		
Depreciation	29,793	24,729
Amortization of intangible assets	3,852	3,862
Share-based compensation expense	9,820	7,902
Deferred income taxes	(404)	(347)
Investment (gain) loss	(3,829)	5,518
Other	299	(1,383)
Changes in operating assets:		
Change in accounts receivable	1,544	(6,626)
Change in inventory	20,759	(25,074)
Change in other operating assets	4,964	(2,282)
Changes in operating liabilities:		
Change in accounts payable	(17,718)	(8,549)
Change in accrued liabilities	(36,289)	(13,751)
Change in income tax payable	13,932	16,461
Change in other operating liabilities	1,111	(2,316)
Net cash flows provided by operating activities	99,811	72,317
Cash flows from investing activities		
Acquisitions, net of cash received	-	(13,269)
Purchases of property, plant and equipment	(48,003)	(38,542)
Proceeds from sale of property, plant and equipment	99	188
Proceeds from short-term investments	807	3,046
Purchases of short-term investments	(2,469)	(5,998)
Proceeds from sale of securities	417	-
Other	1,018	(311)
Net cash and cash equivalents used in investing activities	(48,131)	(54,886)
Cash flows from financing activities		
Advances on lines of credit and short-term debt	8,173	37,782
Repayments of lines of credit and short-term debt	(10,139)	(26,883)
Proceeds from long-term debt	263	45,000
Repayments of long-term debt	(59,061)	(123,545)
Net proceeds from issuance of common stock	-	84
Repayment of and proceeds from finance lease obligation	(7)	(61)
Taxes paid related to net share settlement	(9,669)	(8,032)
Net changes in noncontrolling interest	107	3
Other	15	(207)
Net cash and cash equivalents used in financing activities	(70,318)	(75,859)
Effect of exchange rate changes on cash and cash equivalents	3,446	(2,385)
Change in cash and cash equivalents, including restricted cash	(15,192)	(60,813)
Cash and cash equivalents, beginning of period, including restricted cash	341,099	366,818
Cash and cash equivalents, end of period, including restricted cash	$ 325,907	$ 306,005

Supplemental Cash Flow Information		
Interest paid during the period	$ 1,941	$ 878
Taxes paid during the period	$ 5,388	$ 476
Non-cash investing and financing activities:		
Accounts payable balance related to the purchase of property, plant and equipment	$ 27,113	$ 22,904

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

NOTE 1 – Summary of Operations and Significant Accounting Policies

Summary of Operations

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, 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, respectively. Design, marketing, and engineering centers are located in Plano; Milpitas; Taipei, Taoyuan City, and Zhubei City, Taiwan; Shanghai and Yangzhou, China; Oldham, England; and Neuhaus, Germany. The Company's wafer fabrication facilities are located in Oldham, England; Greenock, Scotland; Shanghai and Wuxi, China; and Keelung and Hsinchu, Taiwan; and South Portland, Maine, United States. The Company has assembly and test facilities located in Shanghai, Jinan, 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; Oldham, England; Shanghai, Shenzhen, Wuhan, and Yangzhou, China; Seongnam-si, South Korea; and Munich and 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 server, storage, and data center applications;
- Consumer: IoT, wearables, home automation, and smart infrastructure; and
- Communications: smartphones, 5G networks, advanced protocols, and charging solutions.

Basis of Presentation

The condensed consolidated financial data at December 31, 2022 are derived from audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the Securities and Exchange Commission ("SEC") on February 10, 2023 ("Form 10-K"). The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("GAAP") for interim financial information and with the instructions to Form 10-Q. They do not include all information and footnotes necessary for a fair presentation of financial position, operating results and cash flows in conformity with GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in our Form 10-K. All significant intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, all adjustments (consisting of normal recurring adjustments and accruals) considered necessary for a fair presentation of the operating results for the period presented have been included in the interim period. Operating results for the three months ended March 31, 2023 are not necessarily indicative of the results that may be expected for other interim periods or the year ending December 31, 2023.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. As permitted under GAAP, interim accounting for certain expenses, including income taxes, are based on full year forecasts. For interim financial reporting purposes, income taxes are recorded based upon estimated annual effective income tax rates taking into consideration discrete items occurring in a quarter.

Dollar amounts and share amounts are presented in thousands, except per share amounts, unless otherwise noted. Certain prior year's balances may have been reclassified to conform to the current condensed consolidated financial statement presentation.

NOTE 2 – Earnings per Share

Earnings per share ("EPS") is calculated by dividing net income attributable to common stockholders by the weighted-average number of shares of Common Stock outstanding during the period. Diluted EPS is calculated similarly but includes potential dilution from the exercise of stock options and stock awards, except when the effect would be anti-dilutive. During the three months ended March 31, 2023 and 2022, we paid no dividends on our Common Stock.

The table below sets forth the reconciliation between net income and the weighted average shares outstanding used for calculating basic and diluted EPS:

	Three Months Ended March 31,	
	2023	**2022**
Earnings (numerator)		
Net income attributable to common stockholders	$ 71,150	$ 72,691
Shares (denominator)		
Weighted average common shares outstanding (basic)	45,600	45,104
Dilutive effect of stock options and stock awards outstanding	561	740
Adjusted weighted average common shares outstanding (diluted)	46,161	45,844
Earnings per share attributable to common stockholders		
Basic	$ 1.56	$ 1.61
Diluted	$ 1.54	$ 1.59
Stock options and stock awards excluded from EPS calculation because the effect would be anti-dilutive	75	1

NOTE 3 – Inventories

The table below sets forth inventories which are stated at the lower of cost or net realizable value:

	March 31, 2023	**December 31, 2022**
Finished goods	$ 93,527	$ 96,659
Work-in-progress	79,152	80,616
Raw materials	169,262	183,006
Total	$ 341,941	$ 360,281

NOTE 4 – Goodwill and Intangible Assets

The table below sets forth the changes in goodwill:

Balance at December 31, 2022	$ 144,757
Acquisition	-
Foreign currency translation adjustment	1,180
Balance at March 31, 2023	$ 145,937

The table below sets forth the value of intangible assets, other than goodwill:

	March 31, 2023	December 31, 2022
Intangible assets subject to amortization:		
Gross carrying amount	$ 250,747	$ 250,747
Accumulated amortization	(176,389)	(172,537)
Foreign currency translation adjustment	(8,085)	(8,141)
Total	66,273	70,069
Intangible assets with indefinite lives:		
Gross carrying amount	10,303	10,303
Foreign currency translation adjustment	(1,178)	(1,235)
Total	9,125	9,068
Total intangible assets, net	$ 75,398	$ 79,137

The table below sets forth amortization expense related to intangible assets subject to amortization:

Amortization expense	**2023**	**2022**
Three Months Ended March 31,	$ 3,852	$ 3,862

NOTE 5 – Income Tax Provision

The table below sets forth information related to our income tax expense:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Domestic pre-tax income	$ 54,724	$ 63,119
Foreign pre-tax income	$ 33,869	$ 27,700
Income tax provision	$ 16,616	$ 16,646
Effective tax rate	18.8 %	18.3 %
Impact of tax holidays on tax expense	$ (74)	$ (43)
Earnings per share impact of tax holidays:		
Basic	$ -	$ -
Diluted	$ -	$ -

The increase in the effective tax rate for the three months ended March 31, 2023 when compared to the three months ended March 31, 2022, is primarily attributable to the geographical mix of pre-tax income and loss across tax jurisdictions relative to the Company's consolidated pre-tax income.

Our undistributed foreign earnings continue to be indefinitely reinvested in foreign operations, with limited exceptions related to earnings of certain 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 non-U.S. withholding taxes.

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 or the tax years 2015 and 2018. We are no longer subject to China income tax examinations by tax authorities for tax years before 2012. With respect to state and local jurisdictions and countries outside of the U.S. (other than China), with limited exceptions, we are no longer subject to income tax audits for years before 2016. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties, if any, have been provided for in our reserve for any adjustments that may result from currently pending tax audits. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in interest expense. As of March 31, 2023, the gross amount of unrecognized tax benefits was approximately $49.2 million.

It is reasonably possible that the amount of the unrecognized benefit with respect to certain of the Company's unrecognized tax positions will significantly increase or decrease within the next 12 months. At this time, an estimate of the range of the reasonably possible outcomes cannot be made.

NOTE 6 – Share-Based Compensation

The table below sets forth information related to our share-based compensation expense:

	Three Months Ended March 31,	
	2023	2022
Cost of goods sold	$ 452	$ 347
Selling, general and administrative	8,362	6,534
Research and development	1,006	1,021
Total share-based compensation expense	$ 9,820	$ 7,902

Share Grants – Share grants consist of restricted stock awards, restricted stock units and performance stock units ("PSUs"). Restricted stock awards and restricted stock units generally vest in equal annual installments over a four-year period and are measured based on the fair market value of the underlying stock on the date of grant. Compensation expense is recognized on a straight-line basis over the requisite four-year service period. All new grants are granted under the Company's 2022 Equity Incentive Plan.

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.

As of March 31, 2023, total unrecognized share-based compensation expense related to share grants was approximately $66.5 million, before income taxes, and is expected to be recognized over a weighted average period of approximately 2.3 years.

Stock Modification. During the three months ended March 31, 2023 we modified previously granted stock awards for two corporate officers who retired. The result of the modification was the acceleration of the vesting of 54,525 stock awards for the corporate officers. The incremental expense recorded for this modification was approximately $2.1 million, which was expensed in SG&A in the three months ended March 31, 2023.

NOTE 7 – Enterprise Wide Segment Information and Net Sales

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 similar customer type. Our primary operations include operations in Asia, the Americas and Europe. Two customers each accounted for 10% or greater of our net sales during the three months ended March 31, 2023. No customer accounted for 10% or greater of our net sales during the three months ended March 31, 2022. No customer accounted for 10% or more of our outstanding accounts receivable at any point in the periods presented in this Quarterly Report on Form 10-Q. All customers that accounted for 10% or more of our net sales during any period presented in this Quarterly Report on Form 10-Q, are broad-based global distributors that sell to thousands of different end users.

Disaggregation of Net Sales. We disaggregate net sales 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 the industrial, automotive, computing, consumer and communications markets. 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 based on the location of the subsidiary producing the net sale:

As of and for the Three Months Ended March 31, 2023	Asia	Americas	Europe	Consolidated
Total sales	$ 424,162	$ 331,407	$ 100,045	$ 855,614
Intercompany elimination	(181,465)	(175,151)	(31,757)	(388,373)
Net sales	$ 242,697	$ 156,256	$ 68,288	$ 467,241
Property, plant and equipment, net	$ 550,373	$ 92,729	$ 112,605	$ 755,707
Total assets	$ 1,590,485	$ 442,763	$ 252,313	$ 2,285,561

As of and for the Three Months Ended March 31, 2022	Asia	Americas	Europe	Consolidated
Total sales	$ 450,885	$ 293,770	$ 78,057	$ 822,712
Intercompany elimination	(157,163)	(157,577)	(25,849)	(340,589)
Net sales	$ 293,722	$ 136,193	$ 52,208	$ 482,123
Property, plant and equipment, net	$ 465,262	$ 22,413	$ 102,240	$ 589,915
Total assets	$ 1,590,331	$ 347,098	$ 228,033	$ 2,165,462

The tables below set forth net sales for the Company disaggregated into geographic locations based on shipment and by type *(direct sales or Distributor)*:

	Three Months Ended	
Net Sales by Region	**2023**	**2022**
Asia	$ 324,167	$ 364,816
Europe	76,990	64,771
Americas	66,084	52,536
Total net sales	$ 467,241	$ 482,123
Net Sales by Type		
Direct sales	$ 134,945	$ 148,418
Distributor sales	332,296	333,705
Total net sales	$ 467,241	$ 482,123

Net sales from products shipped to China was $179.7 million and $230.4 million for the three months ended March 31, 2023 and 2022, respectively.

NOTE 8 – Debt

Short-term debt

Our Asia subsidiaries maintain credit facilities with several financial institutions through our foreign entities worldwide totaling $134.5 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 LIBOR 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 March 31, 2023, was approximately $99.4 million, net of $34.7 million advanced under our foreign credit lines and $0.4 million credit used for import and export guarantee.

Long-term debt

The Company maintains a long-term credit facility ("U.S. Credit Agreement") consisting of a term loan with no current balance and a $200.0 million revolving senior credit facility with nothing drawn as of March 31, 2023. Borrowings outstanding as of March 31, 2023 and December 31, 2022, are set forth in the table below:

Description	March 31, 2023	December 31, 2022	Interest Rate	Current Amount Maturity
Short-term debt	$ 34,651	$ 36,280	Various indices plus margin	Various during 2023
Long-term debt				
Notes payable to Bank of Taiwan	2,037	2,063	2-yr deposit rate floating plus 0.1148%	June-2033
Notes payable to CTBC Bank	13,788	13,840	TAIBOR 3M plus 0.5%	May-2024
Notes payable to CTBC Bank	3,287	3,256	TAIBOR 3M plus 0.5%	December-2024
Notes payable to E Sun Bank	3,287	3,256	1-M deposit rate floating plus 0.08%	December-2024
Notes payable to E Sun Bank	264	276	1-M deposit rate floating plus 0.08%	June-2027
Notes payable to E Sun Bank	1,483	1,516	1-M deposit rate floating plus 0.08%	June-2030
Notes payable to Bank of Taiwan	1,644	1,628	2-yr deposit rate floating plus 0.082%	September-2024
Notes payable to HSBC	66,000	105,000	1M SOFR+Margin	January-2025
Notes payable to HSBC	-	18,558	1M Libor+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	91,790	150,348		
Less: Current portion of long-term debt	(1,173)	(1,693)		
Less: Unamortized debt costs	(981)	(1,185)		
Total long-term debt, net of current portion	$ 89,636	$ 147,470		

NOTE 9 – Commitments and Contingencies

Purchase commitments – We have entered into non-cancelable purchase contracts for capital expenditures, primarily for manufacturing equipment, for approximately $71.3 million at March 31, 2023. As of March 31, 2023, we also had a commitment to purchase approximately $117.7 million of wafers to be used in our manufacturing process. These wafer purchases will occur through 2025.

Defined Benefit Plan - We have a contributory defined benefit plan that covers certain employees in the United Kingdom. As of March 31, 2023, the underfunded liability for this defined benefit plan was approximately $5.4 million. We have agreed to a revised schedule of contributions of GBP 2.0 million (approximately $2.4 million based on a GBP: USD exchange rate of 1:1.2) 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 $1.8 million based on a GBP: USD rate of 1:1.2) will be made by December 31, 2029.

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 pending legal proceeding will not have any material adverse effect on our consolidated 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. Based on information available, we evaluate the likelihood of potential outcomes of all pending disputes. We record an appropriate liability when the amount of any liability associated with a pending dispute 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 we consider material.

Note 10 – 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. As of March 31, 2023 and December 31, 2022, we had $228.6 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 fair value of the Company's cross-currency swap related derivative financial instruments as well as their classification on our condensed consolidated balance sheets as of March 31, 2023 and December 31, 2022:

	Fair Value			
	Other Assets		Other Liabilities	
	2023	2022	2023	2022
Cross-currency swaps	$ 2,815	$ 1,427	$ 8,486	$ 6,314

NOTE 11 – 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 components of lease expense are set forth in the table below:

	Three Months Ended March 31,	
	2023	2022
Operating lease expense	$ 3,273	$ 3,510
Finance lease expense:		
Amortization of assets	7	3
Interest on lease liabilities	1	–
Short-term lease expense	178	270
Variable lease expense	1,031	975
Total lease expense	$ 4,490	$ 4,758

The table below sets forth supplemental balance sheet information related to leases. In our condensed consolidated balance sheets, right of use ("ROU") assets are included in other long-term assets while lease liabilities are located in accrued liabilities and other for the current portion and other long-term liabilities for the non-current portion:

	March 31, 2023	December 31, 2022
Operating leases:		
Operating lease ROU assets	$ 56,829	$ 43,907
Current operating lease liabilities	9,473	7,390
Noncurrent operating lease liabilities	32,127	20,765
Total operating lease liabilities	$ 41,600	$ 28,155
Finance leases:		
Finance lease ROU assets	$ 2,611	$ 2,618
Accumulated amortization	(2,541)	(2,542)
Finance lease ROU assets, net	$ 70	$ 76
Current finance lease liabilities	$ 30	$ 30
Non-current finance lease liabilities	41	46
Total finance lease liabilities	$ 71	$ 76
Weighted average remaining lease term (in years):		
Operating leases	7.7	8.2
Finance leases	2.4	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:

	Three Months Ended	
	March 31, 2023	March 31, 2022
Cash paid for the amounts included in the measurements of lease liabilities:		
Operating cash outflows from operating leases	$ 3,871	$ 4,575
Operating cash outflows from finance leases	1	–
Financing cash outflow from finance leases	7	61
ROU assets obtained in exchange for lease liabilities incurred:		
Operating leases	12,616	1,541

The table below sets forth information about lease liability maturities:

	March 31, 2023	
	Operating Leases	Finance Leases
2023	$ 8,642	$ 24
2024	8,940	29
2025	7,764	19
2026	6,315	2
2027	4,021	-
2028	1,902	-
2029 and thereafter	11,824	-
Total lease payments	49,408	74
Less: imputed interest	(7,808)	(3)
Total lease obligations	41,600	71
Less: current obligations	(9,473)	(30)
Long-term lease obligations	$ 32,127	$ 41

NOTE 12 – Employee Benefit Plans

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 March 31, 2023 and December 31, 2022, these investments totaled approximately $13.1 million and $12.1 million, respectively.

NOTE 13 – Related Parties

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.

We purchase wafers from Nuvoton for use in our production process and we have an agreement to purchase approximately $29.1 million of wafers from Nuvoton that ends in the fourth quarter of 2025. We consider our relationships Nuvoton to be mutually beneficial and plan to continue our strategic alliance with Nuvoton.

JCP is a frequency control product 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.

The table below set forth the net sales, purchases and expenses with our related parties for the three months ended March 31:

	Three Months Ended March 31,			
	2023		2022	
Keylink:				
Net sales	$	3,407	$	5,766
Purchases	$	356	$	422
Plating, rental and consulting expense	$	4,425	$	4,547
Nuvoton:				
Net sales	$	7	$	35
Purchases	$	2,978	$	3,066
JCP:				
Purchases	$	99	$	213

The table below sets forth accounts receivable from, and accounts payable to, related parties:

	March 31, 2023		December 31, 2022	
Keylink:				
Accounts receivable	$	37,067	$	40,510
Accounts payable	$	33,921	$	33,733
Nuvoton:				
Accounts receivable	$	4	$	30
Accounts payable	$	1,874	$	2,859
JCP:				
Accounts payable	$	102	$	133

Note 14 - Equity Investments

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 three months ended March 31, 2022 the Company recognized $3.9 million upward fair value adjustments, 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 gain was 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.

Note 15 –Acquisitions and Divestitures

Wafer Fabrication Plant in South Portland, Maine

On June 3, 2022, the Company completed the previously announced acquisition of onsemi's wafer fabrication facility and operations located in South Portland, Maine. The South Portland Facility ("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		77,115
Goodwill		1,779
Total assets purchased	$	80,408

Note 16 - Subsequent Events

Privately Held Wafer Design Company

In April 2023, the Company entered into an agreement under which we acquired an additional interest in a privately held fabless wafer design company by purchasing $13.9 million of preferred stock. As part of the agreement, the Company’s previously held convertible note converted to preferred stock. The Company also obtained an option for an additional investment in a convertible promissory note to be exercised within 180 days after closing for up to $4 million.

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

Except for the historical information contained herein, the matters addressed in this Item 2 constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as identified under the heading "Cautionary Statement for Purposes of the "Safe Harbor" Provision of the Private Securities Litigation Reform Act of 1995" herein. Such forward-looking statements are subject to a variety of risks and uncertainties, including those discussed below under the heading "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q, that could cause actual results to differ materially from those anticipated by our management. The Private Securities Litigation Reform Act of 1995 (the "PSLRA") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements made in this Quarterly Report on Form 10-Q are made pursuant to the PSLRA. We undertake no obligation to publicly release the results of any revisions to our forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unexpected events. Unless the context otherwise requires, the words "Diodes," the "Company," "we," "us" and "our" refer to Diodes Incorporated and its subsidiaries. Dollar amounts and share amounts are presented in thousands, except per share amounts, unless otherwise noted.

This management's discussion should be read in conjunction with the management's discussion included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 ("Form 10-K"), previously filed with Securities and Exchange Commission ("SEC") on February 10, 2023.

Overview

We are 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. For detailed information, see Note 1 – **S**ummary of Operations and Significant Accounting Policies, included in the condensed consolidated financial statements in Item 1 above. Our products are sold primarily throughout Asia, the Americas and Europe. We believe that our focus on application-specific standard products utilizing innovative, highly efficient packaging and cost-effective process technologies, coupled with our collaborative, customer-focused product development, provides us with a meaningful competitive advantage relative to other semiconductor companies.

Summary for the Three Months Ended March 31, 2023

- Net sales were $467.2 million, a decrease of 3.1% from the $482.1 million in the first quarter 2022 and 5.8% from the $496.2 million in the fourth quarter 2022;
- Gross profit was $194.5 million, a decrease of 1.1% from the $196.7 million in the first quarter 2022 and 5.7% from the $206.2 million in the fourth quarter 2022;
- Gross profit margin was 41.6%, an increase of 80 basis points from the 40.8% in the first quarter 2022 and flat when compared to the fourth quarter 2022;
- Net income attributable to common stockholders was $71.2 million, compared to $72.7 million in the first quarter 2022 and $92.1 million in the fourth quarter 2022;
- Earnings per share attributable to common stockholders was $1.54 per diluted share, compared to $1.59 per diluted share in the first quarter 2022 and $2.00 per diluted share in the fourth quarter of 2022; and
- We achieved $99.8 million cash flow from operations. We had cash capital expenditures of $48.0 million, or 10.3% of net sales and a decrease in debt of $60.8 million.

COVID-19

We remain focused on the safety and well-being of our stakeholders and on the service to our customers. We will continuously review and assess the rapidly-changing COVID-19 pandemic and its impacts on our customers, our suppliers and our business so that we can seek to address those impacts. COVID-19 has caused disruptions in the supply chain, creating worldwide shortages and delays in receiving goods and products. These shortages and delays have led to increased inflation and could result in a world-wide recession.

As of March 31, 2023, our cash, cash equivalents, and short-term investments were $331.9 million, and we had access to additional borrowing capacity of $200.0 million under the revolving portion of our U.S. Credit Agreement, which we believe assures us adequate liquidity to manage the impacts of the COVID-19 pandemic on our business and to cover cash needs for working capital, capital expenditures and acquisitions for at least the next 12 months.

Results of Operations for the Three Months Ended March 31, 2023 and 2022

The table below sets forth the condensed consolidated statement of operations line items as a percentage of net sales:

	Percent of Net Sales Three Months Ended March 31, 2023	2022
Net sales	100 %	100 %
Cost of goods sold	(58)	(59)
Gross profit	42	41
Total operating expense	23	22
Income from operations	19	19
Total other income (expense)	-	-
Income before income taxes and noncontrolling interest	19	19
Income tax provision	(4)	(3)
Net income	15	15
Net income attributable to common stockholders	15	15

The following table and discussion explains in greater detail our consolidated operating results and financial condition for the three months ended March 31, 2023, compared to the three months ended March 31, 2022. This discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q.

	Three Months Ended March 31, 2023	2022	Increase/(Decrease)	% Change
Net sales	$ 467,241	$ 482,123	$ (14,882)	(3.1 %)
Cost of goods sold	272,787	285,426	(12,639)	(4.4 %)
Gross profit	194,454	196,697	(2,243)	(1.1 %)
Total operating expense	108,027	103,639	4,388	4.2 %
Interest income	1,772	826	946	114.5 %
Interest expense	(2,132)	(1,114)	1,018	91.4 %
Foreign currency (loss) gain, net	(1,893)	1,721	(3,614)	(210.0 %)
Unrealized gain (loss) on investments	3,889	(5,548)	9,437	N/A
Other income	530	1,876	(1,346)	(71.7 %)
Income tax provision	16,616	16,646	(30)	(0.2 %)

Net sales decreased approximately $14.9 million, or 3.1%, for the three months ended March 31, 2023, compared to the same period last year. This decrease was the result of an economic slowdown resulting in less demand for our products, partially off set by improvements in product mix. During the first quarter of 2023, the Company experienced strong margin performance driven by execution on new product initiatives and product mix improvements. During the three months ended March 31, 2023, weighted-average sales price increased 16.8%, when compared to the same period in 2022. A key contributor to the improved product mix has been the Company's success in the automotive and industrial end markets, which together totaled 47% or our total product revenue.

The table below sets forth our product revenue as a percentage of total product revenue by end-user market for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31, 2023	2022
Industrial	29%	26%
Automotive	18%	13%
Computing	22%	27%
Consumer	18%	18%
Communications	13%	16%

Cost of goods sold decreased approximately $12.6 million for the three months ended March 31, 2023, compared to the same period last year, due to the decreased net sales during the three months ended March 31, 2023. As a percent of sales, cost of goods sold was 58.4% for the three months ended March 31, 2023, compared to 59.2% for the same period last year. Average unit cost increased approximately 15.2% for the three months ended March 31, 2023, compared to the same period last year due to cost increases from various subcontractors and foundries and the improvement in product mix. For the three months ended March 31, 2023, gross profit decreased approximately 1.1% when compared to the same period last year. Gross profit margin for the three month periods ended March 31, 2023 and 2022 was 41.6% and 40.8%, respectively.

Operating expenses for the three months ended March 31, 2023, increased $4.4 million when compared to the three months ended March 31, 2022. Operating expenses as a percentage of net sales was 23.1% and 21.5% for the three months ended March 31, 2023 and 2022, respectively. Selling, general and administrative expenses (“SG&A”) decreased approximately $0.5 million as compared to the same period last year. Research and development expenses (“R&D”) increased approximately $4.6 million due to increases in supplies, wages and benefits and depreciation, partially offset by decreases in professional services fees as compared to the same period last year. SG&A, as a percentage of net sales, was 15.2% and 14.8% for the three months ended March 31, 2023 and 2022, respectively. R&D, as a percentage of net sales, was 7.1% and 5.9% for the three months ended March 31, 2023 and 2022, respectively.

Interest income increased $0.9 million, or 114.5% for the three months ended March 31, 2023, compared to the same period last year due to higher interest rates and increased investment levels. Interest expense increased $1.1 million, or 91.4% for the three months ended March 31, 2023, compared to the same period last year, due to an increase in the interest rates partially offset by lower debt levels. Unrealized gain on investments increased from 2022 due to mark to market adjustments on investments.

We recognized an income tax expense of approximately $16.6 million for each of the three months ended March 31, 2023 and 2022.

Financial Condition

Liquidity and Capital Resources

Our primary source of liquidity is cash flow from operations. Additional sources of liquidity are cash and cash equivalents, short-term investments and our credit facilities. Our cash and cash equivalents and restricted cash decreased from $341.1 million at December 31, 2022 to $325.9 million at March 31, 2023. This decrease in cash, cash equivalents and restricted cash reflects normal operations of the Company. As of March 31, 2023, we had short-term investments totaling $8.8 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 time frame but in doing so we generally forfeit all earned and future interest income.

At March 31, 2023 and December 31, 2022, our working capital was $731.4 million and $729.1 million, respectively. We expect cash generated by our operations together with existing cash, cash equivalents, short-term investments and available credit facilities to be sufficient to cover cash needs for working capital, capital expenditures and acquisitions for at least the next 12 months.

Our undistributed foreign earnings continue to be indefinitely reinvested in foreign operations, with limited exceptions related to earnings of certain European and Asian subsidiaries. As of March 31, 2023, our foreign subsidiaries held approximately $258.8 million of cash, cash equivalents and investments of which approximately $56.7 million would be subject to a potential non-U.S. withholding tax if distributed outside the country in which the cash is currently held. The $56.7 million is held in Germany, China, Korea, and Taiwan.

Short-term debt

Our Asia subsidiaries maintain credit facilities with several financial institutions through our foreign entities worldwide totaling $134.5 million. At March 31, 2023, outstanding borrowings were $34.7 million and outstanding letters of credit were $0.4 million under the Asia credit facilities.

Long-term debt

The Company maintains a long-term credit facility (“U.S. Credit Agreement”) consisting of a term loan with no balance as of March 31, 2023 and a $200.0 million revolving senior credit facility, with no outstanding balance at March 31, 2023. The U.S. Credit Agreement matures in May 2024.

In addition to the liquidity provided by the U.S. Credit Agreement, our 51% owned subsidiary, Eris Technology Company ("ERIS"), borrowed $25.8 million on a long-term basis from local Taiwan banks. The ERIS debt matures in periods through 2033.

Because some of our outstanding debt is subject to variable interest rates, the recent rise in interest rates will potentially increase our overall debt service cost. If interest rates continue to rise globally, our cost of capital may increase in the future.

Discussion of Cash Flow

The table below sets forth a summary of the condensed consolidated statements of cash flows:

	Three Months Ended March 31,	
	2023	**2022**
Net cash flows provided by operating activities	$ 99,811	$ 72,317
Net cash and cash equivalents used in investing activities	(48,131)	(54,886)
Net cash and cash equivalents used in financing activities	(70,318)	(75,859)
Effect of exchange rate changes on cash and cash equivalents	3,446	(2,385)
Change in cash and cash equivalents, including restricted cash	$ (15,192)	$ (60,813)

Operating Activities

Net cash flows provided by operating activities for the three months ended March 31, 2023 was $99.8 million. Net cash flows provided by operating activities for the three months ended March 31, 2023 resulted from net income of $72.0 million, depreciation and amortization of intangible assets of $33.6 million and share-based compensation of $9.8 million. The increases were partially offset by a decrease in operating asset and liability accounts of $11.7 million and a non-cash investment gain of $3.8 million. Net cash flows provided by operating activities for the three months ended March 31, 2022 was $72.3 million. Net cash flows provided by operating activities for the three months ended March 31, 2022 resulted from net income of $74.2 million, depreciation and amortization of intangible assets of $28.6 million, share-based compensation of $7.9 million and net non-cash investment losses of $5.5 million. The increases were partially offset by a decrease in changes in operating asset and liability accounts of $42.1 million.

Investing Activities

Net cash and cash equivalents used in investing activities was $48.1 million for the three months ended March 31, 2023. Net cash and cash equivalents used in investing activities for the three months ended March 31, 2023 was primarily due to purchases of property, plant and equipment of $48.0 million, or 10.3% of net sales, due to the expansion of a wafer fabrication facility located in Hsinchu Science Park in Taiwan. We expect capital expenditures for the twelve months ended December 31, 2023 to be within our target model. Net cash and cash equivalents used in investing activities was $54.9 million for the three months ended March 31, 2022. Net cash and cash equivalents used in investing activities for the three months ended March 31, 2022 was primarily due to the purchase of property, plant and equipment of $38.5 million, representing approximately 8% of net sales, the acquisition of the remainder of a non-controlling interest of $5.3 million and the down payment on the SPFAB acquisition and the net purchase of short-term investments of $3.0 million for the three months ended March 31, 2022.

Financing Activities

Net cash and cash equivalents used in financing activities was $70.3 million for the three months ended March 31, 2023. Net cash used in financing activities in the three months ended March 31, 2023 consisted primarily of $60.8 million of net reductions in our debt and taxes paid on net share settlements of $9.7 million. Net cash and cash equivalents used in financing activities was $75.9 million for the three months ended March 31, 2022. Net cash used in financing activities in the three months ended March 31, 2022 consisted primarily of $67.6 million of net reductions in our debt and taxes paid on net share settlements of $8.0 million.

Use of Derivative Instruments and Hedging

We use interest rate swaps, foreign exchange forward contracts and cross currency swaps to provide a level of protection against interest rate risks and foreign exchange exposure.

Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage exposure to interest rate movements. To accomplish this objective, 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.

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 and 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 ASC No. 815. The fair value of our foreign exchange hedges approximates zero.

Off-Balance Sheet Arrangements

We do not have any transactions, arrangements or other relationships with unconsolidated entities that will affect our liquidity or capital resources. We have no special purpose entities that provide off-balance sheet financing, liquidity or market or credit risk support, nor do we engage in leasing, swap agreements, or outsourcing of research and development services that could expose us to liability that is not reflected on the face of our financial statements.

Contractual Obligations

There have been no material changes in our Contractual Obligations as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on February 10, 2023.

Critical Accounting Estimates

Our critical accounting estimates are described in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and in the notes to our consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on February 10, 2023. Any new accounting estimates or updates to existing accounting estimates as a result of new accounting pronouncements have been discussed in the notes to our condensed consolidated financial statements in this Quarterly Report on Form 10-Q in Note 1 – Summary of Operations and Significant Accounting Policies. The application of our critical accounting estimates may require management to make judgments and estimates about the amounts reflected in the condensed consolidated financial statements. Management uses historical experience and all available information to make these estimates and judgments, and different amounts could be reported using different assumptions and estimates.

Recently Issued Accounting Pronouncements

See Note 1 - Summary of Operations and Significant Accounting Policies, of the Notes to Condensed Consolidated Financial Statements, for detailed information regarding the status of recently issued accounting pronouncements, if any.

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

Except for the historical information contained herein, the matters addressed in this Quarterly Report on Form 10-Q constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934. 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," or similar phrases or the negatives of such terms. Such forward-looking statements are subject to a variety of risks and uncertainties, including those discussed under "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q, and in other reports we file with the SEC from time to time, that could cause actual results to differ materially from those anticipated by our management. The PSLRA provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements made in this Quarterly Report on Form 10-Q are made pursuant to the PSLRA.

All forward-looking statements contained in this Quarterly Report on Form 10-Q are subject to, in addition to the other matters described in this Quarterly Report on Form 10-Q, a variety of significant risks and uncertainties. The following discussion highlights some of these risks and uncertainties. Further, from time to time, information provided by us or statements made by our employees may contain forward-looking information. There can be no assurance that actual results or business conditions will not differ materially from those set forth or suggested in such forward-looking statements as a result of various factors, including those discussed below.

For more detailed discussion of these factors, see the "Risk Factors" discussion in Item 1A of our most recent Annual Report on Form 10-K as filed with the SEC and in Part II, Item 1A of this Quarterly Report The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this Quarterly Report, and we undertake no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

Risk Factors

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. 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 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 INTERNATIONAL 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes to our market risks as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on February 10, 2023.

Item 4. 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 March 31, 2023, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer believe that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures are effective at the reasonable assurance level to ensure that information required to be included in this Quarterly 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 on required 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.

Changes in Internal Controls over Financial Reporting

There was no change in our internal control over financial reporting, known to our Chief Executive Officer or Chief Financial Officer, that occurred in the three months ended March 31, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not a party to any pending litigation that we consider material.

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 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.

Item 1A. Risk Factors.

There have been no material changes to our risk factors from those disclosed in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission on February 10, 2023.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. 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 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	
10.1	Letter agreement dated January 13, 2023, by and between the Company and Evan Yu	8-K	January 17, 2023	10.1	
10.2	Letter agreement dated March 17, 2023, by and between the Company and Julie Holland	8-K	March 17, 2023	10.1	
10.3	Amendment to Yuanhao Building Lease Agreements				X
31.1	Certification Pursuant to Rule 13a-14(a)/15d-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) /15d-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. 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2*	Certification Pursuant to 18 U.S.C. 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				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				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase				X
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase				X
104	Cover Page Interactive Data File, formatted in Inline XBRL				X

* *A certification furnished pursuant to Item 601(b)(32) 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 Quarterly Report on Form 10-Q. 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 and/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 the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned thereunto duly authorized.

DIODES INCORPORATED
(Registrant)

May 9, 2023	By: /s/ Keh-Shew Lu
Date	KEH-SHEW LU
	Chairman, President and Chief Executive Officer
	(Principal Executive Officer)
May 9, 2023	By: /s/ Brett R. Whitmire
Date	BRETT R. WHITMIRE
	Chief Financial Officer
	(Principal Financial Officer)

Exhibit 10.3

元豪电子2号大楼租赁合同续展及修订补充协议二

Amendment to Yuanhao Building Lease Agreements

甲方：上海元豪电子有限公司，法定地址：上海市松江出口加工区三庄路18弄8号

Shanghai Yuanhao Electronic Co. Ltd., Address: #8, Lane 8, SanZhuang Rd, Songjiang Export Processing District, Shanghai. (Party A)

乙方：上海凯虹科技电子有限公司，法定地址：上海市松江出口加工区三庄路18弄1号甲方和乙方合称为双方，分别称为甲乙一方。

DSH, Address: #1, Lane 8, SanZhuang Rd, Songjiang Export Processing District, Shanghai. Party A and Party B are collectively referred to as the Parties, respectively, a Party.

鉴于，甲乙双方于2013年1月签署《元豪电子2号大楼租赁合同》（以下称"租赁合同"），期限为五年，由2013年2月1日一2018年1月31日；
WHEREAS the Parties have signed lease agreements relating to the "Yuanhao Electronics No.2 building lease contract" (hereby referred to as below "Lease contract") in January 2013, with term beginning from January 1, 2019 to December 31, 2023;

鉴于，甲乙双方于2018年签署《元豪电子2号大楼租赁合同补充协议》（以下称"补充协议"），延长租赁期限五年至2023年1月31日；
WHEREAS, Party A and Party B signed the "Supplementary Agreement to the Lease Contract of Yuanhao Electronics No. 2 Building" (hereby referred to as the "Supplementary Agreement") in 2018, extending the lease term for five years to January 31, 2023;

鉴于，甲乙双方同意修改原租赁合同及补充协议，根据有关法律规定，甲乙双方经平等友好协商，一致同意订立如下条款，作为对租赁合同的续展、修改和补充：
WHEREAS the Parties agree to amend the Lease Agreements, pursuant to the relevant laws, Party A and Party B have agreed to enter into the following clauses of this amendment agreement as amendment and supplement to the Lease Agreements as follows:

1. 续展原租赁合同第4.1条及补充协议第1条关于租赁期之约定，双方同意2号大楼、两、空中连廊及4号设施大楼等全部租赁区域，继续延长5年租赁期（以下称"租赁期"），自 2023年2月1日起至2028年1月31日。

1. Whereas the renewal of the original leasing agreement on 4.1 and its Supplementary Agreement, both parties agree to extend the lease period for 5 years for all leased areas such as Building No. 2, Air Corridor and Facilities Building No. 4 (hereby referred to as the "Lease Period"), from February 1, 2023 to January 31, 2028.

2．删除原租赁合同第4.3条约定并同意修改为：于租赁期内，就乙方未承租之区域范围内，如有善意第三方以具法律约束力之租赁要约向甲方提出者，甲方有义务应先提示证明以书面通知乙方，乙方具有30天优先承租权，有权按照本合同相关条款根据需要优先承租，甲方不得在乙方优先承租权抉择期30天内向任何第三方出租。倘于租赁期届满前，乙方己向甲方为续约之意思表示时，乙方具有优先续租权，并由双方另订书面合同。

2. Article 4.3 on original leasing agreement has been agreed to revise as follows: during the lease term, if a bona fide third party makes a legally binding lease offer to Party A, Party A shall Obliged to present the proof and notify Party B in writing that Party B has a 30-day pre-emptive lease right and has the right to pre-empt the lease according to the needs of the relevant provisions of this contract, within the leasing areas not leased by Party B. Party A shall not rent to any third party within 30 days of Party B's pre-emptive lease right selection period. Before the lease term expiration, Party B has expressed intention to Party A on renewal of the contract, Party B has the priority to renew the lease, and the two parties shall sign another written contract.

3. 修改补充协议第3条关于租金约定，双方同意每平方米租金单价增加3％（明细详附表）。

6.1就2号大楼，1楼A租赁面积为3,356.48平方米，双方同意月租金为每平方米42.70元人民币，每月总计143,334.45元人民币。

6.2就2号大楼，1楼B和2楼至5楼租赁面积合计27,056.47平方米，双方同意月租金为每平方米31.30元人民币，每月总计846,997.11元人民币。

6.3就两条空中连廊，按照双方确认的实际投影面积合计为100平方米，双方同意月租金为每平方米62.62元人民币，每月总计6,262.09元人民币。

6.4就4号设施大楼，3层租赁面积合计为718.42平方米，双方同意月租金为每平方米 31.30元人民币，每月总计22,489.99元人民币。

6.5承上6.1至6.4所述，2号大楼、两条空中连廊和4号设施大楼的全部租赁区域，双方同意每月总租金共计1,019,084人民币。

3. Based on article 3 on amendment of agreement, both parties agree to increase the rent unit price per square meter by 3% (details in appendix).

6.1 Regarding Building No. 2, the leased area of 1st floor A is 3,356.48 square meters, and both parties agree that the monthly rent is 42.70 RMB per square meter, totaling 143,334.45 RMB per month.

6.2 Regarding Building No. 2, the leased area on the 1st floor B and the 2nd to 5th floors totals 27,056.47 square meters. Both parties agree that the monthly rent is 31.30 RMB per square meter, totaling RMB 846,997.11 per month.

6.3 Regarding the two sky corridors, based on the total actual projected area confirmed by both parties of 100 square meters, both parties agree that the monthly rent will be 62.62 RMB per square meter, totaling 6,262.09 RMB per month.

6.4 Regarding No.4 Facility Building, the total leased area of the 3rd floor is 718.42 square meters, and both parties agree that the monthly rent is 31.30 per square meter in RMB, totaling 22,489.99 per month in RMB.

6.5 Continuing from the above 6.1 to 6.4, both parties agree to a total monthly rent of RMB 1,019,084 for the entire leased area of Building No. 2, the two sky corridors and No. 4 Facility Building.

4. 修改补充协议第4条关于物业管理费的约定，每月物业管理费总计166,391.84人民币，原租赁合同第7，3条物业管理费关于服务项目及范围不变。

4. In revision of the Article 4 regarding property management fees in the amendment agreement, the total monthly property management fee is 166,391.84 in RMB. The services covered by property management in Article 7.3 of the original leasing agreement remain unchanged.

5. 修改原租赁合同第7．4条场地租赁费约定，双方同意每平方米单价增加3％后为每平方米 4.51元人民币（明细详附表），乙方每月应付场地租赁费27,820.50元人民币。

5. In revision of the Article 7.4 regarding rental fees in the amendment agreement, Both parties agree that the unit price per square meter will be increased by 3% to 4.51 RMB per square meter (details in appendix), and Party B shall pay rental fees of 27,820.50 RMB per month.

6. 删除及整并原租赁合同第14.1及14.2条关于保证之约定，双方同意修改如下：

甲方同意并保证，无论在租赁期及/或租赁续展期间内，就乙方承租之全部或部分租赁区域为出售、抵押、设质或为其他将造成乙方继续承租及使用租赁物权利受影响之虞的处分行为时，甲方应于为该等行为至少30日前以书面方式说明理由通知乙方。甲方同意乙方享有优先购买权，如乙方未于接收甲方书面通知后30日内为任何优先购买之意思表示者即为放弃。纵算乙方放弃优先购买权，甲方仍有义务应要求第三方（包括但不限于，购买方、银行或抵押权人）负担义务继续履行租赁合同之责任与义务，甲方并应以书面方式向乙方保证保证乙方得继续承租及使用租赁物权利而不受任何影响。甲方如有违反，造成乙方遭受法律上权益或经济上损失者，甲方应赔偿乙方相当于每月租金总额三倍之违约金，及赔偿包括但不限于因搬迁所衍生之一切与拆卸、包装、搬运、重新安置等相关之所有费用。

6. In deletion and integration of the Articles 14.1 and 14.2 of the original leasing agreement, both parties agree to amend as follows:

Party A agrees and guarantees that, within the current/renewal of term period, Party A shall notify Party B of the reason in writing at least 30 days prior to behaviors selling, mortgaging, pledging or other actions that may affect Party B's right to the leased property. Party A agrees that Party B has preemptive right, and if Party B fails to express any intention 30 days after receiving Party A's written notice, it shall be deemed as waiver. Even if Party B waives the preemptive right, Party A is still obliged to require the third party (including but not limited to, the buyer, bank or mortgagee) to assume the obligation to continue to perform the responsibilities and obligations of the lease contract, and Party A shall notify in writing to Party B to guarantee that Party B can continue to lease and use the leased property rights without any impact. If Party A violated the term which cause economic losses of Party B, Party A shall compensate Party B for liquidated damages equivalent to three times the total monthly rent, and the compensation includes but not limited to the costs associated with packing, moving, relocation, etc.

7. 本补充协议二正本一式二份，于甲乙双方法定代表人或其授权人代表在本补充协议书上签名并加盖公司公章后，于2023年2月1日起生效。

7. The supplementary amendment agreement takes effect on February 1, 2023 after the legal representatives of both parties or their authorized representatives sign this Supplementary Agreement and affix the company's official seal.

8. 本补充协议二生效后，即构成原租赁合同有效组成部分，与原租赁合同构成甲乙双方间完整之协议。原租赁合同及补充协议项下与本补充协议二如有不一致的，以本补充协议二之约定为准。原租赁合同其他部分和条款内容维持不变，本补充协议二未涉及事项，仍按照原租赁合同的约定执行。

8. After the amendment agreement taking effect, it will take effect as an effective part of the original leasing agreement between Party A and Party B. If there is any inconsistency between the original leasing agreement and the supplementary amendment, the parties shall act according to the amendment agreement. All the other terms and conditions remain the same.

（以下无正文，为签字页）

甲方(公章)：上海元豪电子有限公司	乙方(公章)：上海凯虹科技电子有限公司
授权代表(签字)：	授权代表(签字)：
日　期：2023.3.13	日　期：2023.2.21

元豪电子2号大楼租赁合同续展及修订补充协议二

附表：

	区域&费用项目	面积（平方米）	原单价（每平方米）	新单价（每平方米）	原租赁金额(RMB)	新租赁金额（增加3%）
1	2#楼1楼A	3,356.48	41.46	42．70	139,159.66	143,334.45
2	2#楼1楼B和2一5楼	27,056.47	30.39	31..30	822,327.29	846,997.11
3	2条空中连廊	100.00	60.80	62.62	6,079.70	6,262.09
4	4号设施大楼	718.42	30.39	31.30	21,834.94	22,489.99
租金小计	2#楼、2条空中连廊和 4#设施大楼				989,402	1,019,084
5	场场地租赁费	6,166.71	4.38	4.51	27,010.19	27,820.50
6	物物业管理费				161,545.48	166,391.84
附加费用小计					188,556	194,212
	合计	37,398.08			1,177,957	1,213,296

Exhibit 31.1

CERTIFICATION
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, **Keh-Shew Lu**, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Diodes Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2023

/s/ Keh-Shew Lu
Keh-Shew Lu
Chief Executive Officer

Exhibit 31.2

CERTIFICATION
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, **Brett R. Whitmire**, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Diodes Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2023

/s/ Brett R. Whitmire
Brett R. Whitmire
Chief Financial Officer

Exhibit 32.1

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

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 of Diodes Incorporated (the "Company") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2023

/s/ Keh-Shew Lu
Keh-Shew Lu
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Diodes Incorporated and will be furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 of Diodes Incorporated (the "Company") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2023

/s/ Brett R. Whitmire

Brett R. Whitmire
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Diodes Incorporated and will be furnished to the Securities and Exchange Commission or its staff upon request.