

# Nuvoton Technology Corp.

## 2020 Annual Report

Printed on April 13, 2021

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**Nuvoton Annual Report Website**

- **Market Observation Post System Website: <http://mops.twse.com.tw>**
- **Nuvoton Annual Report Website: <http://www.nuvoton.com>**

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- VII. **Company website: <http://www.nuvoton.com>**

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## Chapter 1 Letter to Shareholders

Dear Shareholders,

Due to the COVID-19 pandemic in 2020, the global economy for 2020 showed a negative growth rate<sup>1</sup>. However, such pandemic led to huge changes in human behavior and economic activities and gave rise to new forms of remote home schooling, working from home, and online social networking, which, as a result, promoted the development of relevant products and technologies and became a new drive for the growth of the global economy. The continued development of 5G networks, IoT, and automotive electronics applications has provided strong growth momentum for the semiconductor industry. In this fast-changing market environment and increasingly intensified competition among its peers, the Company continues to keep abreast of market trends by actively introducing new technologies, products, and services. The Company also acquired Panasonic Semiconductor Solutions, Co. Ltd. ("PSCS"), a semiconductor business of Japan-based Panasonic Corporation, on September 1, 2020<sup>2</sup>, to expand its product applications and optimize its product and customer portfolio, which demonstrates its solid operating strength.

### **Financial Performance**

In terms of the overall financial performance in 2020, Nuvoton's total consolidated revenue was about NT\$20,668 million; its net income after tax was about NT\$533 million; its earnings per share after tax was NT\$1.81.

### **Product, Market and Technological Developments**

In addition to the original four main business lines, namely micro-control applications, smart home, cloud security, and wafer foundry, Nuvoton has strengthened its product portfolio in the field of image sensing and power management after incorporating NTCJ. Its important achievements are summarized as follows:

- In the field of micro-control applications, Nuvoton's microcontroller, Arm® Cortex®-M23, has passed Arm® PSA Certified Level 2, a safety and reliability certification, and therefore may protect against most software attacks and secure information for cloud applications on

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<sup>1</sup> According to a research report publish by IMF, the global economic growth rate was -3.5% in 2020.

<sup>2</sup> After the acquisition, PSCS was renamed Nuvoton Technology Corporation Japan ("NTCJ").

networked devices. We also launched the first 32-digit core microcontroller, Cortex-M0, to pass the certification of AEC-Q100 Grade 2 for industrial control application markets.

- For smart homes, Nuvoton introduced the new smart power amplifier chips, NAU83G10 and NAU83G20, with built-in high-performance Class D power amplifier and Tensilica HiFi Digital Soundfield Processor (DSP) using Klippel Controlled Sound (KCS) technology, which enable small speakers to produce louder audio output and better sound quality at their physical limits.
- In terms of cloud security, the ability of Nuvoton's system security protection chip (NCT6692D) to protect system firmware has passed the CAVP certification conducted by the Computer Security Resource Center (CSRC) of the U.S. National Institute of Standards and Technology (NIST).
- In terms of wafer foundry, with the increase in demand for power management ICs in the second half of 2020, the mass production through the high-voltage processes peaked, while the Company started to introduce the new generation BCD process and Half bridge HVIC process to its customers. In the future, the Company will continue to develop new processes to enhance its competitiveness in the foundry market and meet the diverse needs of the power supply markets.
- After the acquisition of NTCJ, the Company was able to offer more comprehensive semiconductor-related products and solutions, including 2D and 3D TOF ("Time of Fly") image sensing technologies and components, high-performance MCUs certified by CCC EAL6+, the highest standard information security certification in the industry, power management and CSP ("Chip Scale Package") MOSFETs, and other semiconductor component and technologies, which can be widely applied in the fields of, among others, industrial control, automotive, medical and consumer products, and provide the Company with new growth momentum.

### **Honors and Awards**

Nuvoton continues to grow steadily in its main business areas and adheres to sustainable operation. In 2020, we were awarded the Outstanding Enterprise Award for Waste Reduction and Circular Economy by the Hsinchu Science Park for actively promoting source reduction and resource recycling

in a view to moving towards circular economy. For the long-term goal of sustainable development for the environment, Nuvoton continued to invest in energy-saving or green energy-related environmentally-friendly and sustainable major machinery and equipment. The replacement of high-pressure rotor in air compressors and the substitution of LED lamps for the existing lighting equipment together helped save electricity about 203,000 kWh in 2020, clearly demonstrating the excellent results of our continuous commitment to corporate social responsibility.

### **Corporate Management and Expectations**

Looking ahead, we will continue to focus on "green semiconductor" technologies and achieve the goal of carbon neutrality by reducing the carbon footprint of our products, hoping to contribute to the mitigation of global climate change while developing our business.

While the global instability has intensified in the wake of the pandemic, it also accelerated the development of the digital economy as a result. The fact that people stay home more often has triggered the demand for remote work, learning, and home entertainment, opening up new application models among many different types of terminal-connected devices. In the future, Nuvoton will continue to capitalize on the market trend of digital transformation, as well as business opportunities in trends such as 5G, Internet of Things, cloud computing applications, and automotive automation, to expand the market presence and maintain flexibility in response to uncertain market conditions. By combining our R&D technologies and capabilities around the world, we will continue to build up our R&D capacity and promote our innovative applications and services worldwide to create new value for Nuvoton.

Finally, I would like to deeply appreciate every shareholder's support and acknowledgement on behalf of Nuvoton Technology Corporation.

Yuan-Mou Su, Chairman

## Chapter 2 Company Overview

### I. Company profile and history

Nuvoton Technology Corporation was established on April 9, 2008. In July of 2008, the Company was spun off from Winbond's Logic IC Business Group and went public offering on December 15, 2009. The Company became listed on the Emerging Stock Market on January 29, 2010 and has been listed on the Taiwan Stock Exchange since September 27, 2010.

The Company focuses on the R&D, design and sales of integrated circuits, and has achieved leading positions in microcontrollers, smart home, and cloud security IC applications; in addition, the Company owns a 6-inch IC plant that specializes in diverse processing technologies to provide professional IC foundry services and manufactures self-own IC products with its partial capacity.

The Company provides customers high quality products at low costs through vigorous innovative technical capabilities, comprehensive product solutions and outstanding integration technologies. We provide customers services from existing foundations of cooperation. With the Company vision "Joy of Innovation", we value the long-term relationship between customers and partners. Nuvoton has set up subsidiaries in the USA, Mainland China, Israel, India, Singapore, Korea, and Japan to strengthen regional support and global management.

Apart from outstanding performance in main business, the Company has won many honors and awards, and was named an excellent supplier of computer ICs by world class brand companies in 2012. The Company was also awarded in 2013 the highest green rating in the validated audit process (VAP) under the EICC Code of Conduct. The Company was a winner at the MOEA 3rd National Industrial Innovation Award as well as the 3rd Potential Taiwan Mittelstand Award in 2014. We were also ranked among the excellent exporters/importers by the Bureau of Foreign Trade in 2014. We won the Taiwan Corporate Sustainability Award and the Potential Taiwan Mittelstand Award in 2015, the Excellent Occupational Safety and Health Promotion Performance award from the Hsinchu Science Park Administration in 2016, and "2017 Environmental Education Partner" of Hsinchu Science Park Bureau in 2017. We actively improved electricity consumption in our plants in 2018 and received the "Energy Conservation Elite" from the Ministry of Economic Affairs. The Company obtained occupational health and safety management system

certification in line with ISO 45001-2018 standards in 2019, and the "Excellent Waste Reduction and Circular Economy Awards" from the Hsinchu Science Park Administration in 2020. These awards exemplify the national-level high regard bestowed upon the Company and our commitment to corporate social responsibilities.

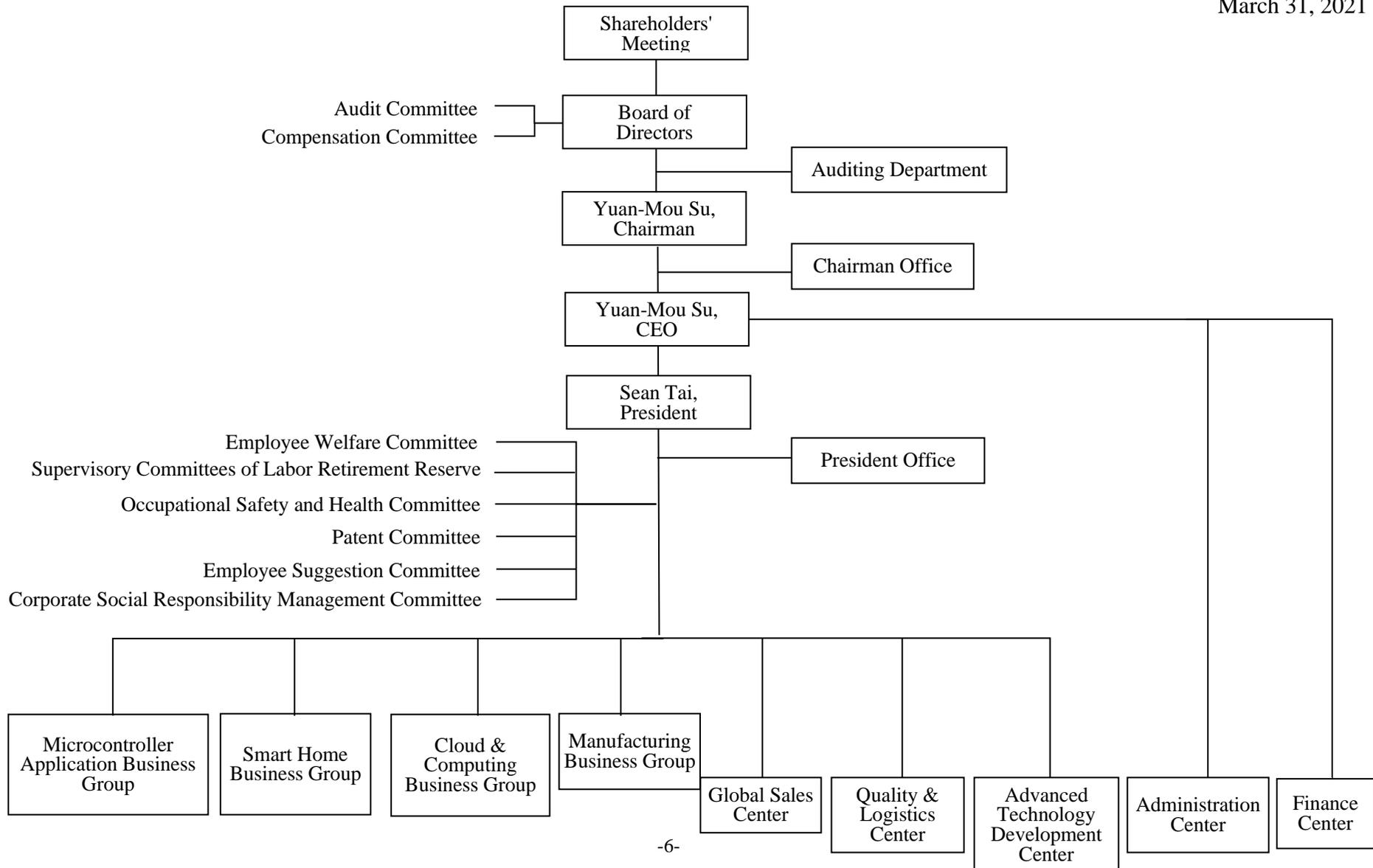
The Company will continue to build up its strength in R&D and focus on the core businesses while establishing itself as a market leader. The Company will aim to achieve sustainability and advance steadily to achieve a world-class IC designer and manufacturer.

II. Corporate Governance Report

(I) Organizational structure and major business units

1. Organization structure

March 31, 2021



## 2. Major business units and their key businesses

| Department                                 | Key businesses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| President Office                           | <ol style="list-style-type: none"> <li>1. Implement and analyze operation performance and provide improvement recommendations to help achieve the operation targets of the Company.</li> <li>2. Administer the planning and organization of the Company's comprehensive business development strategies.</li> <li>3. Oversee and execute the operation targets.</li> </ol>                                                                                                                                                                                                                                                                                                 |
| Auditing Department                        | <ol style="list-style-type: none"> <li>1. Planning and execution of internal audit operations.</li> <li>2. Planning and execution of internal control self-assessment operations.</li> <li>3. Review of company codes and rules.</li> <li>4. Audit and evaluate the overall operation performance of the Company.</li> </ol>                                                                                                                                                                                                                                                                                                                                               |
| Microcontroller Application Business Group | Develop general applications for microcontroller/microprocessor development tools and platforms.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Smart Home Business Group                  | Planning, R&D, promotion and operation of audio products.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Cloud & Computing Business Group           | <ol style="list-style-type: none"> <li>1. Planning, promotion and operation of computer products.</li> <li>2. Planning, promotion and operation of cloud-based platforms and devices.</li> <li>3. Investigation, planning and preparation for future and strategic products.</li> <li>4. Cloud security platform plans and strategic partner management.</li> </ol>                                                                                                                                                                                                                                                                                                        |
| Manufacturing Business Group               | <ol style="list-style-type: none"> <li>1. Conduct IC manufacturing business to achieve profit goals.</li> <li>2. Provide competitive manufacturing solutions.</li> <li>3. Provide IC foundry services.</li> <li>4. Integrate outsourced businesses and develop IC manufacturing strategies.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                     |
| Global Sales Center                        | <ol style="list-style-type: none"> <li>1. Organize and manage the global sales team.</li> <li>2. Plan and implement annual operation targets.</li> <li>3. Sales management and analysis system.</li> <li>4. Strategic management of major customers and market regions.</li> <li>5. Develop new businesses in emerging and growing markets.</li> </ol>                                                                                                                                                                                                                                                                                                                     |
| Quality & Logistics Center                 | <ol style="list-style-type: none"> <li>1. Planning, control and management of production and logistics.</li> <li>2. Cooperation, management and control of outsourced services.</li> <li>3. Manage outsourced IC foundry services.</li> <li>4. Define, establish and plan quality policies/systems/management in line with Company targets and customer requirements.</li> <li>5. Monitor and satisfy customers' requests on product quality.</li> <li>6. Manage the Company's intellectual property documents and information.</li> <li>7. Material control/supply chain/logistics/storage management.</li> <li>8. Provide solutions for costs and efficiency.</li> </ol> |
| Advanced Technology Development Center     | <ol style="list-style-type: none"> <li>1. Early development of the Company's new technologies of the future and advanced research into new businesses.</li> <li>2. Lead related industrial, academic and governmental collaboration plans with universities, government institutions.</li> <li>3. Establish standard operating procedures for internal IC design and develop necessary auxiliary software.</li> <li>4. Assist the product line in developing products and provide integrated services for the latter stages of CAD and IC design.</li> </ol>                                                                                                               |
| Administration Center                      | <ol style="list-style-type: none"> <li>1. Providing a safe working environment in a most cost-effective manner and assisting other business units to achieve the overall business goals of the Company.</li> <li>2. Satisfy the human resource demands for the Company's operations and growth.</li> <li>3. Review the Company's contracts and process related legal patent matters.</li> </ol>                                                                                                                                                                                                                                                                            |

| Department     | Key businesses                                                                                                                                                                                                                                                                                  |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Finance Center | <ol style="list-style-type: none"><li>1. Planning and execution of accounting system and tax matters.</li><li>2. Planning and evaluation of budget and costs.</li><li>3. Planning and maneuvering of Company funds and investment management.</li><li>4. Public relations management.</li></ol> |

(II) Profile of Directors, Supervisors and Managerial Officers

1. Director information (1)

April 13, 2021; Unit: shares

| Title    | Nationality or place of registration | Name                                                        | Gender | Date elected | Term (Year) | First elected date | Shares held during election |                      | No. of shares currently held |                      | Current shares held by spouse and underage children |                      | Shareholding by nominee arrangement |                      | Education and Work Experiences                                                                                                                                                                                                               | Other current positions within the Company | Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads |           |              | Note    |
|----------|--------------------------------------|-------------------------------------------------------------|--------|--------------|-------------|--------------------|-----------------------------|----------------------|------------------------------|----------------------|-----------------------------------------------------|----------------------|-------------------------------------|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------|--------------|---------|
|          |                                      |                                                             |        |              |             |                    | No. of shares               | Percentage of shares | No. of shares                | Percentage of shares | No. of shares                                       | Percentage of shares | No. of shares                       | Percentage of shares |                                                                                                                                                                                                                                              |                                            | Title                                                                                                      | Name      | Relationship |         |
| Director | ROC                                  | Winbond Electronics Corporation                             | -      | 2019.6.24    | 3 years     | 2008.3.14          | 126,620,087                 | 61.01%               | 214,954,635                  | 53.65%               | -                                                   | -                    | -                                   | -                    | -                                                                                                                                                                                                                                            | Note 1                                     | N/A                                                                                                        | N/A       | N/A          |         |
| Chairman | ROC                                  | Winbond Electronics Corporation Representative: Yuan-Mou Su | Male   | 2020.2.6     | 3 years     | 2020.2.6           | -                           | -                    | 105,000                      | 0.03%                | -                                                   | -                    | -                                   | -                    | Master of Electrical Engineering, University of Southern California, BS in Electrical Engineering, National Chiao Tung University, Vice Chairman, Winbond Electronics Corporation                                                            | Note 2                                     | N/A                                                                                                        | N/A       | N/A          | Note 12 |
| Director | ROC                                  | Arthur Yu-Cheng Chiao                                       | Male   | 2019.6.24    | 3 years     | 2008.3.14          | -                           | -                    | -                            | -                    | -                                                   | -                    | -                                   | -                    | Master's degree in Electrical Engineering & Institute of Management, University of Washington Chairman of Walsin Lihwa Corp.                                                                                                                 | Note 3                                     | Director                                                                                                   | Yung Chin | Spouse       |         |
| Director | ROC                                  | Keh-Shew Lu                                                 | Male   | 2019.6.24    | 3 years     | 2008.3.14          | -                           | -                    | -                            | -                    | -                                                   | -                    | -                                   | -                    | Doctorate in Electrical Engineering, Texas Tech University Senior Vice President of Memory Products, Senior Vice President of Global Mixed and Analog, Signal Logical Products of Texas Instruments Incorporated, Chairman of LED Engin Inc. | Note 4                                     | N/A                                                                                                        | N/A       | N/A          |         |

| Title                | Nationality or place of registration | Name                                                       | Gender | Date elected | Term (Year) | First elected date | Shares held during election |                      | No. of shares currently held |                      | Current shares held by spouse and underage children |                      | Shareholding by nominee arrangement |                      | Education and Work Experiences                                                                                                                                                                                                                            | Other current positions within the Company | Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads |                       |              | Note |
|----------------------|--------------------------------------|------------------------------------------------------------|--------|--------------|-------------|--------------------|-----------------------------|----------------------|------------------------------|----------------------|-----------------------------------------------------|----------------------|-------------------------------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------|--------------|------|
|                      |                                      |                                                            |        |              |             |                    | No. of shares               | Percentage of shares | No. of shares                | Percentage of shares | No. of shares                                       | Percentage of shares | No. of shares                       | Percentage of shares |                                                                                                                                                                                                                                                           |                                            | Title                                                                                                      | Name                  | Relationship |      |
| Director             | ROC                                  | Chi-Lin Wea                                                | Male   | 2019.6.24    | 3 years     | 2010.4.23          | -                           | -                    | -                            | -                    | -                                                   | -                    | -                                   | -                    | Master of Management from Imperial College London, United Kingdom, Doctorate in Economics from University of Paris;<br>Director of National Taiwan University College of Management, Secretary general of Executive Yuan, Chairman of Land Bank of Taiwan | Note 5                                     | N/A                                                                                                        | N/A                   | N/A          |      |
| Director             | ROC                                  | Gin Hsin Investment Co., Ltd.                              | -      | 2019.6.24    | 3 years     | 2019.6.24          | 253,185                     | 0.12%                | 5,100,747                    | 1.27%                | -                                                   | -                    | -                                   | -                    | -                                                                                                                                                                                                                                                         | Note 6                                     | N/A                                                                                                        | N/A                   | N/A          |      |
| Director             | ROC                                  | Representative of Gin Hsin Investment Co., Ltd.: Yung Chin | Female | 2019.6.24    | 3 years     | 2008.3.14          | -                           | -                    | -                            | -                    | -                                                   | -                    | -                                   | -                    | B.A. in Mathematics, National Taiwan University, Master's degree in Applied Mathematics, University of Washington                                                                                                                                         | Note 7                                     | Director                                                                                                   | Arthur Yu-Cheng Chiao | Spouse       |      |
| Independent Director | ROC                                  | Shan-Kio Hsu                                               | Male   | 2019.6.24    | 3 years     | 2013.6.14          | -                           | -                    | -                            | -                    | -                                                   | -                    | -                                   | -                    | MBA of National Chengchi University and advanced courses at Wharton School in the U.S. Chairman of Altek Corporation, Chingis Technology Corporation, and Taiwan Mask Corporation                                                                         | Note 8                                     | N/A                                                                                                        | N/A                   | N/A          |      |

| Title                | Nationality or place of registration | Name                | Gender | Date elected | Term (Year) | First elected date | Shares held during election |                      | No. of shares currently held |                      | Current shares held by spouse and underage children |                      | Shareholding by nominee arrangement |                      | Education and Work Experiences                                                                                                                                                                                  | Other current positions within the Company | Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads |      |              | Note |
|----------------------|--------------------------------------|---------------------|--------|--------------|-------------|--------------------|-----------------------------|----------------------|------------------------------|----------------------|-----------------------------------------------------|----------------------|-------------------------------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------------------------------------------------------------------------|------|--------------|------|
|                      |                                      |                     |        |              |             |                    | No. of shares               | Percentage of shares | No. of shares                | Percentage of shares | No. of shares                                       | Percentage of shares | No. of shares                       | Percentage of shares |                                                                                                                                                                                                                 |                                            | Title                                                                                                      | Name | Relationship |      |
| Independent Director | ROC                                  | David Shu-Chyuan Tu | Male   | 2019.6.24    | 3 years     | 2014.6.12          | -                           | -                    | -                            | -                    | -                                                   | -                    | -                                   | -                    | Master of Computer Engineering from California State University, Bachelor of Computer Engineering from National Chiao Tung University; President of Planning Department of Synnex Technology International Corp | Note 9                                     | N/A                                                                                                        | N/A  | N/A          |      |
| Independent Director | ROC                                  | Royce Yu-Chun Hong  | Male   | 2019.6.24    | 3 years     | 2010.4.23          | -                           | -                    | -                            | -                    | -                                                   | -                    | -                                   | -                    | Bachelor degree in Industrial Design from Rhode Island School of Design, Bachelor degree in Graphic Design from the Art Center College of Design                                                                | Note 10                                    | N/A                                                                                                        | N/A  | N/A          |      |
| Independent Director | ROC                                  | Jie-Li Hsu          | Male   | 2019.6.24    | 3 years     | 2016.6.15          | -                           | -                    | -                            | -                    | -                                                   | -                    | -                                   | -                    | Bachelor of Commerce from the University of Toronto, Master in International Management from Waseda University, MBA from Peking University, Director of Kinpo Electronics, Inc.                                 | Note 11                                    | N/A                                                                                                        | N/A  | N/A          |      |

Note 1: Corporate Director Winbond Electronics Corporation serves concurrently as Director of Walton Advanced Engineering, Inc., Winbond Electronics (HK) Ltd., Pine Capital Investment Limited, Landmark Group Holdings Ltd., Winbond International Corporation, Winbond Technology Ltd., and Callisto Holding Limited; Supervisor of Walsin Technology Corp., Gin Hsin Investment Co., Ltd., and Harbinger Venture III Capital Corp.

Note 2: Mr. Yuan-Mou Su is the Company's Chairman and CEO; Chairman of Nuvoton Technology Corporation Japan and Director of Nuvoton Technology Holdings Japan.

Note 3: The Director Mr. Arthur Yu-Cheng Chiao serves concurrently as the Chairman and CEO of Winbond Electronics Corp.; Chairman of Gin Hsin Investment Co., Ltd. and Cheng Ho Investment Co., Ltd.; Director of Walsin Lihwa Corp., Walsin Technology Corporation, United Industrial Gases Co., Ltd., Chin Cheng Construction Corp., Song Yong Investment Corporation, MiTac Holdings Corp., Winbond Electronics Corporation America, Landmark Group Holdings Ltd., Winbond International Corporation, Peaceful River Corporation, Nuvoton Investment Holding Ltd., Marketplace Management Limited, Great Target Development Ltd., and Nuvoton Technology Holdings Japan. Independent Director, Compensation Committee Convener, and Audit Committee member of Taiwan Cement Corporation and Independent Director, Compensation Committee member, and Audit Committee member of Synnex Technology International Corp.; manager of Goldbond LLC; and Supervisor of MiTac Holdings Corp.;

- Note 4: Director Mr. Keh-Shew Lu serves concurrently as the Chairman, CEO and Director of Diodes Incorporated; Director of Lorenz and Lite-On Technology Corporation.
- Note 5: Director Mr. Chi-Lin Wea serves concurrently as Chairman of Waterland Financial Holdings, Top Taiwan VI Venture Capital Co., Ltd., and Top Taiwan VIII Venture Capital Co., Ltd. Director of Elan Microelectronics Corporation, Taiwan Secom Co., Ltd., and AcBel Polytech Inc.; Supervisor of Aces Electronic Co., Ltd. and Breeze Development Co.; Independent Director of Inventec Besta Co., Ltd., Sinbon Electronics Co., Ltd., and Formosa Plastics Corporation.
- Note 6: Institutional Director Gin Hsin Investment Co., Ltd. serves concurrently as Director of Winbond Electronics Corporation, Walsin Lihwa Corporation, HannStar Board Corporation, Global Investment Holdings Co., Ltd., Glorystone Inc., Hwa Bao Botanic Conservation Corp., and GLMTD Technology.
- Note 7: Director Ms. Yung Chin serves concurrently as Director and Chief Administrative Officer of Winbond Electronics Corp.; Chairman of Winbond (H.K.), Pine Capital Investment Limited, and Hwa Bao Botanic Conservation Corp.; Director of Winbond Electronics Corporation America, Peaceful River Corporation, and Nuvoton Electronics Technology (H.K.) Limited. She also serves concurrently as Supervisor of Qing An Investment Limited, Yau Cheung Investment Limited, Winbond Electronics Corporation Japan, Winbond Electronics (Suzhou) Ltd., and Nuvoton Electronics Technology (Shanghai) Limited.
- Note 8: Independent Director Mr. Shan-Kio Hsu serves concurrently as the Chairman of Hestia Power Inc., AccelStor Co., Ltd., 3R Life Sciences Taiwan Ltd., Yu Yuan Investment Co. Ltd., and Fu Run Investment Co. Ltd.; Director of Innodisk Corporation, Acme Electronics Corporation, PARPRO CORPORATION, and Pao Yue Investment Co. Ltd.; Independent Director and Convener of the Compensation Committee and Audit Committee of Winbond Electronics Corp.
- Note 9: Independent Director Mr. David Tu serves concurrently as Vice President Group Business Development & Strategy of Synnex Technology International Corp. and Director of BestCom Infotech Corp.
- Note 10: Independent Director Mr. Royce Yu-Chun Hong serves concurrently as Chairman and President of IPEVO Corp.; Chairman of XRANGE CO., LTD., XING Mobility Inc., and Panasonic Taiwan; Director of Long Jun Investment Co., Ltd.; Supervisor of Yuchi Venture Investment Co., Ltd. and Panasonic Electronics Products Co. Ltd.
- Note 11: Independent Director Mr. Jie-Li Hsu serves concurrently as the Chairman of AcBel Electronic (Dong Guan) Co., Ltd., AcBel Polytech (Philippines) Inc., and AcBel Electronic (Wuhan) Co., Ltd.; Vice Chairman of Gold Pao Technology Co., Ltd.; Director of AcBel Polytech Inc., AcBel (USA) Polytech Inc., Kinpo Electronics, Inc., PCHome Online Inc., Eslite Spectrum Corporation, Compal Electronics Inc., Castlenet Technology Incorporation, AcBel Polytech Holdings Inc., AcBel Polytech Japan Inc., AcBel Polytech (Ireland) Limited, AcBel Polytech (Singapore) Pte Ltd., AcBel Polytech (UK) Limited, AcBel Polytech (SAMOA) Investment Inc., AcBel Polytech International Inc., Jen Teng Solar Power Co., Ltd., Jih Chen Solar Power Co., Ltd., Kang Te Energy Co., Ltd., Kang Jui Energy Co., Ltd., Power Station Holdings Ltd., EPI Technology Venture Pte. Ltd., Evercomm Uni-Tech Singapore Pte. Ltd., AcBel Telecom Inc., CK Holdings Inc., Cal-Comp Big Data, Inc., Lizhi Electronics (Nantong) Co., Ltd., Raypal Biomedical Co., Ltd., and Ray-Kwong Medical Management Consulting Co., Ltd.; Independent Director of Nuvoton Technology Co.; Supervisor of Kinpo Group Management Service Company, Teleport Access Services, and Fu Bao Investment Co., Ltd.; President of AcBel Polytech Inc., AcBel Electronic (Dong Guan) Co., Ltd., AcBel (USA) Polytech Inc., AcBel Polytech (Philippines) Inc., and AcBel Electronic (Wuhan) Co., Ltd.; Deputy Chairman of Taiwan Electrical and Electronic Manufacturers' Association (TEEMA), Director of the Importers & Exporters Association of Taipei, and Chairman of The Third Wednesday Club-Young Entrepreneur Group.
- Note 12: Nuvoton appoints the same person to serve as the Chairman and CEO of the Company mainly to improve the operating performance of the Group's organization and increase shareholders' interests to achieve corporate sustainability. Other members of the Board of Directors do not serve concurrently as employees or managerial officers of the Company and they retain their objectiveness and supervision.

#### Directors who are representative of institutional shareholders and the major shareholders of institutional shareholders

April 13, 2021

| Name of institutional shareholder | Major shareholders of institutional shareholders                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Winbond Electronics Corp.         | Walsin Lihwa Corporation (22.21%), Gin Hsin Investment Co., Ltd. (5.55%), Arthur Yu-Cheng Chiao (1.60%), Vanguard Star Vanguard Total International Stock Index Fund under the custody of JP Morgan Chase (1.31%), LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (1.13%), Vanguard FTSE Emerging Markets Stock ETF Account under the trust of JPMorgan Chase (1.01%), Pai-Yung Hong (0.97%), Singaporean sovereign wealth fund account under the custody of Citibank Taiwan Ltd. (0.91%), Norges Bank investment account under the custody of Citibank Taiwan Ltd. (0.89%), Chiao Yu-Lon (0.74%). |

|                               |                                                                                                                                                                                                                                                                                                      |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Gin Hsin Investment Co., Ltd. | Winbond Electronics (37.69%), Walsin Lihwa (36.99%), Oriental Consortium Investment Limited (4.43%), Arthur Chiao (3.14%), Chiao Yu-Lon (3.14%), Chiao Yu-Heng (3.14%), Yu-Chi Chiao (3.14%), Walsin Technology Co. (1.86%), HannStar Board Corporation (1.34%), Prosperity Dielectrics Co. (0.72%). |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Major shareholders in the above table who are institutional investors and their major shareholders

April 13, 2021

| Name of Institution              | Major shareholders of institution                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Walsin Lihwa Corporation         | LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (7.20%), Winbond Electronics Corporation (6.47%), Gin Hsin Investment Co., Ltd. (6.41%), TECO Electric & Machinery Co., Ltd. (5.98%), Oriental Consortium Investment Limited (2.91%), Rong Chiang International Ltd. (2.86%), Chiao Yu-Hui (2.72%), Chiao Yu-Heng (1.78%), Pictet Bank's investment account under the custody of HSBC (1.67%), and Norges Bank investment account under the custody of Citibank Taiwan Ltd. (1.63%). |
| Oriental Consortium Investment   | HannStar Display Corporation (100%)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Walsin Technology Corporation    | Walsin Lihwa Corporation (18.30%), HannStar Board Corporation (7.45%), Global Brands Manufacture Ltd. (3.11%), New Labor Pension Fund (2.86%), Walton Advanced Engineering, Inc. (2.74%), Maybank Kim Eng Securities Limited Investment Fund under the trust of Citibank (Taiwan) (2.74%), Chiao Yu-Heng (2.649%), Winbond Electronics Corporation (1.77%), Vanguard Star Vanguard Total International Stock Index Fund under the custody of JP Morgan Chase (1.46%), and Giga Investment Co. (1.37%).                                |
| HannStar Board Corporation       | Walsin Technology Corporation (20.32%), Walsin Lihwa Corporation (12.06%), Career Technology Mfg. Co., Ltd. (5.43%), Gin Hsin Investment Co., Ltd (3.54%), Chiao Yu-Heng (2.06%), Hong Pai-Yung (1.86%), BNP Paribas Wealth Management Bank Singapore Branch Account under the trust of HSBC Bank (1.49%), Prosperity Dielectrics Co., Ltd. (1.07%), Chiu Yue-Hung (1.05%), Vanguard Star Vanguard Total International Stock Index Fund under the custody of JP Morgan Chase (0.93%).                                                 |
| Prosperity Dielectrics Co., Ltd. | Walsin Technology Corp. (43.13%), Walton Advanced Engineering, Inc. (0.75%), Chiao Yu-Heng (0.62%), Ta-Ho Maritime Corporation (0.55%), ABC Taiwan Electronics Corp. (0.47%), Su Ing-Ing (0.24%), Chu Yu-I (0.15%), Tsao Chung-Ya (0.15%), Pang Chen-Tai (0.15%), and Kui-Mei Li (0.15%).                                                                                                                                                                                                                                             |

Director information (2)

| Name                                                              | Criteria | Has at least 5 years of work experience and meet one of the following professional qualifications                                                                                                                                   |                                                                                                                                                                                                                                                 |                                                                                                                                   | Meets the independence criteria (Note) |   |   |   |   |   |   |   |   |    |    |    | Number of other Taiwanese public companies concurrently serving as an independent Director |   |
|-------------------------------------------------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|---|---|---|---|---|---|---|---|----|----|----|--------------------------------------------------------------------------------------------|---|
|                                                                   |          | A lecturer or higher position in a Department of Commerce, Law, Finance, Accounting, or other academic department who has related to the business needs of the Company in a public or private junior college, college or university | A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company | Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company | 1                                      | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |                                                                                            |   |
| Winbond Electronics Corporation<br>Representative:<br>Yuan-Mou Su |          |                                                                                                                                                                                                                                     | V                                                                                                                                                                                                                                               |                                                                                                                                   |                                        |   | V |   |   |   |   |   |   | V  | V  | V  |                                                                                            | - |
| Arthur Yu-Cheng Chiao                                             |          |                                                                                                                                                                                                                                     | V                                                                                                                                                                                                                                               |                                                                                                                                   |                                        |   | V |   |   |   |   |   |   | V  |    | V  | V                                                                                          | 2 |
| Keh-Shew Lu                                                       |          |                                                                                                                                                                                                                                     | V                                                                                                                                                                                                                                               | V                                                                                                                                 | V                                      | V | V | V | V | V | V | V | V | V  | V  | V  | V                                                                                          | - |
| Chi-Lin Wea                                                       | V        |                                                                                                                                                                                                                                     | V                                                                                                                                                                                                                                               | V                                                                                                                                 | V                                      | V | V | V | V | V | V | V | V | V  | V  | V  | V                                                                                          | 3 |
| Representative of<br>Gin Hsin Investment Co.,<br>Ltd.: Yung Chin  |          |                                                                                                                                                                                                                                     | V                                                                                                                                                                                                                                               |                                                                                                                                   |                                        | V |   |   |   |   |   |   |   | V  |    | V  |                                                                                            | - |
| Shan-Kio Hsu                                                      |          |                                                                                                                                                                                                                                     | V                                                                                                                                                                                                                                               | V                                                                                                                                 | V                                      | V | V | V | V | V | V | V | V | V  | V  | V  | V                                                                                          | 1 |
| David Shu-Chyuan Tu                                               |          |                                                                                                                                                                                                                                     | V                                                                                                                                                                                                                                               | V                                                                                                                                 | V                                      | V | V | V | V | V | V | V | V | V  | V  | V  | V                                                                                          | - |
| Royce Yu-Chun Hong                                                |          |                                                                                                                                                                                                                                     | V                                                                                                                                                                                                                                               | V                                                                                                                                 | V                                      | V | V | V | V | V | V | V | V | V  | V  | V  | V                                                                                          | - |
| Jie-Li Hsu                                                        |          |                                                                                                                                                                                                                                     | V                                                                                                                                                                                                                                               | V                                                                                                                                 | V                                      | V | V | V | V | V | V | V | V | V  | V  | V  | V                                                                                          | 2 |

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

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a Director or Supervisor of the Company or its affiliates (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders;

- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officers listed in subparagraph (1) or persons listed in subparagraphs (2) and (3);
- (5) Not a Director, Supervisor or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
- (6) Not a Director, Supervisor, or employee of a company with a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
- (7) Not a Director, Supervisor, or employee of a company or institution with the same chairperson of the board, president, or equivalent position, or a spouse thereof (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
- (8) Not a Director, Supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company (this restriction does not apply to specific companies or institutions if they hold more than 20% but less than 50% of the outstanding shares of the Company or independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
- (9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other Director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined under Article 27 of the Company Act.

Director information (3)

The diversity policy for members of the Board of Directors is established in Article 20 of the Company's Corporate Governance Best Practice Principles:

The Company's Board of Directors shall direct company strategies, supervise the management, and be responsible to the Company and shareholders. The various procedures and arrangements of the corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, the Articles of Incorporation, and the resolutions adopted by shareholders' meetings.

The structure of Board of Directors should take into account the Company's operations, development and business scale, shareholding of major shareholders and diversity of Board Members. The directors must be diverse in terms of professional backgrounds, professional knowledge and expertise, gender, or fields of work. An appropriate number of directors ranging between nine to thirteen seats shall be determined when holding elections according to practical requirements.

The members of the Board of Directors shall be balanced between the genders and they shall possess the knowledge, skills, and experience necessary for performing their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

- I. Ability to make sound business judgments.
- II. Ability to perform accounting and financial analysis.
- III. Ability to manage a business.
- IV. Ability to handle crisis management.
- V. Knowledge of the industry.
- VI. An international market perspective.
- VII. Leadership.
- VIII. Decision-making ability.

The Board of Directors shall possess the following abilities:

| Title    | Name                                                       | Gender | Core Diversification Item |                                |                           |                        |              |
|----------|------------------------------------------------------------|--------|---------------------------|--------------------------------|---------------------------|------------------------|--------------|
|          |                                                            |        | Business management       | Leadership and decision making | Knowledge of the industry | Finance and accounting | IT expertise |
| Chairman | Representative of Winbond Electronics Corp.: Yuan-Mou Su   | Male   | V                         | V                              | V                         | V                      | V            |
| Director | Arthur Yu-Cheng Chiao                                      | Male   | V                         | V                              | V                         | V                      | V            |
| Director | Representative of Gin Hsin Investment Co., Ltd.: Yung Chin | Female | V                         | V                              | V                         | V                      | V            |
| Director | Keh-Shew Lu                                                | Male   | V                         | V                              | V                         | V                      | V            |

|                      |                     |      |   |   |   |   |   |
|----------------------|---------------------|------|---|---|---|---|---|
| Director             | Chi-Lin Wea         | Male | V | V | V | V | V |
| Independent Director | Royce Yu-Chun Hong  | Male | V | V | V | V | V |
| Independent Director | Shan-Kio Hsu        | Male | V | V | V | V |   |
| Independent Director | David Shu-Chyuan Tu | Male | V | V | V |   | V |
| Independent Director | Jie-Li Hsu          | Male | V | V | V | V |   |

2. Profile of President, Vice Presidents, Assistant Vice Presidents, and Department Directors

April 13, 2021 Unit: shares

| Title          | Nationality | Name                | Gender | Date of appointment | Shares held   |                      | Shares held by spouse and underage children |                      | Shareholding by nominee arrangement |                      | Education and Work Experiences                                                                                                                                                        | Current job position in other companies                                                                                                                                                                                                                                                                                                                                                                                     | Managerial officer who is a spouse or a relative within second degree |      |              | Note   |
|----------------|-------------|---------------------|--------|---------------------|---------------|----------------------|---------------------------------------------|----------------------|-------------------------------------|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|------|--------------|--------|
|                |             |                     |        |                     | No. of shares | Percentage of shares | No. of shares                               | Percentage of shares | No. of shares                       | Percentage of shares |                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                             | Title                                                                 | Name | Relationship |        |
| CEO            | ROC         | Yuan-Mou Su         | Male   | 2020.3.1            | 105,000       | 0.03%                | -                                           | -                    | -                                   | -                    | Master of Electrical Engineering, University of Southern California<br>BS in Electrical Engineering, National Chiao Tung University<br>Vice Chairman, Winbond Electronics Corporation | Director of Winbond Integrated Circuit (Suzhou)                                                                                                                                                                                                                                                                                                                                                                             | N/A                                                                   | N/A  | N/A          | Note 2 |
| Deputy CEO     | Japan       | Yoshitaka Kinoshita | Male   | 2021.2.18           | -             | -                    | -                                           | -                    | -                                   | -                    | Master of Electrical Engineering, Toyohashi University of Technology (Japan)<br>President and Representative Director of Micron Memory Japan                                          | President of Nuvoton Technology Holdings Japan (NTHJ)<br>Director of Nuvoton Technology Corporation Japan (NTCJ)                                                                                                                                                                                                                                                                                                            | N/A                                                                   | N/A  | N/A          |        |
| President      | ROC         | Sean Tai            | Male   | 2014.2.5            | 170,000       | 0.04%                | -                                           | -                    | -                                   | -                    | PhD of Electrical Engineering, Yale University<br>Chief Business Development Officer, Realtek Semiconductor Corp.                                                                     | Chairman of Nuvoton Electronics Technology (Shanghai) Limited, Nuvoton Electronics Technology (H.K.) Limited, Nuvoton Electronics Technology (Shenzhen) Limited, and Nuvoton Electronics Technology (Suzhou) Limited;<br>Director of Nuvoton Technology Corporation America, Nuvoton Technology Israel Ltd., Song Yong Investment Corporation, Hannstouch Solution Incorporated, and Winbond Technology (Nanjing) Co., Ltd. | N/A                                                                   | N/A  | N/A          |        |
| Vice President | ROC         | Yo-Song Cheng       | Male   | 2019.10.14          | 75,000        | 0.02%                | -                                           | -                    | -                                   | -                    | BS in Electrical Engineering, Tamkang University<br>Assistant Vice President, Quality & ESH Center                                                                                    | Director of Nuvoton Technology Singapore Pte. Ltd. and Nuvoton Electronics Technology (Suzhou) Limited                                                                                                                                                                                                                                                                                                                      | N/A                                                                   | N/A  | N/A          |        |

| Title          | Nationality | Name           | Gender | Date of appointment | Shares held   |                      | Shares held by spouse and underage children |                      | Shareholding by nominee arrangement |                      | Education and Work Experiences                                                                                                                                                                                           | Current job position in other companies                                                                                                                                                                                                                                                                                                                                             | Managerial officer who is a spouse or a relative within second degree |      |              | Note |
|----------------|-------------|----------------|--------|---------------------|---------------|----------------------|---------------------------------------------|----------------------|-------------------------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|------|--------------|------|
|                |             |                |        |                     | No. of shares | Percentage of shares | No. of shares                               | Percentage of shares | No. of shares                       | Percentage of shares |                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                     | Title                                                                 | Name | Relationship |      |
| Vice President | ROC         | Ren-Lie Lin    | Male   | 2008.7.1            | 321,421       | 0.08%                | -                                           | -                    | -                                   | -                    | Master of Electrical Engineering, National Cheng Kung University<br>Assistant Vice President of System Technology Center, Winbond Electronics Corp.                                                                      | Director of Nuvoton Electronics Technology (Shanghai) Limited, Nuvoton Technology Corporation America, Nuvoton Technology Israel Ltd., and Nuvoton Technology Korea Limited; Supervisor of Nuvoton Electronics Technology (Shenzhen) Limited and Song Yong Investment Corporation; Chairman of Winbond Technology (Nanjing) Co., Ltd. Chairman of Winbond Technology (Nanjing) Ltd. | N/A                                                                   | N/A  | N/A          |      |
| Vice President | ROC         | Hsin-Lung Yang | Male   | 2011.1.24           | 97,362        | 0.02%                | -                                           | -                    | -                                   | -                    | Master of Computer Science, National Tsing Hua University<br>Senior Director of Multimedia R&D Division of Cheertek Inc.<br>Technical Managerial Officer of Product Design and Marketing, Novatek Microelectronics Corp. | Chairman of Nuvoton Technology Israel Ltd.; Director of Nuvoton Technology Korea Limited                                                                                                                                                                                                                                                                                            | N/A                                                                   | N/A  | N/A          |      |
| Vice President | ROC         | Patrick Wang   | Male   | 2014.5.5            | 35,000        | 0.01%                | -                                           | -                    | -                                   | -                    | Master of Business Administration, State University of New York, Buffalo<br>Assistant Vice President of International Marketing, Realtek Semiconductor Corp.                                                             | Director and President of Nuvoton Electronics Technology (H.K.) Limited; Director of Nuvoton Electronics Technology (Shanghai) Limited and Nuvoton Technology Singapore Pte. Ltd.; Representative Director of Nuvoton Technology Korea Limited                                                                                                                                      | N/A                                                                   | N/A  | N/A          |      |

| Title                    | Nationality | Name           | Gender | Date of appointment | Shares held   |                      | Shares held by spouse and underage children |                      | Shareholding by nominee arrangement |                      | Education and Work Experiences                                                                                                                                                                                                          | Current job position in other companies                                                                                                                                                                                                                                                                                                                                                                                                               | Managerial officer who is a spouse or a relative within second degree |      |              | Note   |
|--------------------------|-------------|----------------|--------|---------------------|---------------|----------------------|---------------------------------------------|----------------------|-------------------------------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|------|--------------|--------|
|                          |             |                |        |                     | No. of shares | Percentage of shares | No. of shares                               | Percentage of shares | No. of shares                       | Percentage of shares |                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Title                                                                 | Name | Relationship |        |
| Vice President           | ROC         | Kuang-Lun Lin  | Male   | 2018.3.1            | 843           | -                    | -                                           | -                    | -                                   | -                    | MS in Physics, National Tsing Hua University<br>Deputy Plant Managerial Officer of the Micro Imaging Engineering Department of Winbond Electronics Corporation<br>Director, Quality and Logistic Center, Nuvoton Technology Corporation | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                   | N/A                                                                   | N/A  |              |        |
| CTO                      | ROC         | Wei-Chan Hsu   | Male   | 2020.8.1            | -             | -                    | -                                           | -                    | -                                   | -                    | PhD in Physics, University of Illinois at Urbana-Champaign<br>Chairman of Nuvoton Technology Corporation America                                                                                                                        | Chairman of Nuvoton Technology Corporation America                                                                                                                                                                                                                                                                                                                                                                                                    | N/A                                                                   | N/A  | N/A          | Note 4 |
| Chief Financial Officer  | ROC         | Hsiu-Fen Lai   | Female | 2020.8.1            | 75,000        | 0.02%                | -                                           | -                    | -                                   | -                    | MBA, University of Southern California<br>Vice President of Accounting, HTC Corporation                                                                                                                                                 | Director of Nuvoton Electronics Technology (H.K.) Limited and Nuvoton Technology (Shanghai) Corp.                                                                                                                                                                                                                                                                                                                                                     | N/A                                                                   | N/A  | N/A          | Note 3 |
| Chief Accounting Officer | ROC         | Hung-Wen Huang | Male   | 2015.2.1            | 26,966        | 0.01%                | -                                           | -                    | -                                   | -                    | PhD from the Department of Industrial Engineering and Management, National Chiao Tung University<br>Director of Accounting Department of Winbond Electronics Corporation                                                                | Director of Nuvoton Electronics Technology (Shenzhen) Limited, Nuvoton Electronics Technology (H.K.) Limited, Nuvoton Electronics Technology (Shanghai) Limited, Nuvoton Technology Israel Ltd., Nuvoton Technology Corp. America, Nuvoton Technology India Private. Ltd., Marketplace Management Limited, and Nuvoton Investment Holding Ltd.;<br>Managerial Officer of Goldbond LLC; Supervisor of Nuvoton Electronics Technology (Suzhou) Limited. | N/A                                                                   | N/A  | N/A          |        |

| Title                        | Nationality | Name          | Gender | Date of appointment | Shares held   |                      | Shares held by spouse and underage children |                      | Shareholding by nominee arrangement |                      | Education and Work Experiences                                                                                                 | Current job position in other companies                       | Managerial officer who is a spouse or a relative within second degree |      |              | Note |
|------------------------------|-------------|---------------|--------|---------------------|---------------|----------------------|---------------------------------------------|----------------------|-------------------------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------------|------|--------------|------|
|                              |             |               |        |                     | No. of shares | Percentage of shares | No. of shares                               | Percentage of shares | No. of shares                       | Percentage of shares |                                                                                                                                |                                                               | Title                                                                 | Name | Relationship |      |
| Corporate Governance Officer | ROC         | Kun-Lung Chen | Male   | 2021.2.18           | 20,000        | -                    | -                                           | -                    | -                                   | -                    | Master of Business Administration, Taipei University<br>Audit Manager and Division Director of Winbond Electronics Corporation | Corporate Governance Officer, Winbond Electronics Corporation | N/A                                                                   | N/A  | N/A          |      |

Note 1: Management is defined the same as the interpretation provided in the Ministry of Finance letter Tai-Cai-Zheng-San-Zi No. 0920001301, including the President, Vice President, Assistant Vice President, Chief Financial Officer, and Chief Accounting Officer (or equivalent officers).

Note 2: Nuvoton appoints the same person to serve as the Chairman and CEO of the Company mainly to improve the operating performance of the Group's organization and increase shareholders' interests to achieve corporate sustainability. If the Chairman and CEO continue to be the same person, the Company shall increase the number of Independent Directors in accordance with regulations. Other members of the Board of Directors do not serve concurrently as employees or managerial officers of the Company and they retain their objectiveness and supervision.

Note 3: Ms. Jessica Huang was dismissed as Nuvoton's Chief Financial Officer on August 1, 2020 and Ms. Hsiu-Fen Lai began serving as the Nuvoton's Vice President and Chief Financial Officer on August 1, 2020.

Note 4: Mr. Wei-Chan Hsu began serving as the Company's Chief Technology Officer on August 1, 2020.

3. Remunerations to Directors (including Independent Directors), Supervisors, President, and Vice Presidents in recent years

3.1 Remuneration to Directors (including Independent Directors)

December 31, 2020; Unit: NT\$1,000

| Title                | Name                                                                | Director's remuneration   |                                                    |                        |                                                    |                                      |                                                    | Ratio of total compensation (A+B+C+D) to net income (%) (Note 6) |                                                    | Pay received as an employee               |                                                    |                                             |                                                    |                        |                                                    | Percentage of the total sums of A, B, C, D, E, F, and G on the net profit (Note 6) |             | Compensation from investments other than subsidiaries or the parent company (Note 7) |                                         |             |             |                                                    |
|----------------------|---------------------------------------------------------------------|---------------------------|----------------------------------------------------|------------------------|----------------------------------------------------|--------------------------------------|----------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------|-------------------------------------------|----------------------------------------------------|---------------------------------------------|----------------------------------------------------|------------------------|----------------------------------------------------|------------------------------------------------------------------------------------|-------------|--------------------------------------------------------------------------------------|-----------------------------------------|-------------|-------------|----------------------------------------------------|
|                      |                                                                     | Remuneration (A) (Note 1) |                                                    | Retirement pension (B) |                                                    | Director's remuneration (C) (Note 2) |                                                    |                                                                  |                                                    | Fees for conducting business (D) (Note 3) |                                                    | Salary, bonuses and allowances (E) (Note 4) |                                                    | Retirement pension (F) |                                                    |                                                                                    |             |                                                                                      | Remuneration for employees (G) (Note 2) |             |             |                                                    |
|                      |                                                                     | The Company               | All companies in the financial statements (Note 5) | The Company            | All companies in the financial statements (Note 5) | The Company                          | All companies in the financial statements (Note 5) | The Company                                                      | All companies in the financial statements (Note 5) | The Company                               | All companies in the financial statements (Note 5) | The Company                                 | All companies in the financial statements (Note 5) | The Company            | All companies in the financial statements (Note 5) | Cash value                                                                         | Share value |                                                                                      | Cash value                              | Share value | The Company | All companies in the financial statements (Note 5) |
| Director             | Winbond Electronics Corporation                                     | -                         | -                                                  | -                      | -                                                  | 3,928                                | 3,928                                              | 480                                                              | 480                                                | 0.83%                                     | 0.83%                                              | 7,602                                       | 7,602                                              | 18                     | 18                                                 | 932                                                                                | -           | 932                                                                                  | -                                       | 2.43%       | 2.43%       | 96                                                 |
|                      | Representative of Winbond Electronics Corp.: Yuan-Mou Su (Note 8)   |                           |                                                    |                        |                                                    |                                      |                                                    |                                                                  |                                                    |                                           |                                                    |                                             |                                                    |                        |                                                    |                                                                                    |             |                                                                                      |                                         |             |             |                                                    |
|                      | Representative of Winbond Electronics Corp.: Pei-Ming Chen (Note 8) |                           |                                                    |                        |                                                    |                                      |                                                    |                                                                  |                                                    |                                           |                                                    |                                             |                                                    |                        |                                                    |                                                                                    |             |                                                                                      |                                         |             |             |                                                    |
|                      | Arthur Yu-Cheng Chiao                                               |                           |                                                    |                        |                                                    |                                      |                                                    |                                                                  |                                                    |                                           |                                                    |                                             |                                                    |                        |                                                    |                                                                                    |             |                                                                                      |                                         |             |             |                                                    |
|                      | Gin Hsin Investment Co., Ltd.                                       |                           |                                                    |                        |                                                    |                                      |                                                    |                                                                  |                                                    |                                           |                                                    |                                             |                                                    |                        |                                                    |                                                                                    |             |                                                                                      |                                         |             |             |                                                    |
|                      | Representative of Gin Hsin Investment Co., Ltd.: Yung Chin          |                           |                                                    |                        |                                                    |                                      |                                                    |                                                                  |                                                    |                                           |                                                    |                                             |                                                    |                        |                                                    |                                                                                    |             |                                                                                      |                                         |             |             |                                                    |
|                      | Keh-Shew Lu                                                         |                           |                                                    |                        |                                                    |                                      |                                                    |                                                                  |                                                    |                                           |                                                    |                                             |                                                    |                        |                                                    |                                                                                    |             |                                                                                      |                                         |             |             |                                                    |
| Chi-Lin Wea          |                                                                     |                           |                                                    |                        |                                                    |                                      |                                                    |                                                                  |                                                    |                                           |                                                    |                                             |                                                    |                        |                                                    |                                                                                    |             |                                                                                      |                                         |             |             |                                                    |
| Independent Director | Royce Yu-Chun Hong                                                  | 960                       | 960                                                | -                      | -                                                  | 3,142                                | 3,928                                              | 480                                                              | 480                                                | 0.86%                                     | -                                                  | -                                           | -                                                  | -                      | -                                                  | -                                                                                  | -           | -                                                                                    | -                                       | -           | 0.86%       | -                                                  |
|                      | Shan-Kio Hsu                                                        |                           |                                                    |                        |                                                    |                                      |                                                    |                                                                  |                                                    |                                           |                                                    |                                             |                                                    |                        |                                                    |                                                                                    |             |                                                                                      |                                         |             |             |                                                    |
|                      | David Shu-Chyuan Tu                                                 |                           |                                                    |                        |                                                    |                                      |                                                    |                                                                  |                                                    |                                           |                                                    |                                             |                                                    |                        |                                                    |                                                                                    |             |                                                                                      |                                         |             |             |                                                    |
|                      | Jie-Li Hsu                                                          |                           |                                                    |                        |                                                    |                                      |                                                    |                                                                  |                                                    |                                           |                                                    |                                             |                                                    |                        |                                                    |                                                                                    |             |                                                                                      |                                         |             |             |                                                    |

1. Please describe the policy, system, standards and structure of the compensation of the Independent Directors and explain the relevance of the amount of remuneration paid to them based on factors such as responsibility, risk and time commitment: The Company established the compensation structure for the Directors in accordance with related laws and regulations and established various compensation standards by referencing industry norms. The Company also reviews the Directors' salary and compensation policies, systems, structure, and standards from time to time in accordance with the Company's long-term and short-term development plans. The results are submitted to the Compensation Committee for review and submitted to the Board of Directors for discussion.

2. Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g., acting as a non-employee consultant) rendered to the Company: N/A.

Range of remuneration table

| Remuneration scale applicable to the Company's Directors  | Name of Director                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                        |                                                                                                                                                                       |                                                                                                                                                                       |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                           | Total amount for the 4 preceding remunerations (A+B+C+D)                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                        | Total amount for the 7 preceding remunerations (A+B+C+D+E+F+G)                                                                                                        |                                                                                                                                                                       |
|                                                           | The Company                                                                                                                                                                                                                                                                            | All companies in the financial statements<br>H                                                                                                                                                                                                                                         | The Company                                                                                                                                                           | All investees<br>I                                                                                                                                                    |
| Below NT\$1,000,000                                       | Winbond Electronics Corp., representatives of Winbond Electronics Corp.: Yuan-Mou Su, Representative of Winbond Electronics Corp.: Pei-Ming Chen, Yu-Cheng Chiao, Gin Hsin Investment Co., Ltd., representatives of Gin Hsin Investment Co., Ltd.: Yung Chin, Keh-Shew Lu, Chi-Lin Wea | Winbond Electronics Corp., representatives of Winbond Electronics Corp.: Yuan-Mou Su, Representative of Winbond Electronics Corp.: Pei-Ming Chen, Yu-Cheng Chiao, Gin Hsin Investment Co., Ltd., representatives of Gin Hsin Investment Co., Ltd.: Yung Chin, Keh-Shew Lu, Chi-Lin Wea | Winbond Electronics Corporation, Yu-Cheng Chiao, Gin Hsin Investment Co., Ltd., representatives of Gin Hsin Investment Co., Ltd.: Yung Chin, Keh-Shew Lu, Chi-Lin Wea | Winbond Electronics Corporation, Yu-Cheng Chiao, Gin Hsin Investment Co., Ltd., representatives of Gin Hsin Investment Co., Ltd.: Yung Chin, Keh-Shew Lu, Chi-Lin Wea |
| NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)    | Royce Hong, Shan-Kio Hsu, Shu-Chyuan Tu, Jie-Li Hsu                                                                                                                                                                                                                                    | Royce Hong, Shan-Kio Hsu, Shu-Chyuan Tu, Jie-Li Hsu                                                                                                                                                                                                                                    | Royce Hong, Shan-Kio Hsu, Shu-Chyuan Tu, Jie-Li Hsu                                                                                                                   | Royce Hong, Shan-Kio Hsu, Shu-Chyuan Tu, Jie-Li Hsu                                                                                                                   |
| NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)    | -                                                                                                                                                                                                                                                                                      | -                                                                                                                                                                                                                                                                                      | Representative of Winbond Electronics Corp. (Pei-Ming Chen)                                                                                                           | Representative of Winbond Electronics Corp. (Pei-Ming Chen)                                                                                                           |
| NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)    | -                                                                                                                                                                                                                                                                                      | -                                                                                                                                                                                                                                                                                      | -                                                                                                                                                                     | -                                                                                                                                                                     |
| NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)   | -                                                                                                                                                                                                                                                                                      | -                                                                                                                                                                                                                                                                                      | Representative of Winbond Electronics Corp. (Yuan-Mou Su)                                                                                                             | Representative of Winbond Electronics Corp. (Yuan-Mou Su)                                                                                                             |
| NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)  | -                                                                                                                                                                                                                                                                                      | -                                                                                                                                                                                                                                                                                      | -                                                                                                                                                                     | -                                                                                                                                                                     |
| NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)  | -                                                                                                                                                                                                                                                                                      | -                                                                                                                                                                                                                                                                                      | -                                                                                                                                                                     | -                                                                                                                                                                     |
| NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)  | -                                                                                                                                                                                                                                                                                      | -                                                                                                                                                                                                                                                                                      | -                                                                                                                                                                     | -                                                                                                                                                                     |
| NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive) | -                                                                                                                                                                                                                                                                                      | -                                                                                                                                                                                                                                                                                      | -                                                                                                                                                                     | -                                                                                                                                                                     |
| Greater than NT\$100,000,000                              | -                                                                                                                                                                                                                                                                                      | -                                                                                                                                                                                                                                                                                      | -                                                                                                                                                                     | -                                                                                                                                                                     |
| Total                                                     | 12 persons                                                                                                                                                                                                                                                                             | 12 persons                                                                                                                                                                                                                                                                             | 12 persons                                                                                                                                                            | 12 persons                                                                                                                                                            |

Note 1: Remuneration to Directors in the most recent year (include Director salary, additional duty payments, severance pay, various bonuses, or incentive payments).

Note 2: The Company's Board of Directors passed the 2020 remuneration of directors and employees on February 18, 2021. The figures in the table above are estimates, which will be distributed after they are reported to the shareholders' meeting.

Note 3: Refers to the related business expenses of Directors in the past year (including transportation allowance, special allowance, stipends, dormitory, and car).

Note 4: All payments for the most recent year to Directors who are also employees of the Company (including the position of President, Vice President, other managerial officer and staff), including salary, additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car.

Note 5: Total pay to Directors from all companies in the consolidated statements (including the Company).

Note 6: Net profit after tax means the Company's net profit after tax in 2020.

Note 7: This field shows the amount of remuneration a director of the Company receives from investees other than subsidiaries of the Company. Remuneration refers to pay, compensation (including compensation of employees, directors and supervisors) and remuneration for conducting business received by a director of the Company serving as a director, supervisor or manager of an investee of the Company other than subsidiaries.

Note 8: Mr. Yuan-Mou Su began serving as the Company's Chairman on February 6, 2020 and Mr. Pei-Ming Chen was relieved of his duties as the Company's Chairman on February 6, 2020.

### 3.3 Remunerations to President and Vice President

December 31, 2020; Unit: NT\$1,000

| Title                                      | Name                   | Salary (A) (Note 1) |                                                    | Retirement pension (B) |                                                    | Bonuses and allowances, etc. (C) (Note 2) |                                                    | Employee remuneration (D) (Note 3) |             |                                                    |             | Ratio of total compensation (A+B+C+D) to net income (%) (Note 5) |                                                    | Compensation from investments other than subsidiaries or the parent company (Note 6) |
|--------------------------------------------|------------------------|---------------------|----------------------------------------------------|------------------------|----------------------------------------------------|-------------------------------------------|----------------------------------------------------|------------------------------------|-------------|----------------------------------------------------|-------------|------------------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------------------------------------|
|                                            |                        | The Company         | All companies in the financial statements (Note 4) | The Company            | All companies in the financial statements (Note 4) | The Company                               | All companies in the financial statements (Note 4) | The Company                        |             | All companies in the financial statements (Note 4) |             | The Company                                                      | All companies in the financial statements (Note 4) |                                                                                      |
|                                            |                        |                     |                                                    |                        |                                                    |                                           |                                                    | Cash value                         | Share value | Cash value                                         | Share value |                                                                  |                                                    |                                                                                      |
| CEO                                        | Pei-Ming Chen (Note 7) | 32,091              | 34,754                                             | 822                    | 942                                                | 20,539                                    | 20,539                                             | 4,229                              | -           | 4,229                                              | -           | 10.83%                                                           | 11.35%                                             | 2                                                                                    |
| CEO                                        | Yuan-Mou Su (Note 7)   |                     |                                                    |                        |                                                    |                                           |                                                    |                                    |             |                                                    |             |                                                                  |                                                    |                                                                                      |
| President                                  | Sean Tai               |                     |                                                    |                        |                                                    |                                           |                                                    |                                    |             |                                                    |             |                                                                  |                                                    |                                                                                      |
| Vice President                             | Ren-Lie Lin            |                     |                                                    |                        |                                                    |                                           |                                                    |                                    |             |                                                    |             |                                                                  |                                                    |                                                                                      |
| Vice President                             | Hsin-Lung Yang         |                     |                                                    |                        |                                                    |                                           |                                                    |                                    |             |                                                    |             |                                                                  |                                                    |                                                                                      |
| Vice President                             | Patrick Wang           |                     |                                                    |                        |                                                    |                                           |                                                    |                                    |             |                                                    |             |                                                                  |                                                    |                                                                                      |
| Vice President                             | Kuang-Lun Lin          |                     |                                                    |                        |                                                    |                                           |                                                    |                                    |             |                                                    |             |                                                                  |                                                    |                                                                                      |
| Vice President                             | Yo-Song Cheng          |                     |                                                    |                        |                                                    |                                           |                                                    |                                    |             |                                                    |             |                                                                  |                                                    |                                                                                      |
| CTO                                        | Wei-Chan Hsu (Note 7)  |                     |                                                    |                        |                                                    |                                           |                                                    |                                    |             |                                                    |             |                                                                  |                                                    |                                                                                      |
| Vice President and Chief Financial Officer | Hsiu-Fen Lai (Note 7)  |                     |                                                    |                        |                                                    |                                           |                                                    |                                    |             |                                                    |             |                                                                  |                                                    |                                                                                      |

Range of remuneration table

| Range of remuneration paid to Presidents and Vice Presidents | Name of President and Vice Presidents                                                |                                                                                      |
|--------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
|                                                              | The Company                                                                          | All investees                                                                        |
| Below NT\$1,000,000                                          | Wei-Chan Hsu                                                                         | -                                                                                    |
| NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)       | -                                                                                    | -                                                                                    |
| NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)       | Pei-Ming Chen, Hsiu-Fen Lai                                                          | Pei-Ming Chen, Hsiu-Fen Lai, Wei-Chan Hsu                                            |
| NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)       | -                                                                                    | -                                                                                    |
| NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)      | Ren-Lie Lin, Patrick Wang, Hsin-Lung Yang, Kuang-Lun Lin, Yo-Song Cheng, Yuan-Mou Su | Ren-Lie Lin, Patrick Wang, Hsin-Lung Yang, Kuang-Lun Lin, Yo-Song Cheng, Yuan-Mou Su |
| NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)     | Sean Tai                                                                             | Sean Tai                                                                             |
| NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)     | -                                                                                    | -                                                                                    |

|                                                           |            |            |
|-----------------------------------------------------------|------------|------------|
| NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)  | -          | -          |
| NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive) | -          | -          |
| Greater than NT\$100,000,000                              | -          | -          |
| Total                                                     | 10 persons | 10 persons |

Note 1: Salary, additional pay, and severance pay received by the President or Vice President in the past year.

Note 2: Bonus, reward, transportation allowance, special allowance, stipends, dormitory, car and other payments received by the President or Vice President in the past year.

Note 3: The Company's Board of Directors passed the 2020 remuneration of directors and employees on February 18, 2021.

Note 4: The total pay to the President or Vice President from all companies in the consolidated statements (including the Company).

Note 5: Net profit after tax means the Company's net profit after tax in 2020.

Note 6: This field shows the amount of remuneration the president or vice president of the Company receives from investees other than subsidiaries of the Company. Remuneration refers to pay, compensation (including compensation distributed to employees, directors and supervisors) and remuneration for conducting business received by the Company's President and Vice Presidents who serve as directors, supervisors or managers at subsidiaries other than investee companies.

Note 7: Mr. Pei-Ming Chen was relieved of his duties as Managerial Officer on February 6, 2020. Mr. Yuan-Mou Su began serving as the Company's Chief Executive Officer on February 6, 2020. Mr. Wei-Chan Hsu began serving as Managerial Officer on August 1, 2020. Ms. Hsiu-Fen Lai began serving as Managerial Officer on August 1, 2020.

3.4 Managerial officer's name and the distribution of employee bonus  
December 31, 2020; Unit: NT\$1,000

|                     | Title                                      | Name                 | Share value | Cash value | Total | Total as percent of net income (%) |
|---------------------|--------------------------------------------|----------------------|-------------|------------|-------|------------------------------------|
| Managerial Officers | CEO                                        | Pei-Ming Chen (Note) | -           | 4,229      | 4,229 | 0.79%                              |
|                     | CEO                                        | Yuan-Mou Su (Note)   |             |            |       |                                    |
|                     | President                                  | Sean Tai             |             |            |       |                                    |
|                     | Vice President                             | Ren-Lie Lin          |             |            |       |                                    |
|                     | Vice President                             | Kuang-Lun Lin        |             |            |       |                                    |
|                     | Vice President                             | Hsin-Lung Yang       |             |            |       |                                    |
|                     | Vice President                             | Patrick Wang         |             |            |       |                                    |
|                     | Vice President                             | Yo-Song Cheng        |             |            |       |                                    |
|                     | CTO                                        | Wei-Chan Hsu (Note)  |             |            |       |                                    |
|                     | Vice President and Chief Financial Officer | Hsiu-Fen Lai (Note)  |             |            |       |                                    |
|                     | Chief Financial Officer                    | Jessica Huang (Note) |             |            |       |                                    |
|                     | Chief Accounting Officer                   | Hung-Wen Huang       |             |            |       |                                    |

Note: Mr. Pei-Ming Chen was relieved of his duties as Managerial Officer on February 6, 2020. Mr. Yuan-Mou Su began serving as the Company's Chief Executive Officer on February 6, 2020. Ms. Jessica Huang began serving concurrently as Chief Financial Officer on August 1, 2020. Mr. Wei-Chan Hsu began serving as Managerial Officer on August 1, 2020. Ms. Hsiu-Fen Lai began serving as Managerial Officer on August 1, 2020.

3.5 Respectively compare and specify the analysis results for the ratios of the net incomes to individual and each financial report, and that all of the Company's total remuneration amounts paid to Company directors, supervisors, General Managerial Officers, and Deputy General Managerial Officers in the last 2 years; and specify the relevance between the payment remuneration policies, standards and combinations, remuneration setting procedures, operating performances, and future risks:

(1) Analysis of remunerations of Directors, President and Vice Presidents as a percentage of the Company's income after tax in the last two years

| Title                        | 2019                                                                                                      |                                                                 | 2020                                                                                                      |                                                                 |
|------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
|                              | Analysis of remunerations to Directors, President and Vice Presidents as a percentage of income after tax |                                                                 | Analysis of remunerations to Directors, President and Vice Presidents as a percentage of income after tax |                                                                 |
|                              | The Company                                                                                               | All companies included in the consolidated financial statements | The Company                                                                                               | All companies included in the consolidated financial statements |
| Director                     | 10.39%                                                                                                    | 10.39%                                                          | 12.52%                                                                                                    | 13.04%                                                          |
| President and Vice President |                                                                                                           |                                                                 |                                                                                                           |                                                                 |

(2) Analysis of remunerations to Directors, President and Vice Presidents description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance and future risks:

A. Director

The remuneration of Directors includes compensation, remuneration and business expenses. The remuneration of Directors and Supervisors are clearly established in the Articles of Incorporation and recommendations according to their participation in Company's operations, the value of their contribution and related regulations are submitted to the Compensation Committee for review and to the Board of Directors for resolution.

B. President and Vice President

The remuneration of the President and Vice Presidents include salary, bonuses and employee remuneration shall be determined in accordance with their position, responsibilities, contribution to the Company and industry norms. The recommendation shall be submitted to the Compensation Committee for review and to the Board of Directors for resolution.

(III) Implementation of corporate governance

1. Board of Directors

(1) A total of 11 (A) meetings of the Board of Directors were held in the most recent year. The attendance of Directors was as follows:

| Title                | Name                                                       | Attendance (voting and non-voting) in person B | Attendance by proxy | Attendance (voting and non-voting) in person rate (%) [B/A] (Note) | Note                                |
|----------------------|------------------------------------------------------------|------------------------------------------------|---------------------|--------------------------------------------------------------------|-------------------------------------|
| Chairman             | Representative of Winbond Electronics Corp.: Yuan-Mou Su   | 11                                             | 0                   | 100%                                                               | Newly-appointed on February 6, 2020 |
| Director             | Arthur Yu-Cheng Chiao                                      | 11                                             | 0                   | 100%                                                               | N/A                                 |
| Director             | Representative of Gin Hsin Investment Co., Ltd.: Yung Chin | 11                                             | 0                   | 100%                                                               | N/A                                 |
| Director             | Keh-Shew Lu                                                | 4                                              | 7                   | 36%                                                                | N/A                                 |
| Director             | Chi-Lin Wea                                                | 10                                             | 1                   | 91%                                                                | N/A                                 |
| Independent Director | Shan-Kio Hsu                                               | 11                                             | 0                   | 100%                                                               | N/A                                 |
| Independent Director | Royce Yu-Chun Hong                                         | 7                                              | 4                   | 64%                                                                | N/A                                 |
| Independent Director | David Shu-Chyuan Tu                                        | 9                                              | 2                   | 82%                                                                | N/A                                 |
| Independent Director | Jie-Li Hsu                                                 | 9                                              | 2                   | 82%                                                                | N/A                                 |

Note: Attendance in person is calculated by attendance in person of the Director during the period of service.

(2) Attendance by Independent Directors in each board meeting in person:

| Title                | Name                | 6th-Term Meeting Date in 2020 |      |      |      |      |      |      |      |     |       |       |
|----------------------|---------------------|-------------------------------|------|------|------|------|------|------|------|-----|-------|-------|
|                      |                     | 2/6                           | 3/12 | 3/31 | 4/14 | 4/30 | 5/19 | 7/27 | 8/21 | 9/8 | 10/29 | 11/12 |
| Independent Director | Shan-Kio Hsu        | O                             | O    | O    | O    | O    | O    | O    | O    | O   | O     | O     |
| Independent Director | Royce Yu-Chun Hong  | O                             | ☆    | O    | ☆    | O    | ☆    | O    | O    | ☆   | O     | O     |
| Independent Director | David Shu-Chyuan Tu | O                             | O    | O    | O    | O    | ☆    | O    | O    | O   | O     | ☆     |
| Independent Director | Jie-Li Hsu          | O                             | O    | O    | O    | O    | O    | O    | ☆    | O   | ☆     | O     |

Note: O: Attendance in person, ☆: Number of attendances, X: Absent.

(3) Should any of the following take place in a board meeting, the date and number of the meeting, the content of proposal, Independent Director's opinions and the Company's response to such opinions should be recorded:

A. Items specified in Article 14-3 of the Securities and Exchange Act: The Company has established the Audit Committee and is therefore exempted from Article 14-3 of the Securities and Exchange Act.

B. Aside from the above matters, other resolutions adopted by the Board of Directors to which an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: This event did not occur at the Company.

(4) Recusals of Directors due to conflicts of interests:

| Name of Director | Agenda item                                                                                                                                                          | Reason for recusal                         | Voting on the agenda item     | Note                                   |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|-------------------------------|----------------------------------------|
| Yuan-Mou Su      | Proposal for the appointment of the Company's Managerial Officer.                                                                                                    | The Director has an interest in the matter | Did not participate in voting | 8th Session of 6th Board of Directors  |
| Yuan-Mou Su      | Proposal for the removal of non-compete clause for the Company's Chairman and CEO Mr. Yuan-Mou Su                                                                    | The Director has an interest in the matter | Did not participate in voting | 9th Session of 6th Board of Directors  |
| Yuan-Mou Su      | Number of shares of available for subscription by the Managerial Officer of the Company as employee subscription in the cash capital increase of the Company in 2020 | The Director has an interest in the matter | Did not participate in voting | 17th Session of 6th Board of Directors |

(5) Board of Directors evaluation status

The results of the 2020 performance evaluation of the Board of Directors were reported to the Board of Directors on February 18, 2021

| Evaluation Cycle | Evaluation Period           | Evaluation Scope   | Evaluation Method:                                                                             | Evaluation Contents                                                                                                                                                                                                                                                                                                                                                                               |
|------------------|-----------------------------|--------------------|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Once every year  | From 1/1/2020 to 12/31/2020 | Board of Directors | Self-evaluation of the Board, self-evaluation of the members of the Board, and peer evaluation | The self-assessment of the overall performance of Nuvoton's Board of Directors include the following five major aspects:<br>I. Participation in Company operations;<br>II. Improvement of the quality of the Board of Directors' decision making;<br>III. Composition and structure of the Board of Directors;<br>IV. Election and continuing education of the Directors;<br>V. Internal control. |

The results of the 2020 performance evaluation of individual board members were reported to the Board of Directors on February 18, 2021

| Evaluation Cycle | Evaluation Period           | Evaluation Scope | Evaluation Method:             | Evaluation Contents                                                                                     |
|------------------|-----------------------------|------------------|--------------------------------|---------------------------------------------------------------------------------------------------------|
| Once every year  | From 1/1/2020 to 12/31/2020 | All members of   | Self-evaluation of the members | The criteria for evaluating the performance of Board members include the following six primary aspects: |

| Evaluation Cycle | Evaluation Period | Evaluation Scope       | Evaluation Method:               | Evaluation Contents                                                                                                                                                                                                                                                                               |
|------------------|-------------------|------------------------|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                  |                   | the Board of Directors | of the Board and peer evaluation | I. Familiarity with the goals and missions of the Company;<br>II. Recognition of duties as Directors;<br>III. Participation in Company operations;<br>IV. Management of internal relations and communication;<br>V. Directors' professionalism and continuing education;<br>VI. Internal control. |

The results of the 2020 performance evaluation of the functional committees were reported to the Board of Directors on February 18, 2021

| Evaluation Cycle | Evaluation Period           | Evaluation Scope                           | Evaluation Method:                                                                             | Evaluation Contents                                                                                                                                                                                                                                                                                                                                                        |
|------------------|-----------------------------|--------------------------------------------|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Once every year  | From 1/1/2020 to 12/31/2020 | Audit Committee and Compensation Committee | Self-evaluation of the Board, self-evaluation of the members of the Board, and peer evaluation | The self-assessment of the overall performance of Nuvoton's Board of Directors include the following five major aspects:<br>I. Participation in Company operations;<br>II. Knowledge of the duties of the functional committee<br>III. Quality of functional committee's decisions<br>IV. Functional committee composition and election of members<br>V. Internal control. |

(6) An evaluation of the goals set for strengthening the functions of the Board and implementation status during the current and immediately preceding fiscal years:

- A. The Company has established the Rules of Procedures for Board of Directors Meetings in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, posts information on the attendance of Directors and Supervisors on the Market Observation Post System after each Board meeting, and discloses important proposals on the Market Observation Post System.
- B. The Company holds strategy review meetings every quarter before the scheduled board meeting, at which Directors are present to understand Company's finance and business conditions as well as the execution of major business plans. The Company endeavors to enhance the transparency of corporate information. Aside from holding regular semi-annual investors conferences to discuss the Company's business and financial conditions after board meetings are held, the Company also posts related information on the Market Observation Post System and our Company website.
- C. The Company evaluates the Directors' performance in terms of participation in the Company's operations, improvement of the quality of decisions made by the board, composition and structure of the board, election of Directors, continuing education, and internal controls in December each year in accordance with the "Regulations Governing Salary, Remuneration and

Performance Evaluation of Directors". The results are compiled by the procedural unit in charge of Board Meetings and submitted to the Compensation Committee and the Board to measure the Board's operations in guiding the strategic direction of the Company and overseeing the Company's operations and management, which should help increase long-term shareholder value. The results of overall evaluation in 2020 was good and the results were reported on February 18, 2021 to the Compensation Committee and Board of Directors.

D. The Company attaches great importance to corporate governance. Re-election of the Company's 5th-term directors and establishment of the Audit Committee was completed on June 15, 2016, the latter of which, together with the Compensation Committee, assists the Board of Directors in performing its supervisory role.

E. Liability insurance for Directors, Supervisors and key officers:

The Company purchased the "liability insurance for directors, supervisors and key officers" for Directors, Supervisors and key officers starting from 2015. We review the contents of the insurance policy to verify that the insurance compensation amount and scope of insurance coverage meets requirements.

## 2. Status of Audit Committee or Attendance of Supervisors in Board Meetings

### 2.1 State of operations of the Audit Committee

(1) The Auditing Department convened a total of 10 meetings (A) in the most recent year. The attendance of Independent Directors was as follows:

| Title                | Name                | Attended in person (B) | Attendance by proxy | Attendance in person rate (%) (B/A) (Note) | Note       |
|----------------------|---------------------|------------------------|---------------------|--------------------------------------------|------------|
| Independent Director | Shan-Kio Hsu        | 10                     | 0                   | 100%                                       | Re-elected |
| Independent Director | Royce Yu-Chun Hong  | 6                      | 4                   | 60%                                        | Re-elected |
| Independent Director | David Shu-Chyuan Tu | 8                      | 2                   | 80%                                        | Re-elected |
| Independent Director | Jie-Li Hsu          | 9                      | 1                   | 90%                                        | Re-elected |

Note: Attendance in person is calculated by attendance in person of the Independent Director during the period of service.

(2)The date of the Board meeting, the term, contents of the proposals, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting:

A. Items specified in Article 14-5 of the Securities and Exchange Act:

| Term/Date                                           | Agenda and follow-up |                                                                                                                                                                                                                                                           |
|-----------------------------------------------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6th Session of 2nd<br>Audit Committee<br>2020/02/06 | 1                    | Passed the Company's 2019 financial statements and business report.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                                   |
|                                                     | 2                    | Passed the 2019 Statement of Declaration on Internal Control.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                                         |
|                                                     | 3                    | Passed the annual remuneration paid to accounting firm Deloitte & Touche.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                             |
| 7th Session of 2nd<br>Audit Committee<br>2020/03/12 | 1                    | Passed the 2019 earnings appropriation.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                                                               |
|                                                     | 2                    | Approved related matters for the Company's establishment of the subsidiary company in Singapore.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.      |
|                                                     | 3                    | Approved the Company's first issuance of domestic unsecured convertible bonds.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                        |
|                                                     | 4                    | Passed the amendment of the Company's Procedures for Lending Funds to Other Parties.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                  |
|                                                     | 5                    | Passed the amendment of the Company's Operating Procedures for Making Endorsements and Guarantees.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.    |
|                                                     | 6                    | Passed the amendments to the Company's Regulations Governing the Organization of the Audit Committee.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed. |

| Term/Date                                         | Agenda and follow-up |                                                                                                                                                                                                                                                              |
|---------------------------------------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                   | 7                    | Approved the proposed removal of non-compete clause for the Company's Chairman and CEO.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                  |
|                                                   | 8                    | Approved related matters for the Company's establishment of the subsidiary company in Korea.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.             |
| 8th Session of 2nd Audit Committee<br>2020/03/31  | 1                    | Approved related matters for the Company's establishment of the subsidiary company in Suzhou.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.            |
| 9th Session of 2nd Audit Committee<br>2020/04/14  | 1                    | Approval of the Company's patent licensing agreement with Microchip Technology Inc.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                      |
|                                                   | 2                    | Approved the proposed increase in budget for capital expenditure for 2020.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                               |
|                                                   | 3                    | Approved the long-term fundraising plan for the Company's long-term development.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                         |
|                                                   | 4                    | Approved the Company's execution of the Panasonic Semiconductor Solutions Co. Ltd. land purchase option.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed. |
|                                                   | 5                    | Passed the amended Procedures for Engaging in Derivatives Transactions.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                                  |
| 11th Session of 2nd Audit Committee<br>2020/05/19 | 1                    | Approved the Company's acquisition of land from Panasonic Semiconductor Solutions Co. Ltd.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.               |

| Term/Date                                               | Agenda and follow-up |                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                         | 2                    | Approved the Company's capital increase for the subsidiary Nuvoton Technology Singapore Pte. Ltd.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                                                                                |
|                                                         | 3                    | Approved the endorsement and guarantee for financing loans of Nuvoton Electronics Technology (Shanghai) Limited from financial institutions.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                                     |
| 12th Session of<br>2nd Audit<br>Committee<br>2020/07/27 | 1                    | Passed the 2020 Q2 financial statements.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                                                                                                                                         |
|                                                         | 2                    | Passed the change of the Company's Chief Financial Officer.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                                                                                                                      |
| 13th Session of<br>2nd Audit<br>Committee<br>2020/08/21 | 1                    | Approved the Company's cash capital increase and issuance of new shares in 2020.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                                                                                                 |
|                                                         | 2                    | Approved the endorsement and guarantee for financing loans of Nuvoton Electronics Technology (Shanghai) Limited from financial institutions, and signature of related documents.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed. |
| 14th Session of<br>2nd Audit<br>Committee<br>2020/09/08 | 1                    | Approved the endorsement and guarantee for financing loans of Nuvoton Technology Corporation Japan from financial institutions, and signature of related documents.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.              |
| 15th Session of<br>2nd Audit<br>Committee<br>2020/11/12 | 1                    | Passed the Company's Annual Audit Plan for 2021.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                                                                                                                                 |
|                                                         | 2                    | Approved the proposed increase in budget for capital expenditure.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed.                                                                                                                |

| Term/Date | Agenda and follow-up |                                                                                                                                                                                                                                                                             |
|-----------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|           | 3                    | Passed the remuneration paid to accounting firm Deloitte & Touche for auditing the subsidiaries in Japan and Singapore.<br>Opinions of the Audit Committee: N/A.<br>The Company's response to Audit Committee opinions: N/A.<br>Results of resolutions: Passed as proposed. |

B. In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: This event did not occur at the Company.

(3) The Independent Directors' avoidance of interest motion should indicate the names of the Independent Directors, content of the motion and reasons of avoidance of interest as well as the involvement in voting: This event did not occur at the Company.

(4) Communication between Independent Directors and internal auditors and accountants:

A. The audit chief submitted the completed audit report (or follow-up report) to the Audit Committee for examination in the following month, attended the quarterly Audit Committee meetings to report to the Independent Directors on audit operations and annual internal control self-inspection operation.

B. The Audit Committee reviews regularly the selection of auditors and the independence and propriety of said auditors. The auditors presented audit reports on financial statements, newly released accounting standards and related regulations to Independent Directors as needed and discuss the details therein. The Company's auditors communicated and discussed the results of the annual audit and related items in financial statements in the Audit Committee meeting this year.

3. Corporate governance implementation status and departure from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons

| Assessed areas:                                                                                                                                                                                        | Implementation status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                        | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                          |
| I. Has the Company set and disclosed principles for practicing corporate governance according to the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?"                   | V                     |    | The Company has established corporate governance principles in accordance with the TWSE Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and disclosed it on the Company website.                                                                                                                                                                                                                                    | Complies with the Corporate Governance Best-Practice Principles                                          |
| II. The Company's shareholding structure and shareholders' rights and interests                                                                                                                        |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                          |
| (I) Has the Company set internal operations procedures for dealing with shareholder proposals, doubts, disputes, and litigation as well as implemented those procedures through the proper procedures? | V                     |    | (I) The Company's Shareholders' Affairs Unit is in charge of shareholder services, handling shareholder suggestions, questions, complaints and lawsuits in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies and the Standards for the Internal Control Systems of Shareholder Service Units, and establishing a complaint mechanism on the Company's website.                            | Complies with the Corporate Governance Best-Practice Principles                                          |
| (II) Does the Company have a list of major shareholders of companies over which the Company has actual control and the list of ultimate owners of those major shareholders?                            | V                     |    | (II) The Company discloses the list of major shareholders and the ultimate controllers of major shareholders in accordance with regulations and maintains favorable communication channels with major shareholders.                                                                                                                                                                                                                              |                                                                                                          |
| (III) Has the Company established and implemented risk control/management and firewall mechanisms between it and affiliated corporations?                                                              | V                     |    | (III) The Company has established related regulations on internal control mechanisms in accordance with regulations. Business and financial dealings between the Company and an affiliate are treated as dealings with an independent third party, which are handled by the principles of fairness and reasonableness with documented rules established, and pricing and payment terms clearly defined to prevent non-arm's-length transactions. |                                                                                                          |
| (IV) Does the Company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?                                    | V                     |    | (IV) The Company has established Procedures for Handling Major Internal Information and educated the internal staff on the restriction of trading securities based on information yet to be public on the market. The Procedures have been disclosed on the Company's website.                                                                                                                                                                   |                                                                                                          |
| III. Composition and responsibilities of the Board of Directors                                                                                                                                        |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Complies with the Corporate Governance Best-Practice Principles                                          |

| Assessed areas:                                                                                                                                                                                                                                                                                                                                            | Implementation status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons |
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|                                                                                                                                                                                                                                                                                                                                                            | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                          |
| (I) Has the Board of Directors devised and implemented a plan for a more diverse composition of the Board?                                                                                                                                                                                                                                                 | V                     |    | (I) The Company's corporate governance principles specify that the structure of Board of Directors should take into account Company operations, development and business scale, shareholding of major shareholders and diversity of Board Members, for example, different professional backgrounds, gender or fields of work. The members of the Board of Directors should include female Directors and four Independent Directors who are financial or industrial professionals. The educational background and experience of Directors should provide considerable assistance to the operation of the Company. Please refer to Director Information (3).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                          |
| (II) In addition to establishing a Compensation Committee and an Audit Committee, which are required by law, is the company willing to also voluntarily establish other types of functional committees?                                                                                                                                                    | V                     |    | (II) The Company has established functional committees including the Employees' Welfare Committee, Supervisory Committees of Labor Retirement Reserve, Occupational Health and Safety Committee, Patent Committee, Innovation Proposal Committee and the CSR Management Committee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                          |
| (III) Has the company established and implemented methods for assessing the performance of the Board of Directors and conducted performance evaluation annually? Does the Company submit results of assessments to the Board of directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors? | V                     |    | (III) The Company has established the Regulations Governing Salary, Remuneration and Performance Evaluation of Directors and it has been passed by the Board of Directors which performs periodic self-assessments once every year. The evaluation results were reported to the Compensation Committee and the Board of Directors. The results of the evaluations are used to formulate improvement plans for improving the performance of the board and maximize benefits.<br>The self-assessment of the overall performance of Nuvoton's Board of Directors include the following five major aspects:<br>A. Participation in Company operations;<br>B. Improvement of the quality of the Board of Directors' decision making;<br>C. Composition and structure of the Board of Directors;<br>D. Election and continuing education of the Directors;<br>E. Internal control.<br>The criteria for evaluating the performance of Board members include the following six primary aspects:<br>A. Familiarity with the goals and missions of the Company;<br>B. Recognition of duties as Directors;<br>C. Participation in Company operations;<br>D. Management of internal relations and communication;<br>E. Directors' professionalism and continuing education; |                                                                                                          |

| Assessed areas:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Implementation status |    | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons |
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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Yes                   | No |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                          |
| (IV) Does the company periodically evaluate the level of independence of the CPA?                                                                                                                                                                                                                                                                                                                                                                                                                                                              | V                     |    | <p>F. Internal control.</p> <p>The self-assessment of the overall performance of Nuvoton's functional committees include the following five major aspects:</p> <p>A. Participation in Company operations;</p> <p>B. Knowledge of the duties of the functional committee;</p> <p>C. Improvement of the quality of functional committee's decisions;</p> <p>D. Functional committee composition and election of members;</p> <p>E. Internal control.</p> <p>The Company's stock affairs unit collects the questionnaires, compiles the results, and submits evaluation outcomes to the Compensation Committee and the Board of Directors on February 18, 2021.</p> <p>The results of evaluations in 2020 showed normal results in the self-assessment conducted by members of the board. The board's self-assessment called for improvements in the attendance rate in the shareholders' meetings.</p> <p>(IV) The Company's certifying CPA alternates between accountants. Previous accountants have not served as Company directors nor were they remunerated by the Company and are not interested parties. The Audit Committee conducts regular assessments on the independence and suitability of the auditors and submits the results to the Board of Directors for discussion. Assessment items include the CPA firm's selection and compliance with regulations and supervision of competent authorities. Therefore, its independence and propriety should be absolute.</p> |                                                                                                          |
| IV. Has the publicly-listed company appointed qualified and suitable number of corporate governance personnel and appointed a Corporate Governance Officer to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, assisting Directors and Supervisors with legal compliance matters, processing company matters related to board meetings and shareholders' meetings according to laws, and preparing minutes of the board meetings and shareholders' meetings)? | V                     |    | <p>The Shareholders' Affairs Unit under the Company's Finance Center is responsible for related affairs for corporate governance. Its responsibilities include company registration, related affairs for board meetings and shareholders' meetings, providing information required for Directors in business operations, update of related corporate governance regulations, related affairs for investor relations, and other related items specified in the Company's Articles of Incorporation or contracts. The Company also appointed a Corporate Governance Officer on February 18, 2021.</p> <p>The status of business developments in 2020 was as follows:</p> <p>(1) Established and amended related corporate governance regulations which were filed to the Board of Directors for resolution and passage.</p> <p>(2) The Group periodically arranges continuing study courses for Directors to choose from.</p> <p>(3) Purchased liability insurance for the Company's Directors and key persons.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Complies with the Corporate Governance Best-Practice Principles                                          |

| Assessed areas:                                                                                                                                                                                                                                                                                                                                 | Implementation status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons |
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|                                                                                                                                                                                                                                                                                                                                                 | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                          |
|                                                                                                                                                                                                                                                                                                                                                 |                       |    | <p>(4) Plan the dates of board meetings one year in advance to facilitate participation of board members. Mail the meeting notice seven days before board meetings and provide sufficient meeting information in accordance with the Company Act and the Rules of Procedures for Board of Directors Meetings. Provide reminders for recusal for conflicts of interest and completed the mailing of the meeting minutes of board meetings within twenty days after the meetings were concluded.</p> <p>(5) To facilitate corporate governance and improve the performance of the Board of Directors, the Shareholders' Affairs Unit periodically evaluates the performance of the Board of Directors and individual Directors each year and submits results to the Compensation Committee and the Board of Directors.</p> <p>(6) The Company organizes one institutional investor conference every six months to report on the Company's financial statistics and overview of business operations.</p> <p>(7) The Company's board members conduct self-assessments of their performance each year in accordance with the "Regulations Governing Salary, Remuneration and Performance Evaluation of Directors". The results are reported to the Compensation Committee and the Board of Directors. Improvement plans shall be formulated based on evaluation results to improve the performance of the board and maximize benefits.</p> <p>(8) Convene shareholders' meetings before the end of June each year and file meeting notices, proceedings manual, annual report, and meeting minutes within the periods specified by regulations. Implement dividends distribution and registration and amendments to the Articles of Incorporation after the shareholders' meeting.</p> |                                                                                                          |
| V. Has the Company established channels for communicating with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a dedicated stakeholder area on the company website, as well as appropriately responded to important corporate and social responsibility issues of concern to stakeholders? | V                     |    | The Company attaches great importance to stakeholder communication and has established diversified channels of communication. The Company has also set up a designated area on the company website for stakeholders and designated related staff to maintain the area.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Complies with the Corporate Governance Best-Practice Principles                                          |
| VI. Has the Company hired a professional agency to handle tasks and issues related to holding the shareholder's meeting?                                                                                                                                                                                                                        | V                     |    | The Company has hired CTBC Bank Co., Ltd. Transfer Agency Department to handle tasks and issues related to holding the shareholder's meeting.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Complies with the Corporate Governance Best-Practice Principles                                          |

| Assessed areas:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Implementation status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| <p>VII. Information disclosure</p> <p>(I) Has the Company established a corporate website to disclose information regarding the Company's financial, business and corporate governance status?</p> <p>(II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website)?</p> <p>(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?</p> | V                     |    | <p>(I) The Company discloses financial and business as well as corporate governance information on its Chinese (<a href="http://www.nuvoton.com">http://www.nuvoton.com</a>) and English websites.</p> <p>(II) The Company maintains an English website and related departments including investor relations, shareholder affairs and public relations collect and disclose related information in accordance with regulations. The Company has also established a spokesperson system and the presentation files and videos of the investor conferences are available on the Company website for external parties.</p> <p>(III) To help investors access sufficient and accurate financial information, the Company submits the annual financial report to the Audit Committee and the Board of Directors for approval at the end of the year and the financial report is published on the Market Observation Post System after it is passed in the meeting of the Board of Directors. The Q1, Q2, and Q3 financial reports and operation status of each month are also fully disclosed on the Market Observation Post System before the prescribed deadline.</p>                                                 | Complies with the Corporate Governance Best-Practice Principles                                          |
| <p>VIII. Does the Company have other information that is helpful for understanding its status of corporate governance (including but not limited to employee rights and interests, employee well-being, investor relations, supplier relations, rights of stakeholders, further education sought by Directors and Supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the taking out of liability insurance for Directors and Supervisors)?</p>                                                                                                                                                                                                                                                                                                  | V                     |    | <p>(I) Employee rights, interests and wellbeing: The Company has established comprehensive regulations governing the rights, obligations and benefits of employees. The Company also established complaint filing protocols to safeguard employee rights and benefits. The Company has established employee communication channels to encourage the employees to communicate directly with managerial officers.</p> <p>(II) Investor relations: The Company holds periodic investor conferences to communicate with investors and has established a designated area for investors and periodically discloses financial information and information related to corporate governance.</p> <p>(III) Supplier relations: The Company has established regulations governing supplier relations.</p> <p>(IV) Stakeholder interests: The Directors of the Company recused themselves from voting on agenda items in which they have an interest.</p> <p>(V) Continuing education of directors and supervisors: The Company arranges continuing education courses for directors and supervisors every year, and provides from time to time information on professional courses offered by external institutions to the</p> | Complies with the Corporate Governance Best-Practice Principles                                          |

| Assessed areas:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Implementation status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons |
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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                       |    | <p>directors and supervisors. The continuing education courses taken by directors and supervisors are disclosed on the Market Observation Post System.</p> <p>(VI) Implementation of risk management policies and risk assessment standards: The Company has established regulations on important managerial targets and implements them in accordance with regulations.</p> <p>(VII) The implementation of customer relations policies: The Company strictly adheres to the contracts signed with customers and their statutes to safeguard customers' rights and interests.</p> <p>(VIII) Status of purchase of liability insurance by the Company for directors and supervisors: The Company has purchased liability insurance for its Directors and Supervisors in accordance with regulations in order to mitigate and diversify the risk of any material damages to the Company and its shareholders caused by any error or negligence of its Directors.</p> |                                                                                                          |
| <p>IX. Please described improvements in terms of the results of the Corporate Governance Evaluation System in recent years and propose areas and measures to be given priority where improvement will be needed.</p> <p>1. Improved result: The company's board of directors approved the appointment of a Corporate Governance Officer on February 18, 2021, who responsible for corporate governance-related tasks, and continues to improve and promote corporate governance. Besides, the situation of communication between independent directors and internal audit supervisors is disclosed on the company's website every year.</p> <p>2. To be improved matter: The company pursues the diversification of board members continuously and increase the attendance rate of all directors.</p> |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                          |

#### 4. Composition, duties, and operation of the Compensation Committee

##### (1) Information on members of the Compensation Committee

| Identification Type  | Name                | Criteria | Has at least 5 years of work experience and meet one of the following professional qualifications                                                                                                             |                                                                                                                                                                                                                                                 |                                                                                                                         | Meets the independence criteria (Note) |   |   |   |   |   |   |   |   |    | Number of other public companies in which the member also serves as a member of their compensation committee | Note |     |
|----------------------|---------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|----------------------------------------|---|---|---|---|---|---|---|---|----|--------------------------------------------------------------------------------------------------------------|------|-----|
|                      |                     |          | An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university | A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company | Have work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company | 1                                      | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |                                                                                                              |      |     |
| Independent Director | David Shu-Chyuan Tu |          |                                                                                                                                                                                                               |                                                                                                                                                                                                                                                 | V                                                                                                                       | V                                      | V | V | V | V | V | V | V | V | V  | V                                                                                                            | -    | N/A |
| Independent Director | Shan-Kio Hsu        |          |                                                                                                                                                                                                               |                                                                                                                                                                                                                                                 | V                                                                                                                       | V                                      | V | V | V | V | V | V | V | V | V  | V                                                                                                            | 1    | N/A |
| Independent Director | Royce Yu-Chun Hong  |          |                                                                                                                                                                                                               |                                                                                                                                                                                                                                                 | V                                                                                                                       | V                                      | V | V | V | V | V | V | V | V | V  | V                                                                                                            | -    | N/A |
| Independent Director | Jie-Li Hsu          |          |                                                                                                                                                                                                               |                                                                                                                                                                                                                                                 | V                                                                                                                       | V                                      | V | V | V | V | V | V | V | V | V  | V                                                                                                            | 2    | N/A |

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

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a Director or Supervisor of the Company or any of its affiliates. This restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officers listed in subparagraph (1) or persons listed in subparagraphs (2) and (3);
- (5) Not a Director, Supervisor or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
- (6) Not a Director, Supervisor, or employee of a company with a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
- (7) Not a Director, Supervisor, or employee of a company or institution with the same chairperson of the board, president, or equivalent position, or a spouse thereof (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
- (8) Not a Director, Supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company (this restriction does not apply to specific companies or institutions if they hold more than 20% but less than 50% of the outstanding shares of the Company or independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
- (9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not been a person of any conditions defined in Article 30 of the Company Act.

(2) Roles and Responsibilities of the Compensation Committee

Committee members must exercise the care of a prudent administrator to fulfill the following duties, and offer recommendations for discussion by the Board of Directors: 1. Review the regulations periodically and put forward recommendations for corrections; 2. Establish and review the performance targets, and institutions, standards and structure of the remuneration policies of the Company's Directors, Supervisors and managing Directors periodically; and 3. Periodically review the status of performance targets of the Company's Directors, Supervisors and determine the content and amount of remuneration to each individual.

(3) Operation of Compensation Committee

- A. The Company's Compensation Committee is comprised of 4 individuals including all Independent Directors.
- B. Current term for the members: From June 24, 2019 - June 23, 2022, a total of 3 (A) meetings of the 2020 Compensation Committee were held in the most recent year. The attendance was as follows:

| Title            | Name                | Attended in person (B) | Attendance by proxy | Attendance in person rate (%) (B/A) (Note) | Note |
|------------------|---------------------|------------------------|---------------------|--------------------------------------------|------|
| Convener         | David Shu-Chyuan Tu | 3                      | 0                   | 100%                                       | N/A  |
| Committee member | Royce Yu-Chun Hong  | 3                      | 0                   | 100%                                       | N/A  |
| Committee member | Shan-Kio Hsu        | 3                      | 0                   | 100%                                       | N/A  |
| Committee member | Jie-Li Hsu          | 3                      | 1                   | 67%                                        | N/A  |

Other matters that require reporting:

I. If the Board of Directors did not adopt or revise the recommendations of the compensation committee, it should describe the date of the Board meeting, term of the Board, agenda item, resolutions adopted by the Board, and actions taken by the Company in response to the opinion of the compensation committee: This event did not occur at the Company.

II. If a member opposes a resolution the Committee has adopted or has reservations with a written record or a statement, the date and session of the meeting, the resolution, opinions of all the members, and the handling of their opinions shall be indicated: This event did not occur at the Company.

Note: The attendance rate (%) shall be calculated by dividing the number of meetings a member of the Compensation Committee attended by the number of meetings held within his/her term.

(4) Discussions and results of resolutions of the Compensation Committee and the Company's handling of opinions of the members of the Committee:

| Term/Date                                               | Agenda and follow-up |                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4th Session of 4th Compensation Committee<br>2020/02/06 | 1                    | <p>Passed the total amount and individual amounts of remuneration appropriated for Directors in 2019.</p> <p>Opinions of members of the Compensation Committee: N/A.</p> <p>The Company's response to Compensation Committee opinions: N/A.</p> <p>Results of resolutions: Passed as proposed.</p>                              |
|                                                         | 2                    | <p>Passed amendments to the Company's Regulations Governing Salary, Remuneration and Performance Evaluation of Managing Directors.</p> <p>Opinions of members of the Compensation Committee: N/A.</p> <p>The Company's response to Compensation Committee opinions: N/A.</p> <p>Results of resolutions: Passed as proposed.</p> |
|                                                         | 3                    | <p>Passed the variable pay of professional managerial officers</p> <p>Opinions of members of the Compensation Committee: N/A.</p> <p>The Company's response to Compensation Committee opinions: N/A.</p> <p>Results of resolutions: Passed as proposed.</p>                                                                     |
|                                                         | 4                    | <p>Approved the proposal for the dismissal of the Company's Managerial Officer.</p> <p>Opinions of members of the Compensation Committee: N/A.</p> <p>The Company's response to Compensation Committee opinions: N/A.</p> <p>Results of resolutions: Passed as proposed.</p>                                                    |
|                                                         | 5                    | <p>Approved the proposal for the appointment of the Company's Managerial Officer.</p> <p>Opinions of members of the Compensation Committee: N/A.</p> <p>The Company's response to Compensation Committee opinions: N/A.</p> <p>Results of resolutions: Passed as proposed.</p>                                                  |
| 5th Session of 4th Compensation Committee<br>2020/07/27 | 1                    | <p>Passed the appointment of Ms. Hsiu-Fen Lai as Vice President of the Company.</p> <p>Opinions of members of the Compensation Committee: N/A.</p> <p>The Company's response to Compensation Committee opinions: N/A.</p> <p>Results of resolutions: Passed as proposed.</p>                                                    |
|                                                         | 2                    | <p>Passed the change of the Company's Chief Financial Officer.</p> <p>Opinions of members of the Compensation Committee: N/A.</p> <p>The Company's response to Compensation Committee opinions: N/A.</p> <p>Results of resolutions: Passed as proposed.</p>                                                                     |
|                                                         | 3                    | <p>Approved the proposal for the appointment of Mr. Wei-Chan Hsu as the Company's Managerial Officer.</p> <p>Opinions of members of the Compensation Committee: N/A.</p> <p>The Company's response to Compensation Committee opinions: N/A.</p> <p>Results of resolutions: Passed as proposed.</p>                              |

| Term/Date                                            | Agenda and follow-up |                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                      | 4                    | <p>Passed the appropriation ratio of remuneration for Directors in 2020.</p> <p>Opinions of members of the Compensation Committee: N/A.</p> <p>The Company's response to Compensation Committee opinions: N/A.</p> <p>Results of resolutions: Passed as proposed.</p>                                                                                                              |
|                                                      | 5                    | <p>Passed the appropriation ratio of remuneration for employees in 2020.</p> <p>Opinions of members of the Compensation Committee: N/A.</p> <p>The Company's response to Compensation Committee opinions: N/A.</p> <p>Results of resolutions: Passed as proposed.</p>                                                                                                              |
|                                                      | 6                    | <p>Passed the pay of professional managerial officers.</p> <p>Opinions of members of the Compensation Committee: N/A.</p> <p>The Company's response to Compensation Committee opinions: N/A.</p> <p>Results of resolutions: Passed as proposed.</p>                                                                                                                                |
| 6th Session of 4th Compensation Committee 2020/10/29 | 1                    | <p>Approved the number of shares of available for subscription by the Managerial Officer of the Company as employee subscription in the cash capital increase of the Company in 2020.</p> <p>Opinions of members of the Compensation Committee: N/A.</p> <p>The Company's response to Compensation Committee opinions: N/A.</p> <p>Results of resolutions: Passed as proposed.</p> |

5. Performance of Corporate Social Responsibility, deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies, and reasons:

| Assessed areas:                                                                                                                                                                                               | Implementation status |                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                   | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons |                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                               | Yes                   | No                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Summary                                                                                                                                                                                                                                                           |                                                                                                                     |                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| I. Has the company assessed the environmental, social, and corporate governance risks of its operations based on the principle of materiality and established related risk management policies or strategies? | V                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | (I) The Company's Corporate Social Responsibility Management Committee assessed related risks of material issues based on the principle of materiality and established the following risk management policies or strategies based on the risk assessment results: | In line with corporate social responsibility code of practice                                                       |                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                                                                                                                                                                                               |                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Material Issues                                                                                                                                                                                                                                                   |                                                                                                                     | Risk Assessment Items                                | Risk Management Policy or Strategy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|                                                                                                                                                                                                               |                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Environment                                                                                                                                                                                                                                                       |                                                                                                                     | Environmental protection and ecological conservation | <ol style="list-style-type: none"> <li>The Company is committed to environmental protection and supports green and clean production. The Company has established an environmental management system (ISO 14001) to promote environmental management policies.</li> <li>The Company has implemented energy-saving policies to increase the efficiency in the use of energy resources, fulfill environmental protection targets, and achieve sustainable development goals for energy conservation and carbon emissions reduction.</li> </ol> |
| Society                                                                                                                                                                                                       | Occupational safety   | <ol style="list-style-type: none"> <li>The Company complies with the Labor Standards Act, Factory Act, Occupational Safety and Health Act, Act of Gender Equality in Employment, and complies with the principles enshrined in the "United Nations Universal Declaration of Human Rights", "United Nations Guiding Principles on Business and Human Rights", and other international human rights conventions. We established related management policies and</li> </ol> |                                                                                                                                                                                                                                                                   |                                                                                                                     |                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

| Assessed areas: | Implementation status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons |
|-----------------|-----------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                     |
|                 |                       |    | <p>procedures and rigorously implemented measures for various issues to create a work environment of respect, care, and safety. We also passed the certification for the new version of the ISO 45001 Occupational Safety and Health Management System in 2019.</p> <p>2. We organize fire safety drills and occupation safety training and inspections each year to develop emergency response skills and self-safety management of employees and ensure their safety at work.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                     |
|                 |                       |    | <p>Corporate governance</p> <p>Social and economic regulatory compliance</p> <p>The Company complies with all domestic and foreign regulations to avoid exposing the Company's business operations to risks, prevent illegal and unfair competition, establish a positive corporate image, and ensure the legal operations of the Company. We identify and verify compliance each quarter to monitor and identify the suitability and compliance of labor, ethical, environmental protection, health, and corporate governance regulations and other requirements. The Company's Board of Directors has passed the "Ethical Corporate Management Best Practice Principles". We also specified in Article 2 of the Principles that when engaging in commercial activities, Directors, managerial officers, employees, and mandataries of the Company or persons having substantial control over the Company shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary</p> |                                                                                                                     |

| Assessed areas:                                                                                                                                                                            | Implementation status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                            | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                     |
|                                                                                                                                                                                            |                       |    | duty for purposes of acquiring or maintaining benefits. We also established provisions in the Principles prohibiting offering and acceptance of bribes, unreasonable gifts and entertainment, and prevention of damage to stakeholders by products or services. We use organization and liabilities as well as training and evaluation to achieve prevention.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                     |
| II. Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior managerial officers and reports its progress to the Board of Directors? | V                     |    | To fulfill our corporate social responsibilities and implement related regulations and international norms, the Company established the Corporate Social Responsibility Committee in July 2012 and the Chairman designated a high-level supervisor to serve as Chair of the Committee to promote affairs related to the Company's corporate social responsibility, and establish and supervise the Ethical Corporate Management Policy. The Company convenes meetings of the Corporate Social Responsibility Management Committee every six months to establish projects, set performance targets, and implement plans. The Company also regularly reports the results of corporate social responsibility and ethical management measures to the Board of Directors each year and publish the Corporate Social Responsibility Report on the Company's website before the end of September each year.<br>The Corporate Social Responsibility Report published by the Company is prepared in accordance with the Global Reporting Initiative (GRI) Standards (GRI framework 2016 and 2021 version for certain items) and we have obtained the certification from a third-party agent. | In line with corporate social responsibility code of practice                                                       |
| Environmental issues<br><br>(I) Has the Company established a proper environmental management system based on the characteristics of the industry?                                         | V                     |    | The Company follows environmental protection regulations and related international norms to protect the natural environment and strive for a balanced development of the economy, society and the environment in conducting business to achieve the goal of a sustainable environment.<br>(I) The Company has established an environmental safety and sanitary management system and a hazardous material management system and passed ISO 14001, OHSAS 18001, and QC 080000 certification in 2008. We also passed ISO 45001 certification in 2019. The Company has established a designated department in charge of environmental management and the implementation and management of the environmental management system, and placed professional technical                                                                                                                                                                                                                                                                                                                                                                                                                       | In line with corporate social responsibility code of practice                                                       |

| Assessed areas:                                                                                                                                                                                                                                                   | Implementation status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                   | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                     |
| (II) Is the Company committed to improving the efficiency of the various resources and using recycled materials which have a low impact on the environment?                                                                                                       | V                     |    | <p>management personnel in accordance with related environmental protection regulations.</p> <p>(II) To enhance the efficiency in the utilization of energy and resources, the Company stated in the publicly disclosed policy on safety, sanitation and environmental protection to continue improvements for lowering water and electricity consumption and reduce the emission of key chemical materials and main pollutants in accordance with reduction targets that are prescribed each year and followed-up each quarter. The results of these reductions have attained approval from the "Green Factory Label in Clean Production Evaluation System" of the Industrial Development Bureau of the Ministry of Economic Affairs in 2015. The Company was also awarded Outstanding Achievement in Water Conservation by the Water Resources Agency of the Ministry of Economic Affairs in 2016, and the Excellent Waste Reduction and Circular Economy Awards from the Hsinchu Science Park Administration, Ministry of Science and Technology in 2020.</p> |                                                                                                                     |
| (III) Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?                                                                       | V                     |    | <p>(III) According to the Company's assessment, climate change has directly affected the production operations of the manufacturing industry and we face risks including flooding, water supply disruptions, power supply shortages, and rising raw material costs. We seek to reduce these risks to enhance our green competitiveness and help us grasp global business opportunities and win the approval of stakeholders. The Company was certified in the carbon footprint investigation in 2010, which shed light on the distribution of carbon emissions throughout the life cycle of the product. The information is used on strategies for energy conservation and reduction of greenhouse gas. We continue to lower high carbon emission items such as electricity consumption and polyfluorinated chemicals and set reduction targets annually with quarterly follow-ups in accordance with policy requirements to effectively lower greenhouse gas emissions.</p>                                                                                     |                                                                                                                     |
| (IV) Does the Company calculate the amount of greenhouse gas emission, water consumption, and waste production in the past two years and implement policies to cut down energy and water consumptions, carbon and greenhouse gas emissions, and waste production? | V                     |    | <p>(IV) The Company's greenhouse gas emissions volume in 2019 was verified as 68,247 CO<sub>2</sub>e (carbon dioxide equivalent) by DNV GL which was a reduction of 19.4% compared to the total emissions in the baseline year. The GHG emissions in 2020 was approximately 72,971 tons based on calculations and it was a decline of 13.9% compared to the baseline year.</p> <p>In 2019, the Company's water consumption totaled 395,000 tons and total weight of waste amounted to 665 tons. The statistics have been published in the Company's 2019 Corporate Social Responsibility Report which has been certified by an</p>                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                     |

| Assessed areas:                                                                                                                                                                                                                                                                                                                                                                                                                | Implementation status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                |                       |    | <p>impartial third-party agent, SGS Taiwan. In 2020, the Company's water consumption totaled 401,000 tons and total weight of waste amounted to 811 tons.</p> <p>Faced with the impacts of climate change on the environment and water shortages in Taiwan, the Company established 2010 as the baseline year and started improving consumption of electricity, nitrogen, greenhouse gas emissions, and water. The target is to reduce average annual electricity consumption by 12%, nitrogen consumption by 45%, water consumption by 40% by 2020 and a long-term target to reduce total greenhouse gas emissions by 10%. We implemented measures to increase electricity usage efficiency, use alternative gases, increase water resource recycling rate, and adjust the production process. In 2020, we reduced daily electricity consumption by 15.9%, water consumption by 39.4%, nitrogen use by 48.1%, and greenhouse gas emissions by 13.9%. We shall continue the reduction results and we established phase 2 reduction targets for reducing total greenhouse gas emissions and reducing daily electricity consumption by 20% in 2030 by 20% compared to the baseline year of 2010.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                     |
| <p>IV. Social issues</p> <p>(I) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(II) Has the company established and implemented reasonable employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?</p> | <p>V</p> <p>V</p>     |    | <p>(I) The Company strictly adheres to related labor regulations and respects basic labor rights as stipulated by international norms. The Company establishes regulations on corporate social responsibilities and incorporate these regulations into internal management policies and procedures to safeguard the labor rights of the employees, including freely chosen employment, restriction on child labor, protection of youth labor, follow legal working hours, provide wages and benefits in accordance with laws, humane and non-discriminated treatment and respect for the freedom of association</p> <p>(II) The Company's employee salaries meet minimum wage requirements specified in the Labor Standards Act and the regular wage of direct employees is 6% higher than the statutory minimum wage. The Company provides employees with a work environment that facilitates balanced development and promotes holiday scheduling management mechanisms to implement holiday management measures and help employees plan their vacations. The Company provides a leave system superior than statutory requirements and also actively reminds employees to take holidays at appropriate intervals and build a healthy workplace. With regard to benefits, the Company's branches across the world provide various insurance, benefits, and pension allocation in accordance with local laws or regulations and actual practices. They also provide group insurance with terms superior than statutory requirements to protect the employees' work and life security. With regard to encouraging employees to get</p> | <p>In line with corporate social responsibility code of practice</p>                                                |

| Assessed areas:                                                                                                                                                                                                                                                            | Implementation status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons |
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|                                                                                                                                                                                                                                                                            | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                     |
| (III) Does the Company provide a safe and healthy working environment and provide employees with regular safety and health training?                                                                                                                                       | V                     |    | <p>married and give birth to children, the Company provides parking spaces for pregnant employees, breastfeeding rooms, mommy packs, prenatal checkup leave, paternity leave, family care leave, marriage leave, and childbirth gift money from the Employee Welfare Committee.</p> <p>(III) The Company has established a department in charge of safety and sanitation, the implementation and management of the safety and sanitation system, periodic safety and health education training to provide employees with a safe and healthy work environment.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                     |
| (IV) Has the Company established an effective career development and capability training program for employees?                                                                                                                                                            | V                     |    | <p>(IV) The Company has established development plans in line with employees' needs in accordance with their job description and positions and requests unit Supervisors and senior employees to assist new employees in understanding the Company's market position and future development. For managers, the Company provides proper management knowhow training based on the needs of management at different levels. For regular employees, the Company designs appropriate near, medium and long-term training programs based on their job requirements.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                     |
| (V) In terms of the customer health and safety, right to privacy, marketing and labeling of products and services, has the Company followed relevant laws, regulations, and international norms and set up relevant consumer protection policies and complaint procedures? | V                     |    | <p>(V) The Company's quality control mechanisms cover each step in the manufacturing process. We ensure the quality of the products through continuous monitoring on the manufacturing process and rapid and efficient detection of problems. We conduct comprehensive defect analyses for defective products returned by customers to verify the source of the defective products and implement improvements. We also use continuous innovation and improvement of products, procedures, and services to provide high-quality services and outstanding quality and become irreplaceable partners for customers. With regard to customer complaint channels, the Company periodically implements customer satisfaction surveys to understand whether the Company is providing satisfying products and services and to improve the quality of after-sales services.</p> <ol style="list-style-type: none"> <li>1. The Company strives to design, procure, manufacture and market products that contain no hazardous materials in accordance with international regulations and to satisfy customers' requests. We also enforce measures to protect the environment and fulfill responsibilities as a social citizen.</li> <li>2. The Company follows EU restrictions on hazardous substances and safeguard users' health through the following policies: <ol style="list-style-type: none"> <li>a. The Company cooperates with packaging plants and, except for special products specified by the customer, has ceased all production and sales of packaged products containing lead since January 1, 2010.</li> </ol> </li> </ol> |                                                                                                                     |

| Assessed areas:                                                                                                                                                                                                                                                                                                                                     | Implementation status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                     | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                     |
| (VI) Has the Company formulated supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, and labor rights and requested their reports on the implementation of such regulations?                                                                        | V                     |    | <p>b. Starting on August 9, 2009, we began to use halogen-free materials for new products from the development stage.</p> <p>c. The Company converted all materials used for existing products to environmentally-friendly materials and halogen-free materials step by step and completed the conversion on July 30, 2011.</p> <p>(VI) As stipulated in the Company's internal regulations, we incorporated quality, price, environmental protection and labor rights into the assessment for qualified suppliers.</p> <p>1. Environmental management system verification<br/>The Company requires that suppliers must acquire international certifications, e.g., ISO 14001 or OHSAS 18001 and safety and sanitation management systems. If the supplier is unable to acquire these credentials on time, they are asked to provide a time table for the certification process.</p> <p>2. Social requirements<br/>To ensure the labor rights of our suppliers, the Company has actively adopted the Code of Conduct of the Responsible Business Alliance (RBA). The Code was previously known as the Electronic Industry Code of Conduct (EICC) and requires suppliers of the Company's supply chain to follow EICC requirements on environmental protection, safety and sanitation, labor rights and labor conditions. In the semi-annual evaluation of suppliers, the Company employs the power of procurement to request suppliers to fulfill environmental and social responsibilities.<br/>The Company requests all suppliers in its supply chain to sign mutual agreements on regulating industrial practices and confidentiality agreements that require suppliers to carry out various transactions in good faith and not to damage the Company's interests and image.</p> |                                                                                                                     |
| V. Has the company prepared and published reports such as its Corporate Social Responsibility Report to disclose non-financial information of the Company in accordance with international standards or guidelines? Has the Company received assurance or certification of the aforementioned reports from a third-party certification institution? | V                     |    | The Corporate Social Responsibility Report published by the Company is prepared in accordance with the Global Reporting Initiative (GRI) Standards (GRI framework 2016 and 2021 version for certain items) and we have obtained the certification from an impartial third-party agent, SGS Taiwan. We will also upload the information to the Market Observation Post System and the Company's website before the end of September.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | In line with corporate social responsibility code of practice                                                       |

| Assessed areas:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Implementation status |    |         | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons |
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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Yes                   | No | Summary |                                                                                                                     |
| <p>VI. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any difference between the principles and their implementation:<br/> The Company has established the regulations governing the daily implementation of corporate social responsibilities in line with regulations and international norms to ensure that the Company provides a safe working environment, the employees receive respect and dignity from their work, and the Company bears environmental protection responsibilities and follows moral principles in corporate governance to fully implement the Company's CSR policy and statement. There is no significant difference from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                       |    |         |                                                                                                                     |
| <p>VII. Other key information useful for explaining status of corporate social responsibility practices:</p> <p>(I) The Company has established and implemented comprehensive standards in labor rights, health and safety, environmental protection, and management systems to achieve CSR goals.</p> <p>(II) With regard to labor rights, the Company follows international labor rights regulations and prohibits the hiring of workers under 15 years of age and involuntary workers (including coerced, collateral, in debt, bound by contracts, enslaved and human trade) and prohibits harassment, illegal discrimination, coercion and inhumane treatment of employees (including potential employees), and there has not been major labor-management disputes in 2020.</p> <p>(III) In health and security, the Company pledges to provide employees with a safe, sanitary and healthy work environment, organize periodic employee health examinations and hold activities that promote health. Healthy and happy employees can provide high levels of creativity, efficiency, and productivity to the Company. Nuvoton's health management and promotion plans are implemented to create a "happy workplace and healthy life", and we are committed to taking care of employees' physical and mental health. Nurses provide 24-hour health services and emergency aid to show our dedication and care. Employees receive one health examination each year and the Health Center plans customized inspection items for individual groups based on the health management requirements each year. We introduced three sections and five levels of preventive medicine to achieve early diagnosis and early treatment. We assign doctors of medical centers who specialize in occupational diseases to provide health education, health consultation, care, and assistance each month, and regularly inspect work sites to directly learn about employees' potential health risks and implement improvements. We work with external employee assistance program centers (EAPC) to provide employees with psychological consultation channels. We provide care for pregnant or breastfeeding employees, monitor employees with soreness symptoms and cardiovascular risks, and advocate the prevention of workplace bullying. We encourage employees to form clubs and help them find balance between work and leisure and cultivate habits for regular exercise. The Company also established a massage area by the visually impaired in the office to provide employees with relaxation services and hosts weight loss, health walk, various sports competitions, and art exhibitions in hopes of cultivating good exercise habits and leisure interests of the employees and provide them with a networking channel after work. The current clubs and former classes include the basketball club, cycling club, badminton club and yoga club etc. The Company's employees also actively participate in charity events organized by the Charity Club to help the disadvantaged and give back to society. Their work included donations to the Genesis Social Welfare Foundation for caring for patients that are in a persistent vegetative state, donations to Shih Guang Educational and Nursing Institution for patients that require long-term care, donations to children's homes for children, donations to the Children's Hearing Foundation to provide hearing-impaired children with electronic cochlear implants, supporting disadvantaged children in children's homes, supporting lunch and tuitions of disadvantaged schoolchildren in Yuan Dong Junior High School in Zhudong, etc. In 2020, Nuvoton employees donated a total of NT\$340,000 to disadvantaged children in Hsinchu and the Hao Sheng Children's Home to fulfill our corporate social responsibility.</p> <p>(IV) In terms of environmental protection, Nuvoton is committed to establish advanced international safety, sanitation management, and environmental protection standards. We passed the certification for the new version of the ISO 45001 Occupational Safety and Health Management System in 2019. We also actively participate in environmental training programs and was recognized again as the "2020 Environmental Education Partner" of Hsinchu Science Park. The Company also periodically implements effective education and training activities and organized 87 classes/205 hours of training courses in 2020 with 4,290 participants as part of the effort to continue improvement on eradicating any foreseeable risks to employees' health, environmental pollutions and damages to properties. Potential disasters and losses can be prevented beforehand through sound management and active participation of all employees.</p> |                       |    |         |                                                                                                                     |

| Assessed areas: | Implementation status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons |
|-----------------|-----------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                     |
| (V)             |                       |    | With regard to the management system, the Company has established comprehensive internal control mechanisms to monitor internal operations; in moral obligations, we prohibit behaviors such as bribery, corruption, blackmail and illegal use of company funds. We also do not participate in political activities. The Company is focused on corporate governance and Supervisors monitor the operations of the Company, the Company's compliance of regulations, financial transparency, instant disclosure of important information and make sure that there is no internal corruption. |                                                                                                                     |

6. Ethical corporate management and measures adopted:

| Assessed areas:                                                                                                                                                                                                                                                                                                                                                                                                                   | Implementation status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons |
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|                                                                                                                                                                                                                                                                                                                                                                                                                                   | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                   |
| I. Establishment of ethical corporate management policy and approaches                                                                                                                                                                                                                                                                                                                                                            |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                   |
| (I) Has the Company established the ethical corporate management policies approved by the Board of Directors and stated its policies and practices in its Memorandum or external correspondence to maintain business integrity? Are the Board of Directors and the managerial officers committed in fulfilling this commitment?                                                                                                   | √                     |    | (I) The Company conducts business activities on the principle of integrity. To implement integrity policy and actively prevent unethical behavior, the Company has established Ethical Corporate Management Principles that has been approved by the Board of Directors and announced on the Company's external webpage, outlining for the employees of the Company in detail the important issues in conducting business.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies             |
| (II) Has the company established a risk assessment mechanism against unethical conduct, analyze and assess operating activities with higher risk of unethical conducts on a regular basis, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"? | √                     |    | (II) The Company has established "Regulations on Ethical Corporate Management" which clearly defined the content of unethical behavior. The employees of the Company should not, in principle, accept gifts, except for the maintenance of business etiquette which stipulates direct or indirect exchanges, promise or request for money, gifts, services, discounts, entertainment, meals, investment stock options or other interests; it is only appropriate if a gift can be classified in the preceding conditions and the employee follows the "Regulations on Ethical Corporate Management" and files for approval through related procedures. The Regulations have been announced to all employees and have been incorporated into the Company's training programs on corporate social responsibility. The Company has also established "Regulations on Reporting Unethical Business Conducts" for the processing procedures in cases where the Company's employees or others violate ethical business practices. The regulations also provide a legal report channel and process that keeps the identity of the reporter and the content of the report confidential to protect the reporter from reprisals. |                                                                                                                   |
| (III) Does the Company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems? Does the Company review the policies on a regular basis?                                                                                                                                                                               | √                     |    | (III) The Company's "Regulations on Ethical Corporate Management" clearly restricts the supply and acceptance of unlawful interests and the Company has established "Procedures Governing the Processing of the Acceptance of Unlawful Interests" and "Procedures Governing the Restriction on Facilitating Payments" (including "Operating Rules for Political Donations," "Operating Rules for Charity Donations," and the requirement of "Conflict of Interest Recusal") for employees to follow.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                   |
| II. Full Implementation of Ethical Management Principles                                                                                                                                                                                                                                                                                                                                                                          |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | In line with the Ethical Corporate Management                                                                     |

| Assessed areas:                                                                                                                                                                                                                                                                                                                                                                                                           | Implementation status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons |
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|                                                                                                                                                                                                                                                                                                                                                                                                                           | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                   |
| (I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?                                                                                                                                                                                                                                  | V                     |    | (I) The Company has requested major suppliers to sign a letter of undertaking of integrity to state the Company's ethical corporate management principles, evaluate the integrity of suppliers before establishing business relationships and to explain to business counterparts the ethical corporate management policy to prevent the occurrence of unethical conduct. In addition, the Company's purchase orders will include a clause stipulating compliance with the Company's ethical corporate management policy.                                                                                                                                                                                                                                                           | Best Practice Principles for TWSE/TPEX Listed Companies                                                           |
| (II) Does the Company have a unit under the Board of Directors that specializes in promoting ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?                                                                                                    | V                     |    | (II) The Company has established the "Corporate Social Responsibility Committee" in July 2012 and the Chairman designated high-level Supervisors to serve as Chair of the Committee, responsible for overseeing the drafting, execution, interpretation, consulting services and notification registry of the Company's ethical corporate management policy. The President reports to the Board of Directors annually on the execution.                                                                                                                                                                                                                                                                                                                                             |                                                                                                                   |
| (III) Has the Company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?                                                                                                                                                                                                                                                                | V                     |    | (III) The Company has also established "Regulations on Reporting Unethical Business Conducts" which clearly regulates the policy of preventing conflicts of interests. When an employee, in the execution of company business, discovers that the employee or an institution he/she represents is in a conflict of interest, or if the employee, spouse, parents, children or other interested parties stands to benefit unlawfully from the conflict of interest, the employee should notify his/her Supervisor and the Company's designated unit simultaneously. The employee's supervisor should provide adequate assistance in solving the issue. The Company holds periodic education on the prevention of insider trading for Directors, Supervisors and Managerial Officers. |                                                                                                                   |
| (IV) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Has the Company designated its internal audit unit to devise relevant audit plans and audit the compliance with the prevention programs accordingly based on the results of assessment of the risk of involvement in unethical conduct or commissioned a CPA to conduct the audit? | V                     |    | (IV) The Company has established an effective accounting system and internal control institutions in accordance with regulations and established related procedures for internal auditing staff to conduct periodic auditing and ensure the design and implementation of various institutions remains effective.                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                   |
| (V) Did the Company periodically provide internal and external training programs on integrity management?                                                                                                                                                                                                                                                                                                                 | V                     |    | (V) The Company periodically holds corporate ethics education on corporate social responsibility and ethical corporate management each year. We organized 3 sessions in 2020 and accumulated 2,151 man-hours of training                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                   |

| Assessed areas:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Implementation status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons |
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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Yes                   | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                       |    | for 1,395 participants. The employees' training completion rate for "Ethical Management" and "Corporate Social Responsibility Policy" courses was 100%.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                   |
| <p>III. Implementation of the Company's Whistleblowing System</p> <p>(I) Has the Company established concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused?</p> <p>(II) Has the company established standard operating procedures for investigating reported issues, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?</p> <p>(III) Did the Company adopt measures for protecting the whistle-blower against improper treatment or retaliation?</p> | V                     | V  | <p>(I) The Company has established diversified reporting and complaint channels including the complaint email address and the employee opinion letterbox. The Company has also established "Regulations on Reporting Unethical Business Conducts" for related personnel to report on any malpractices through the system for the Company's designated senior managerial officer to process. If proved to be in violation of related laws or the Company's related policies on ethical corporate management, the reported person must cease all related activities immediately and processed appropriately, in accordance with legal procedures for damage claims if necessary to maintain the reputation and interests of the Company.</p> <p>(II) The Company has implemented standard procedures and confidentiality measures for handling reported malpractices. The Company has included the principles of ethical corporate management as part of employees' performance appraisal and the Company's human resource policy. There are clear and effective systems in place to enforce discipline and reporting of dishonest conduct. If any of the Company's personnel seriously violates ethical conduct rules, the Company shall dismiss the person in accordance with applicable laws and regulations or internal human resources guidelines. There are internal investigation procedures in place that requests confidentiality from all related personnel. All related documents are treated as confidential.</p> <p>(III) The Company has established in the "Regulations on Reporting Unethical Business Conducts" and "Complaint Procedures" the necessary protection measures for the reporter of malpractices and all Supervisors and employees is prohibited from discrimination, threat and other harmful behaviors against the employee filing the complaint.</p> | In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies             |
| <p>IV. Enhancing information disclosure</p> <p>(I) Has the Company disclosed its integrity principles and progress onto its website and M.O.P.S.?</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                      | V                     |    | (I) The Company has announced the "Ethical Corporate Management Principles" approved by the Board of Directors on the Company website to disclose related information on ethical corporate management. The Company has also placed the Annual Report which includes related information on ethical corporate management on the M.O.P.S.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies             |

| Assessed areas:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Implementation status |    |         | Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons |
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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Yes                   | No | Summary |                                                                                                                   |
| V. The Company shall establish its own Code of Business Integrity based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies" and clearly articulate the differences between its operations and the established code. The Company has established "Ethical Corporate Management Principles" and "Regulations on Ethical Corporate Management" in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies."                                                                                                                                                              |                       |    |         |                                                                                                                   |
| VI. Other important information to facilitate better understanding of the Company's implementation of ethical corporate management: (e.g., declare the Company's commitment to practice and Ethical Corporate Management Best Practice Principles to its business counterparties, and invite them to join the Company's training program, and review/revision of the Company's Ethical Corporate Management Best Practice Principles):<br>The Company constantly watches the development of ethical management related rules and regulations at home and abroad, and based on which, reviews and improves its own policies to enhance performance management. |                       |    |         |                                                                                                                   |

7. If the Company has established corporate governance principles and related guidelines, disclose the means of accessing this information: The Company has a section "Investor Services/Rules and Regulations" on its website for investors to inquiry corporate governance related rules.

8. Other significant information which may improve the understanding of corporate governance and operation: The Company continues to improve corporate governance and simultaneously discloses its corporate governance information on the Market Observation Post System and the Company website in a timely manner.

9. Status of implementation of internal control system

(1) Statement of Declaration on Internal Control

Nuvoton Technology Corp.  
Internal Control System Statement

Date: February 18, 2021

This Statement of Internal Control System is issued based on the self-assessment results of the Company for year 2020:

- I. The Company is fully aware that the establishment, implementation and maintenance of its internal control system is the responsibility of the Board of Directors and managerial officers. In this regard the Company has already established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability of reporting, and compliance with applicable laws and regulations.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change and impact the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Monitoring. Each element further contains several items. For more information on the abovementioned items, please refer to the Regulations.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of December 31, 2020 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of reporting, and compliance with applicable laws and regulations, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
- VI. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement has been passed by the Board of Directors Meeting of the Company held on February 18, 2021, where 0 of the 9 attending Directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Nuvoton Technology Corp.

Chairman of the Board:

Signature and Seal

President:

Signature and Seal

- (2) If the Company engages an accountant to examine its internal control system, disclose the CPA audit report: N/A.

10. Penalty on the Company and its personnel or punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvement in the past year and up to the date of report: N/A.
11. Important resolutions adopted in shareholders meeting, Board of Directors' meeting, and the Audit Committee in the past year and up to the date of report
- (1) Report on the execution of resolutions adopted at the 2020 general shareholders' meeting:

| Date       | Important resolutions and implementation |                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2020/05/29 | 1                                        | Ratified the Company's 2019 business report and financial statements.<br>Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)<br>Implementation status: Followed resolution results.                                                                                                                                                                                        |
|            | 2                                        | Ratified the Company's 2019 earnings distribution proposal.<br>Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)<br>Implementation status: The Chairman resolved on July 15, 2020 to set August 11, 2020 as the ex-dividend date and September 11, 2020 as the issuance date. (Cash dividend of NT\$1.2 per share)                                                       |
|            | 3                                        | Approved the Company's acquisition of related semiconductor businesses of Panasonic Corporation.<br>Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)<br>Implementation status: The Company completed the merger of semiconductor businesses of Panasonic Corporation in Japan on September 1, 2020 and completed the material information announcement on the same day. |
|            | 4                                        | Passed the amended Articles of Incorporation.<br>Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)<br>Implementation status: The Company has completed the registration of the amended Articles of Incorporation on June 15, 2020.                                                                                                                                       |
|            | 5                                        | Approved the long-term fundraising plan of the Company.<br>Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)<br>Implementation status: Followed resolution results.                                                                                                                                                                                                      |
|            | 6                                        | Passed amended rules.<br>Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)<br>Implementation status: Related Affairs are processed in accordance with procedures after the amendments are effected.                                                                                                                                                                      |
|            | 7                                        | Passed the proposed removal of non-compete clause for Directors.<br>Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)<br>Implementation status: Completed the material information announcement on the day of the shareholders' meeting.                                                                                                                                 |

- (2) Important resolutions adopted by the Board of Directors in 2020 and up to the publication of the Annual Report (April 13, 2021)

| Date       | Important resolutions: |                                                                                                |
|------------|------------------------|------------------------------------------------------------------------------------------------|
| 2020/02/06 | 1                      | Elected the Chairman in accordance with Article 16 of the Company's Articles of Incorporation. |
|            | 2                      | Passed the Company's 2019 financial statements and business report.                            |

| Date       | Important resolutions: |                                                                                                                                                                                  |                                                                                |
|------------|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
|            | 3                      | Passed the 2019 Statement of Declaration on Internal Control.                                                                                                                    |                                                                                |
|            | 4                      | Passed the Company's 2020 business plan and budget.                                                                                                                              |                                                                                |
|            | 5                      | Passed the annual remuneration paid to accounting firm Deloitte & Touche.                                                                                                        |                                                                                |
|            | 6                      | Passed the purchase of liability insurance for Directors, Supervisors, and key personnel.                                                                                        |                                                                                |
|            | 7                      | Passed the total amount and individual amounts of remuneration appropriated for Directors in 2019.                                                                               |                                                                                |
|            | 8                      | Passed the total amount of remuneration appropriated for employees in 2019.                                                                                                      |                                                                                |
|            | 9                      | Passed amendments to the Company's Regulations Governing Salary, Remuneration and Performance Evaluation of Managing Directors.                                                  |                                                                                |
|            | 10                     | Passed the variable pay of professional managerial officers                                                                                                                      |                                                                                |
|            | 11                     | Approved the proposal for the dismissal of the Company's Managerial Officer.                                                                                                     |                                                                                |
|            | 12                     | Approved the proposal for the appointment of the Company's Managerial Officer.                                                                                                   |                                                                                |
|            | 2020/03/12             | 1                                                                                                                                                                                | Passed the 2019 earnings appropriation.                                        |
|            |                        | 2                                                                                                                                                                                | Approved the Company's first issuance of domestic unsecured convertible bonds. |
| 3          |                        | Passed the amendment of the Company's Rules Governing the Conduct of Shareholders Meeting.                                                                                       |                                                                                |
| 4          |                        | Passed the amendment of the Company's Procedures for Lending Funds to Other Parties.                                                                                             |                                                                                |
| 5          |                        | Passed the amendment of the Company's Operating Procedures for Making Endorsements and Guarantees.                                                                               |                                                                                |
| 6          |                        | Passed the amendments to the Company's Regulations Governing the Organization of the Audit Committee.                                                                            |                                                                                |
| 7          |                        | Passed amended internal rules.                                                                                                                                                   |                                                                                |
| 8          |                        | Approved the proposed removal of non-compete clause for the Company's Chairman and CEO Mr. Yuan-Mou Su.                                                                          |                                                                                |
| 9          |                        | Passed the proposed calling of the 2020 general shareholders' meeting.                                                                                                           |                                                                                |
| 2020/03/31 | 1                      | Approved related matters for the Company's establishment of the subsidiary company in Suzhou.                                                                                    |                                                                                |
| 2020/04/14 | 1                      | Approved the Company's patent licensing agreement with Microchip Technology Inc.                                                                                                 |                                                                                |
|            | 2                      | Approved the proposed increase in budget for capital expenditure for 2020.                                                                                                       |                                                                                |
|            | 3                      | Passed the amended Articles of Incorporation.                                                                                                                                    |                                                                                |
|            | 4                      | Approved the long-term fundraising plan for the Company's long-term development.                                                                                                 |                                                                                |
|            | 5                      | Approved the Company's execution of the Panasonic Semiconductor Solutions Co. Ltd. land purchase option.                                                                         |                                                                                |
|            | 6                      | Passed the amended Procedures for Engaging in Derivatives Transactions.                                                                                                          |                                                                                |
| 2020/05/19 | 1                      | Approved the Company's acquisition of land from Panasonic Semiconductor Solutions Co. Ltd.                                                                                       |                                                                                |
|            | 2                      | Approved the Company's capital increase for the subsidiary Nuvoton Technology Singapore Pte. Ltd.                                                                                |                                                                                |
|            | 3                      | Approved the endorsement and guarantee for financing loans of Nuvoton Electronics Technology (Shanghai) Limited from financial institutions, and signature of related documents. |                                                                                |

| Date       | Important resolutions: |                                                                                                                                                                                                                            |
|------------|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2020/07/27 | 1                      | Approved the Company's commitment that the funds from the Bank of Taiwan used for investment in shares of Panasonic Semiconductor Solutions Co. Ltd. will not be pledged to another third party.                           |
|            | 2                      | Passed the appointment of Ms. Hsiu-Fen Lai as Vice President of the Company.                                                                                                                                               |
|            | 3                      | Passed the change of the Company's Chief Financial Officer.                                                                                                                                                                |
|            | 4                      | Approved the proposal for the appointment of Mr. Wei-Chan Hsu as the Company's Managerial Officer.                                                                                                                         |
|            | 5                      | Passed the appropriation ratio of remuneration for Directors in 2020.                                                                                                                                                      |
|            | 6                      | Passed the appropriation ratio of remuneration for employees in 2020.                                                                                                                                                      |
|            | 7                      | Passed the pay of professional managerial officers.                                                                                                                                                                        |
| 2020/08/21 | 1                      | Approved the Company's proposal for the cash capital increase and issuance of new shares in 2020.                                                                                                                          |
|            | 2                      | Approved the endorsement and guarantee for financing loans of Nuvoton Electronics Technology (Shanghai) Limited from financial institutions, and signature of related documents.                                           |
| 2020/09/08 | 1                      | Approved the endorsement and guarantee for financing loans of Nuvoton Technology Corporation Japan from financial institutions.                                                                                            |
| 2020/10/29 | 1                      | Approved the number of shares of available for subscription by the Managerial Officer of the Company as employee subscription in the cash capital increase of the Company in 2020.                                         |
|            | 2                      | Approved the number of shares of available for subscription by the Managerial Officer of the Company and companies controlled by the Company as employee subscription in the cash capital increase of the Company in 2020. |
| 2020/11/12 | 1                      | Passed the Company's Annual Audit Plan for 2021.                                                                                                                                                                           |
|            | 2                      | Approved the proposed increase in budget for capital expenditure.                                                                                                                                                          |
|            | 3                      | Passed the remuneration paid to accounting firm Deloitte & Touche for auditing the subsidiaries in Japan and Singapore.                                                                                                    |
|            | 4                      | Approved the amendment of the baseline date for the conversion of the Company's first issuance of domestic unsecured convertible bonds to common shares, and the baseline date for the issuance of new shares.             |
| 2021/02/18 | 1                      | Passed the Company's 2020 financial statements and business report.                                                                                                                                                        |
|            | 2                      | Passed the 2020 Statement of Declaration on Internal Control.                                                                                                                                                              |
|            | 3                      | Passed the Company's 2021 business plan and budget.                                                                                                                                                                        |
|            | 4                      | Passed the annual remuneration paid to accounting firm Deloitte & Touche.                                                                                                                                                  |
|            | 5                      | Passed the purchase of liability insurance for Directors, Supervisors, and key personnel.                                                                                                                                  |
|            | 6                      | Passed the amendment of the Company's Rules Governing the Conduct of Shareholders Meeting.                                                                                                                                 |
|            | 7                      | Passed the amendment of the Company's Board of Directors Meeting Rules.                                                                                                                                                    |
|            | 8                      | Passed the amendments to the Company's Regulations Governing the Organization of the Audit Committee.                                                                                                                      |
|            | 9                      | Passed the proposal to discontinue the private placement of securities passed in the 2020 general shareholders' meeting.                                                                                                   |
|            | 10                     | Passed the proposed removal of non-compete clause for Directors.                                                                                                                                                           |
|            | 11                     | Approved the amendment of the baseline date for the conversion of the Company's first issuance of domestic unsecured convertible bonds to common shares, and the baseline date for the issuance of new shares.             |

| Date       | Important resolutions: |                                                                                                                                                                                                          |
|------------|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            | 12                     | Approved the endorsement and guarantee in business transactions between Nuvoton Technology Corporation Japan and Taiwan Semiconductor Manufacturing Company Limited, and signature of related documents. |
|            | 13                     | Passed the total amount and individual amounts of remuneration appropriated for Directors in 2020.                                                                                                       |
|            | 14                     | Passed the total amount of remuneration appropriated for employees in 2020.                                                                                                                              |
|            | 15                     | Approved amendments to the Company's Regulations Governing the Organization of the Compensation Committee.                                                                                               |
|            | 16                     | Passed amendments to the Company's Regulations Governing Salary, Remuneration and Performance Evaluation of Directors and the Board of Directors.                                                        |
|            | 17                     | Passed the variable pay of professional managerial officers.                                                                                                                                             |
|            | 18                     | Approved the appointment of Mr. Yoshitaka Kinoshita as the Company's Deputy CEO.                                                                                                                         |
|            | 19                     | Approved the appointment of Mr. Kun-Lung Chen as the Company's Corporate Governance Officer.                                                                                                             |
| 2021/03/16 | 1                      | Passed the 2020 earnings appropriation.                                                                                                                                                                  |
|            | 2                      | Passed the amended clauses of the Company's Articles of Incorporation.                                                                                                                                   |
|            | 3                      | Approved the long-term fundraising plan for the Company's long-term development.                                                                                                                         |
|            | 4                      | Passed the proposal to convene the Company's general shareholders' meeting at 9AM on June 11, 2021.                                                                                                      |
|            | 5                      | Passed the proposed removal of non-compete clause for the Managerial Officer.                                                                                                                            |
|            | 6                      | Passed the change of the Company's Chief Auditor.                                                                                                                                                        |

(3) Important resolutions adopted by the Audit Committee in 2020 and up to the publication of the Annual Report (April 13, 2021)

| Date       | Important resolutions: |                                                                                                       |
|------------|------------------------|-------------------------------------------------------------------------------------------------------|
| 2020/02/06 | 1                      | Passed the Company's 2019 financial statements and business report.                                   |
|            | 2                      | Passed the 2019 Statement of Declaration on Internal Control.                                         |
|            | 3                      | Passed the annual remuneration paid to accounting firm Deloitte & Touche.                             |
| 2020/03/12 | 1                      | Passed the 2019 earnings appropriation.                                                               |
|            | 2                      | Approved related matters for the Company's establishment of the subsidiary company in Singapore.      |
|            | 3                      | Approved the Company's first issuance of domestic unsecured convertible bonds.                        |
|            | 4                      | Passed the amendment of the Company's Procedures for Lending Funds to Other Parties.                  |
|            | 5                      | Passed the amendment of the Company's Operating Procedures for Making Endorsements and Guarantees.    |
|            | 6                      | Passed the amendments to the Company's Regulations Governing the Organization of the Audit Committee. |
|            | 7                      | Approved the proposed removal of non-compete clause for the Company's Chairman and CEO.               |
|            | 8                      | Approved related matters for the Company's establishment of the subsidiary company in Korea.          |
| 2020/03/31 | 1                      | Approved related matters for the Company's establishment of the subsidiary company in Suzhou.         |
| 2020/04/14 | 1                      | Approval of the Company's patent licensing agreement with Microchip Technology Inc.                   |

| Date       | Important resolutions: |                                                                                                                                                                                                          |
|------------|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            | 2                      | Approved the proposed increase in budget for capital expenditure for 2020.                                                                                                                               |
|            | 3                      | Approved the long-term fundraising plan for the Company's long-term development.                                                                                                                         |
|            | 4                      | Approved the Company's execution of the Panasonic Semiconductor Solutions Co. Ltd. land purchase option.                                                                                                 |
|            | 5                      | Passed the amended Procedures for Engaging in Derivatives Transactions.                                                                                                                                  |
| 2020/05/19 | 1                      | Approved the Company's acquisition of land from Panasonic Semiconductor Solutions Co. Ltd.                                                                                                               |
|            | 2                      | Approved the Company's capital increase for the subsidiary Nuvoton Technology Singapore Pte. Ltd.                                                                                                        |
|            | 3                      | Approved the endorsement and guarantee for financing loans of Nuvoton Electronics Technology (Shanghai) Limited from financial institutions.                                                             |
| 2020/07/27 | 1                      | Passed the 2020 Q2 financial statements.                                                                                                                                                                 |
|            | 2                      | Passed the change of the Company's Chief Financial Officer.                                                                                                                                              |
| 2020/08/21 | 1                      | Approved the Company's cash capital increase and issuance of new shares in 2020.                                                                                                                         |
|            | 2                      | Approved the endorsement and guarantee for financing loans of Nuvoton Electronics Technology (Shanghai) Limited from financial institutions, and signature of related documents.                         |
| 2020/09/08 | 1                      | Approved the endorsement and guarantee for financing loans of Nuvoton Technology Corporation Japan from financial institutions, and signature of related documents.                                      |
| 2020/11/12 | 1                      | Passed the Company's Annual Audit Plan for 2021.                                                                                                                                                         |
|            | 2                      | Approved the proposed increase in budget for capital expenditure.                                                                                                                                        |
|            | 3                      | Passed the remuneration paid to accounting firm Deloitte & Touche for auditing the subsidiaries in Japan and Singapore.                                                                                  |
| 2021/02/18 | 1                      | Passed the Company's 2020 financial statements and business report.                                                                                                                                      |
|            | 2                      | Passed the 2020 Statement of Declaration on Internal Control.                                                                                                                                            |
|            | 3                      | Passed the annual remuneration paid to accounting firm Deloitte & Touche.                                                                                                                                |
|            | 4                      | Passed the amendments to the Company's Regulations Governing the Organization of the Audit Committee.                                                                                                    |
|            | 5                      | Passed the proposal to discontinue the private placement of securities passed in the 2020 general shareholders' meeting.                                                                                 |
|            | 6                      | Passed the proposed removal of non-compete clause for Directors.                                                                                                                                         |
|            | 7                      | Approved the endorsement and guarantee in business transactions between Nuvoton Technology Corporation Japan and Taiwan Semiconductor Manufacturing Company Limited, and signature of related documents. |
| 2021/03/16 | 1                      | Passed the 2020 earnings appropriation.                                                                                                                                                                  |
|            | 2                      | Approved the long-term fundraising plan for the Company's long-term development.                                                                                                                         |
|            | 3                      | Passed the change of the Company's Chief Auditor.                                                                                                                                                        |

12. Dissenting or qualified opinion of Directors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: N/A.
13. Resignation and dismissal of professional managerial officers related to the financial report including Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Chief Governance Officer, and Chief R&D Officer in the past year and up to the date of report:

| Title                   | Name          | Date of appointment | Date of dismissal | Reason for resignation or dismissal |
|-------------------------|---------------|---------------------|-------------------|-------------------------------------|
| Chairman                | Pei-Ming Chen | 2019.6.24           | 2020.2.6          | Job transfer                        |
| CEO                     | Pei-Ming Chen | 2019.8.1            | 2020.3.1          | Job transfer                        |
| Chief Financial Officer | Jessica Huang | 2019.8.1            | 2020.8.1          | Job transfer                        |
| Chief Auditor           | Wan-Min Liao  | 2009.6.2            | 2021.3.16         | Job transfer                        |

14. Handling of material information:

The Company has a rigorous internal operating process in place for the handling of material information, which is made public in accordance with the "Rules for Spokesperson and Deputy Spokesperson Operation." The Company also publicizes its Procedure for Major Internal Information Disclosure among employees from time to time to prevent the violation of insider trading regulations.

(IV) Information on Fees to CPA:

1. Information on Fees to CPA

| Name of accounting firm | Name of Accountants: |             | Duration of audit | Note |
|-------------------------|----------------------|-------------|-------------------|------|
| Deloitte & Touche       | Shu-Lin Liu          | Hung-Bin Yu | 2020              |      |

Unit: NT\$1,000

| Name of accounting firm | Name of Accountants:                                   | Audit fee | Non-audit fee |                       |                 |        |          | Accountant's duration of audit | Note                                                                                                                                                                                                                                                                     |
|-------------------------|--------------------------------------------------------|-----------|---------------|-----------------------|-----------------|--------|----------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                         |                                                        |           | System design | Business registration | Human resources | Other  | Subtotal |                                |                                                                                                                                                                                                                                                                          |
| Deloitte & Touche       | Shu-Lin Liu, Accountant, Hung-Bin Yu, Accountant, etc. | 17,950    | -             | -                     | -               | 13,214 | 13,214   | 2020                           | The other items in the non-auditing fee consisted mainly of accounting and consulting fees of NT\$8,300 thousand from investment in subsidiaries, service fees for capital increase of NT\$3,350 thousand, and fees for related taxation services of NT\$1,564 thousand. |

2. Fees paid to certifying accountants, the accounting firm and its affiliates in 2020 that were non-audit fee amounted to NT\$13,214 thousand which was more than one fourth of the audit fee.
- 3.If the Company changes accounting firm and the amount of audit fee paid in the year of change is less than that in the year before, the amount and percentage of decrease and reason: This event did not occur at the Company.
- 4.If the audit fee is more than 10% less than that paid in the previous year, the amount and percentage of decrease and reason: The 2020 audit fee has not decreased more than 10% than the amount paid in 2019. This is therefore not applicable.

(V) The changes to the accountants before and after the two most recent years:

Due to internal changes in the CPA firm, the Company's original CPAs Hung-Bin Yu and Kuo-Tien Hung have been changed to CPAs Shu-Lin Liu and Hung-Bin Yu from 2019

Q4.

1. Regarding previous CPA

|                                                                                         |                                                   |                |        |
|-----------------------------------------------------------------------------------------|---------------------------------------------------|----------------|--------|
| Date of change                                                                          | November 28, 2019                                 |                |        |
| Reasons for change and remark                                                           | Internal adjustment of the certifying CPA firm    |                |        |
| Termination initiated by client or accountant declined to accept the appointment        | Contracting parties                               | CPA            | Client |
|                                                                                         | Scenario                                          | Not applicable |        |
|                                                                                         | Termination initiated by client                   |                |        |
|                                                                                         | CPA declined to accept (continue) the appointment |                |        |
| Audit opinions other than unqualified opinions issued in the past two years and reasons | N/A                                               |                |        |
| Opinions different from those of issuer                                                 | N/A                                               |                |        |
| OTHER DISCLOSURES                                                                       | N/A                                               |                |        |

2. Regarding succeeding CPA

|                                                                                                                                                                                              |                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Name of firm                                                                                                                                                                                 | Deloitte & Touche                                   |
| Name of Accountants:                                                                                                                                                                         | Shu-Lin Liu, Accountant and Hung-Bin Yu, Accountant |
| Date of appointment                                                                                                                                                                          | November 28, 2019                                   |
| Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results | N/A                                                 |
| Succeeding CPAs' written opinions that are different from those of the previous CPAs                                                                                                         | N/A                                                 |

3. The former CPA's reply to Article 10, Subparagraph 6, Item 1 and Item 2, Point 3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable.

(VI) The Chairman, President and Financial or Accounting Managerial Officer of the Company who had worked for the Independent CPA or the affiliate in the past year: N/A.

(VII) Share transfer by directors, supervisors, managerial officers and shareholders holding more than 10% equity and changes to share pledging by them in the past year and up to the date of report

(1) Share transfers:

Unit: shares

| Title    | Name                                   | 2020                               |                                       | 2021 up to April 13                |                                       |
|----------|----------------------------------------|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
|          |                                        | Increase (decrease) in shares held | Increase (decrease) in pledged shares | Increase (decrease) in shares held | Increase (decrease) in pledged shares |
| Chairman | Winbond Electronics Corporation        | 37,954,635                         | -                                     | -                                  | -                                     |
|          | Representative: Yuan-Mou Su (Note 2)   | 120,000                            | -                                     | (15,000)                           | -                                     |
|          | Representative: Pei-Ming Chen (Note 3) | -                                  | -                                     | -                                  | -                                     |
| Director | Arthur Yu-Cheng Chiao                  | -                                  | -                                     | -                                  | -                                     |
| Director | Gin Hsin Investment Co., Ltd.          | 3,869,931                          | -                                     | -                                  | -                                     |
|          | Representative: Yung Chin              | -                                  | -                                     | -                                  | -                                     |

| Title                                      | Name                         | 2020                               |                                       | 2021 up to April 13                |                                       |
|--------------------------------------------|------------------------------|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
|                                            |                              | Increase (decrease) in shares held | Increase (decrease) in pledged shares | Increase (decrease) in shares held | Increase (decrease) in pledged shares |
| Director                                   | Keh-Shew Lu                  | -                                  | -                                     | -                                  | -                                     |
| Director                                   | Chi-Lin Wea                  | -                                  | -                                     | -                                  | -                                     |
| Independent Director                       | Royce Yu-Chun Hong           | -                                  | -                                     | -                                  | -                                     |
| Independent Director                       | Shan-Kio Hsu                 | -                                  | -                                     | -                                  | -                                     |
| Independent Director                       | David Shu-Chyuan Tu          | -                                  | -                                     | -                                  | -                                     |
| Independent Director                       | Jie-Li Hsu                   | -                                  | -                                     | -                                  | -                                     |
| CEO                                        | Yuan-Mou Su (Note 4)         | 120,000                            | -                                     | (15,000)                           | -                                     |
| Deputy CEO                                 | Yoshitaka Kinoshita (Note 5) | -                                  | -                                     | -                                  | -                                     |
| President                                  | Sean Tai                     | 70,000                             | -                                     | -                                  | -                                     |
| Vice President                             | Yo-Song Cheng                | 75,000                             | -                                     | -                                  | -                                     |
| Vice President                             | Ren-Lie Lin                  | 82,279                             | -                                     | -                                  | -                                     |
| Vice President                             | Hsin-Lung Yang               | 58,362                             | -                                     | -                                  | -                                     |
| Vice President                             | Patrick Wang                 | -                                  | -                                     | -                                  | -                                     |
| Vice President                             | Kuang-Lun Lin                | (29,673)                           | -                                     | -                                  | -                                     |
| Vice President and Chief Financial Officer | Hsiu-Fen Lai (Note 6)        | 75,000                             | -                                     | -                                  | -                                     |
| Chief Accounting Officer                   | Hung-Wen Huang               | 36,350                             | -                                     | (39,000)                           | -                                     |
| Corporate Governance Officer               | Kun-Lung Chen (Note 7)       | -                                  | -                                     | -                                  | -                                     |
| CTO                                        | Wei-Chan Hsu (Note 8)        | -                                  | -                                     | -                                  | -                                     |
| CEO                                        | Pei-Ming Chen (Note 9)       | -                                  | -                                     | -                                  | -                                     |
| Chief Financial Officer                    | Jessica Huang (Note 10)      | -                                  | -                                     | -                                  | -                                     |

Note 1: The information above is based on actual shares held.

Note 2: Mr. Yuan-Mou Su was newly-appointed as the representative of the new Institutional Chairman on February 6, 2020.

The above table discloses his information starting from the date of appointment of his term of office as the representative of Nuvoton's Institutional Director.

Note 3: Mr. Pei-Ming Chen was relieved of his duties as the representative of the new Institutional Chairman on February 6, 2020. The above table discloses his information up to the date of termination of his term of office as Nuvoton's Chairman.

Note 4: Mr. Yuan-Mou Su was appointed on March 1, 2020. The above table discloses his information starting from the date of appointment of his term of office as Nuvoton's CEO.

Note 5: Mr. Yoshitaka Kinoshita was appointed on February 18, 2021. The above table discloses his information starting from the date of his term of office as Nuvoton's Deputy CEO.

Note 6: Ms. Hsiu-Fen Lai was appointed on August 1, 2020. The above table discloses her information starting from the date of her appointment as Nuvoton's Vice President and Chief Financial Officer.

Note 7: Mr. Kun-Lung Chen was appointed as Corporate Governance Officer on February 18, 2021. The above table discloses his information starting from the date of his term of office as Nuvoton's Corporate Governance Officer.

Note 8: Mr. Wei-Chan Hsu was appointed as the Chief Technology Officer on August 1, 2020. The above table discloses his information starting from the date of appointment of his term of office as Nuvoton's Chief Technology Officer.

Note 9: Mr. Pei-Ming Chen was relieved of his duties as the CEO on March 1, 2020. The above table discloses his information up to the date of termination of his term of office as Nuvoton's CEO.

Note 10: Ms. Jessica Huang was dismissed on August 1, 2020. The above table discloses her information till the date of termination of her term of office as Nuvoton's Chief Financial Officer.

(2) Share transfer information: N/A

(3) Share pledge information: N/A

(VIII) Information on the relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree)

April 13, 2021; Unit: shares

| Name                                                                                      | Shareholding     |                      | Shares held by spouse and underage children |                      | Total shareholding by nominee arrangement |                      | Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree) |                                                                  | Note |
|-------------------------------------------------------------------------------------------|------------------|----------------------|---------------------------------------------|----------------------|-------------------------------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|------|
|                                                                                           | No. of shares    | Percentage of shares | No. of shares                               | Percentage of shares | No. of shares                             | Percentage of shares | Title (or name)                                                                                                          | Relationship                                                     |      |
| Winbond Electronics Corp.<br>Representative: Arthur Yu-Cheng Chiao                        | 214,954,635<br>- | 53.65%<br>-          | -<br>-                                      | -<br>-               | -<br>-                                    | -<br>-               | Gin Hsin Investment Co., Ltd.                                                                                            | Same individual as the chairman of the institutional shareholder | N/A  |
| Gin Hsin Investment Co., Ltd.<br>Representative: Arthur Yu-Cheng Chiao                    | 5,100,747<br>-   | 1.27%<br>-           | -<br>-                                      | -<br>-               | -<br>-                                    | -<br>-               | Winbond Electronics Corp.                                                                                                | Same individual as the chairman of the institutional shareholder | N/A  |
| Citibank Taiwan as custodian of Polunin Developing Countries Fund, LLC Investment Account | 2,098,000        | 0.52%                | -                                           | -                    | -                                         | -                    | -                                                                                                                        | -                                                                | N/A  |
| Chung-Tse Yao                                                                             | 2,000,000        | 0.50%                | -                                           | -                    | -                                         | -                    | -                                                                                                                        | -                                                                | N/A  |
| Hsing-Han Liu                                                                             | 1,562,426        | 0.39%                | -                                           | -                    | -                                         | -                    | -                                                                                                                        | -                                                                | N/A  |
| Ling-Hsuan Chen                                                                           | 1,460,000        | 0.36%                | -                                           | -                    | -                                         | -                    | -                                                                                                                        | -                                                                | N/A  |

|                                                                                       |                      |                |                |            |   |   |                  |                                      |     |
|---------------------------------------------------------------------------------------|----------------------|----------------|----------------|------------|---|---|------------------|--------------------------------------|-----|
| Special Emerging Markets Equity Investment Fund under the custody of Citibank         | 1,400,000            | 0.35%          | -              | -          | - | - | -                | -                                    | N/A |
| Hsu Fu Co., Ltd.<br>Representative: Fang-Lung Huang                                   | 1,120,000<br>850,000 | 0.28%<br>0.21% | -<br>1,093,000 | -<br>0.27% | - | - | Pi-Ling Li       | Spouse of the institutional Chairman | N/A |
| SinoPac Investment Trust as custodian of Transglobe Life Insurance investment account | 1,100,381            | 0.27%          | -              | -          | - | - | -                | -                                    | N/A |
| Pi-Ling Li                                                                            | 1,093,000            | 0.27%          | 850,000        | 0.21%      | - | - | Hsu Fu Co., Ltd. | Spouse of the institutional Chairman | N/A |

(IX) The shareholding of the Company, Director, Supervisor, Managerial Officers and an enterprise that is directly or indirectly controlled by the Company in the invested company

December 31, 2020; Unit: shares

| Investee<br>(Note 1)                             | Investment by the Company<br>(A) |                           | Investments by Directors,<br>Supervisors, managerial<br>officers and directly or<br>indirectly controlled<br>enterprises(B) |                           | Comprehensive investment<br>(A+B) |                           |
|--------------------------------------------------|----------------------------------|---------------------------|-----------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------------------------------|---------------------------|
|                                                  | No. of shares                    | Shareholding<br>ratio (%) | No. of shares                                                                                                               | Shareholding<br>ratio (%) | No. of shares                     | Shareholding<br>ratio (%) |
| Nuvoton Electronics Technology<br>(H.K.) Limited | 107,400,000                      | 100                       | -                                                                                                                           | -                         | 107,400,000                       | 100                       |
| Marketplace Management Limited                   | 8,842,789                        | 100                       | -                                                                                                                           | -                         | 8,842,789                         | 100                       |
| Nuvoton Investment Holding Ltd.                  | 17,960,000                       | 100                       | -                                                                                                                           | -                         | 17,960,000                        | 100                       |
| Song Yong Investment Corporation                 | 3,850,000                        | 100                       | -                                                                                                                           | -                         | 3,850,000                         | 100                       |
| Nuvoton Technology India Private<br>Limited      | 600,000                          | 100                       | -                                                                                                                           | -                         | 600,000                           | 100                       |
| Nuvoton Technology Corp. America                 | 60,500                           | 100                       | -                                                                                                                           | -                         | 60,500                            | 100                       |
| Nuvoton Technology Holding Japan                 | 100                              | 100                       | -                                                                                                                           | -                         | 100                               | 100                       |
| Nuvoton Technology Singapore Pte.<br>Ltd.        | 37,100,000                       | 100                       | -                                                                                                                           | -                         | 37,100,000                        | 100                       |
| Nuvoton Technology Korea Limited                 | 125,000                          | 100                       | -                                                                                                                           | -                         | 125,000                           | 100                       |

Note 1: Equity method is employed.

### III. Capital and shareholding

#### (I) Share capital source

Unit: Share; NT\$1,000

| Year<br>Month | Issuing<br>price<br>(NT\$) | Authorized capital |           | Paid-in capital |           | Note                                                                                                                                                                                |                                       |                              |
|---------------|----------------------------|--------------------|-----------|-----------------|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|------------------------------|
|               |                            | No. of<br>shares   | Amount    | No. of shares   | Amount    | Share capital<br>source                                                                                                                                                             | Shares acquired<br>by non-cash assets | Other                        |
| 200804        | 10                         | 300,000,000        | 3,000,000 | 100,000         | 1,000     | Cash capital<br>NT\$1,000 thousand                                                                                                                                                  | N/A                                   | Yuan-Shang No.<br>0970009659 |
| 200807        | 10                         | 300,000,000        | 3,000,000 | 250,000,000     | 2,500,000 | Accepts separation<br>NT\$2,499,000<br>thousand                                                                                                                                     | N/A                                   | Yuan-Shang No.<br>0970019973 |
| 200909        | -                          | 300,000,000        | 3,000,000 | 190,000,000     | 1,900,000 | Capital reduction by<br>cash<br>NT\$600,000 thousand                                                                                                                                | N/A                                   | Yuan-Shang No.<br>0980028478 |
| 200909        | 10                         | 300,000,000        | 3,000,000 | 200,070,000     | 2,000,700 | Capital increase<br>shares by capital<br>surplus<br>NT\$100,700 thousand                                                                                                            | N/A                                   | Yuan-Shang No.<br>0980028736 |
| 201006        | 10                         | 300,000,000        | 3,000,000 | 207,554,400     | 2,075,544 | 2009 earning and<br>employee bonuses<br>recapitalization of<br>NT\$74,844 thousand                                                                                                  | N/A                                   | Yuan-Shang No.<br>0990016508 |
| 201911        | 10                         | 300,000,000        | 3,000,000 | 287,554,400     | 2,875,544 | Cash capital increase<br>of NT\$800,000<br>thousand                                                                                                                                 | N/A                                   | Zhu-Shang No.<br>1080032110  |
| 202012        | 10                         | 500,000,000        | 5,000,000 | 375,961,556     | 3,759,616 | Cash capital increase<br>of NT\$800,000<br>thousand<br>Conversion of the first<br>issuance of unsecured<br>convertible bonds to<br>common shares<br>totaling NT\$84,072<br>thousand | N/A                                   | Zhu-Shang No.<br>1090036975  |

|        |    |             |           |             |           |                                                                                                                |     |                          |
|--------|----|-------------|-----------|-------------|-----------|----------------------------------------------------------------------------------------------------------------|-----|--------------------------|
| 202103 | 10 | 500,000,000 | 5,000,000 | 388,393,556 | 3,883,936 | Conversion of the first issuance of unsecured convertible bonds to common shares totaling NT\$124,320 thousand | N/A | Zhu-Shang No. 1100006770 |
|--------|----|-------------|-----------|-------------|-----------|----------------------------------------------------------------------------------------------------------------|-----|--------------------------|

December 31, 2020; Unit: shares

| Type of Shares  | Authorized capital |                 |             | Note         |
|-----------------|--------------------|-----------------|-------------|--------------|
|                 | Outstanding shares | Unissued shares | Total       |              |
| Ordinary shares | 388,393,556        | 111,606,444     | 500,000,000 | Listed stock |

Note: Information for shelf registration: N/A

## (II) Shareholders

April 13, 2021

| Shareholders                   | Government agencies | Financial institutions | Other corporations | Individuals | Foreign institutions and foreigners | Total       |
|--------------------------------|---------------------|------------------------|--------------------|-------------|-------------------------------------|-------------|
| Quantity                       |                     |                        |                    |             |                                     |             |
| Number of people               | -                   | 3                      | 86                 | 36,696      | 81                                  | 36,866      |
| Number of shares held (shares) | -                   | 1,308,381              | 228,862,772        | 158,466,646 | 12,025,349                          | 400,663,148 |
| Shareholding ratio (%)         | -                   | 0.33%                  | 57.12%             | 39.55%      | 3.00%                               | 100%        |

## (III) Shareholding Distribution Status

## 1. Common stocks:

April 13, 2021

| Shareholding range   | Number of shareholders | Number of shares held (shares) | Shareholding ratio (%) |
|----------------------|------------------------|--------------------------------|------------------------|
| 1 to 999             | 3,890                  | 1,005,044                      | 0.25%                  |
| 1,000 to 5,000       | 27,892                 | 51,465,344                     | 12.85%                 |
| 5,001 to 10,000      | 2,813                  | 22,662,330                     | 5.66%                  |
| 10,001 to 15,000     | 752                    | 9,632,650                      | 2.40%                  |
| 15,001 to 20,000     | 491                    | 9,171,891                      | 2.29%                  |
| 20,001 to 30,000     | 410                    | 10,613,438                     | 2.65%                  |
| 30,001 to 50,000     | 280                    | 11,314,512                     | 2.83%                  |
| 50,001 to 100,000    | 172                    | 12,511,179                     | 3.12%                  |
| 100,001 to 200,000   | 88                     | 12,388,302                     | 3.09%                  |
| 200,001 to 400,000   | 42                     | 11,456,755                     | 2.86%                  |
| 400,001 to 600,000   | 14                     | 6,687,085                      | 1.67%                  |
| 600,001 to 800,000   | 5                      | 3,595,462                      | 0.90%                  |
| 800,001 to 1,000,000 | 7                      | 6,269,967                      | 1.56%                  |
| Over 1,000,001       | 10                     | 231,889,189                    | 57.87%                 |
| Total                | 36,866                 | 400,663,148                    | 100.00%                |

## 2. Preferred stocks: Not applicable

## (IV) List of major shareholders

Names, shares and percentage of shareholding of top ten shareholders with more than 5% of equity:

April 13, 2021 Unit: shares

| Shares                                  | Number of shares held | Shareholding ratio (%) |
|-----------------------------------------|-----------------------|------------------------|
| Name of majority shareholders           |                       |                        |
| Winbond Electronics Corp.               | 214,954,635           | 53.65%                 |
| Gin Hsin Investment Co., Ltd.           | 5,100,747             | 1.27%                  |
| Citibank Taiwan as custodian of Polunin | 2,098,000             | 0.52%                  |

| Shares<br>Name of majority shareholders                                               | Number of<br>shares held | Shareholding<br>ratio (%) |
|---------------------------------------------------------------------------------------|--------------------------|---------------------------|
| Developing Countries Fund, LLC Investment Account                                     |                          |                           |
| Chung-Tse Yao                                                                         | 2,000,000                | 0.50%                     |
| Hsing-Han Liu                                                                         | 1,562,426                | 0.39%                     |
| Ling-Hsuan Chen                                                                       | 1,460,000                | 0.36%                     |
| Special Emerging Markets Equity Investment Fund under the custody of Citibank         | 1,400,000                | 0.35%                     |
| Hsu Fu Co., Ltd.                                                                      | 1,120,000                | 0.28%                     |
| SinoPac Investment Trust as custodian of Transglobe Life Insurance investment account | 1,100,381                | 0.27%                     |
| Pi-Ling Li                                                                            | 1,093,000                | 0.27%                     |

(V) Market price per share, net worth, earnings, dividends, and the related information for the last 2 years

Unit: Share; NT\$;

| Item                        |                               | Year            | 2019        | 2020        | 2021 up to<br>April 13 |
|-----------------------------|-------------------------------|-----------------|-------------|-------------|------------------------|
| Stock price<br>(Note 1)     | Highest                       |                 | 55.80       | 52.50       | 57.40                  |
|                             | Lowest                        |                 | 36.80       | 27.20       | 41.70                  |
|                             | Average                       |                 | 49.08       | 44.26       | 49.53                  |
| Net worth per<br>share      | Before distribution           |                 | 25.71       | 29.66       | —                      |
|                             | After distribution            |                 | 24.51       | (Note 2)    | —                      |
| Earnings per<br>share       | Weighted average shares       |                 | 220,887,733 | 295,056,286 | 389,252,915            |
|                             | Earnings per share            |                 | 2.53        | 1.81        | —                      |
| Dividends per<br>share      | Cash dividend                 |                 | 1.20        | (Note 2)    | —                      |
|                             | Stock<br>dividend             | Earnings        | —           | —           | —                      |
|                             |                               | Capital surplus | —           | —           | —                      |
| Accumulated unpaid dividend |                               |                 | —           | —           | —                      |
| Return analysis             | PE ratio (Note 3)             |                 | 19.40       | 24.45       | —                      |
|                             | Price-dividend ratio (Note 4) |                 | 40.90       | (Note 2)    | —                      |
|                             | Cash dividend yield (Note 5)  |                 | 2.44%       | (Note 2)    | —                      |

Note 1: The source of information is the TWSE website.

Note 2: Pending final approval from Shareholders' Meeting.

Note 3: Price-earnings (P/E) ratio = Average market price / Earnings per share.

Note 4: Price-dividend (P/D) ratio = Average market price / Cash dividends per share.

Note 5: Cash dividend yield rate = Cash dividend per share / Average market price.

(VI) Dividend policy and implementation status

1. Company dividend policy:

Under the Company Act and Nuvoton's Articles of Incorporation, the Company shall, after covering prior years' losses and paying all taxes and dues, set aside 10% of its earnings as legal reserve until such reserve equals the paid-in capital. Of the remainder plus undistributed earnings in prior years or of distributable earnings resulting from this year's loss plus undistributed earnings in prior years, special reserve shall be set aside or reversed

according to laws or the competent authority. And then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders..

The Board of Directors shall be authorized to determine the cash distribution of the aforementioned earnings, legal reserve, and additional paid-in capital with resolution adopted by a majority vote in a board meeting attended by more than two thirds of the Directors and report to the shareholder's meeting.

Our dividend policy is set up in accordance with the Company Act and the Articles of Incorporation of our Company in consideration of factors including capital, financial structure, operating status, earnings, industry characteristics and cycle, etc. The retained earnings may be retained as appropriate or distributed in cash dividend or both stock dividend and cash dividend so as to ensure the sustainable development of the Company. The appropriation of dividends must take into consideration future operations and cash requirements, and dividends distributed shall be no less than 50% of the net profit after tax of the year after making up for cumulative losses and deducting the allocations for legal reserve and special reserve. Cash dividend shall not be lower than 10% of total dividends. The current dividend policy for retained earnings and dividends with respect to their conditions, timing, amount and type would be adjusted from time to time in accordance with economic and industrial fluctuations and the Company's future development needs and profitability.

2. Dividend distribution to be proposed to the shareholders' meeting:

The Company's 2020 dividend distribution proposal was formulated in the March 16, 2021 meeting of the Board of Directors in the chart below. This plan will be carried out in accordance with related regulations after passage in resolution by the Shareholders' Meeting scheduled for June 11, 2021.

Statement of Earning distribution  
2020

| Item                                                                                                                                             | Amount         |
|--------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Undistributed earnings from previous years                                                                                                       | \$ 516,980,802 |
| Plus: Disposal of financial assets in other comprehensive income measured at fair value through profit and loss accumulated in retained earnings | 82,399,358     |
| Minus: Re-measurement of defined benefit plan converted into retained earnings                                                                   | (29,081,938)   |
| Plus: Net profit of 2020                                                                                                                         | 532,784,778    |
| Minus: 10% Legal reserve appropriated                                                                                                            | (58,610,220)   |

|                                                                            |                |
|----------------------------------------------------------------------------|----------------|
| Retained earnings available for distribution as of December 31, 2020       | 1,044,472,780  |
| Distribution Items:<br>Cash dividends to common shares (NT\$0.8 per share) | (311,732,638)  |
| Undistributed retained earnings from previous years                        | \$ 732,740,142 |

(VII) The effects of the stock dividends proposed by the shareholders' meeting on the Company's business performances and earnings per share: Not applicable.

(VIII) Remuneration of employees, directors and supervisors

1. Percentages or ranges of remuneration of employees and directors under the Articles of Incorporation

According to the amended Company Act and the amended Articles of Incorporation, if the Company has been profitable in the year, the remuneration for employees shall be over 1% (inclusive) and the remuneration for Directors and Supervisors will be under 1% (inclusive) of the earnings before tax and before deducting remuneration for employees and Directors.

The allocation of employees' and Directors' remuneration shall be reported to the shareholders' meeting.

The recipients of the Company's treasury stock buyback and transfer, distribution of employee stock options, employee subscription of new shares, issuance of new restricted employee shares, and payment of remuneration to employees include employees of controlling or subordinate companies that meet the criteria. The specific criteria shall be determined by a resolution of the Board of Directors.

The recipients of remuneration for Directors and related matters shall be processed in accordance with related laws and determined by the Board of Directors.

2. Basis for estimating the amount of remuneration to employees and Directors/Supervisors, basis for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

The basis for estimating the Company's 2020 remuneration for employees and Directors is 6% and 1% of the earnings before tax and before deducting remuneration for employees and Directors. The preceding estimation basis is based on the amended Company Act and the amended Articles of Incorporation. If there are changes made to the amount of the estimated remuneration to employees and Directors after the publication day of the consolidated annual financial statements, the changes will be applied in accordance with accounting estimation changes and will be included in the financial statements of the following year.

3. Remuneration proposals passed by the board of directors

(1)The difference, reasons and handling of discrepancies between the cash or stock appropriation of remuneration to employees and Directors and the annual recognized costs:

According to the amended Company Act and the amended Articles of Incorporation, if the Company has been profitable in the year, the remuneration for employees shall be over 1% (inclusive) and the remuneration for Directors and Supervisors will be under 1% (inclusive) of the earnings before tax and before deducting remuneration for employees and Directors. The Company has approved the appropriation of NT\$7,070 thousand in remuneration for Directors and remuneration of NT\$42,422 thousand for employees in the meeting of the Board of Directors on February 18, 2021. The preceding amounts are consistent with the estimated amount of the recognized costs.

(2)The amount of employee bonus to be paid in stocks out of the current company-level financial report in terms of the sum of net profit after tax and employee bonus: Not applicable.

4. Actual appropriation of remuneration for employees, Directors and Supervisors for 2019:  
Unit: Share; NT\$

| Item                                      | Actual distributed amount (Note) |                  |             | Amount approved in the Board of Directors' resolution | difference |
|-------------------------------------------|----------------------------------|------------------|-------------|-------------------------------------------------------|------------|
|                                           | Amount                           | Equitable shares | Stock price |                                                       |            |
| Remuneration to Directors and Supervisors | 6,811,392                        | -                | -           | 6,811,392                                             | N/A        |
| Remuneration to employees in cash         | 40,868,352                       | -                | -           | 40,868,352                                            | N/A        |

Note: The remuneration of Directors, Supervisors and employees above were passed by the meeting of the Board of Directors on February 6, 2020. There is no difference between the actual amount distributed and the amount recognized in the 2019 financial statements.

(IX) Buyback of Treasury Stock: N/A.

IV. Corporate bond issuance status:

(I) Corporate bonds not yet repaid and still being processed:

|                            |                                                        |
|----------------------------|--------------------------------------------------------|
| Type of corporate bonds    | First issuance of domestic unsecured convertible bonds |
| Issuance date              | May 20, 2020                                           |
| Par value                  | NT\$100,000                                            |
| Place of issue and trading | Republic of China                                      |
| Issue price                | NT\$100                                                |
| Total amount               | NT\$2,000,000 thousand                                 |
| Interest rate              | Coupon rate: 0%                                        |
| Maturity                   | 7 years; maturity date: May 20, 2027                   |

|                                                                                      |                                                                                                                                                                                                                                                                                                                       |                                                                                                                              |
|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Guarantee agencies                                                                   | Not applicable                                                                                                                                                                                                                                                                                                        |                                                                                                                              |
| Trustee                                                                              | CTBC Bank Co., Ltd.                                                                                                                                                                                                                                                                                                   |                                                                                                                              |
| Underwriter                                                                          | CTBC Bank Co., Ltd., Taichung Commercial Bank Securities Co., Ltd., BankTaiwan Securities Co., Ltd., First Securities Inc., Reliance Securities Co.                                                                                                                                                                   |                                                                                                                              |
| Certifying attorney                                                                  | Hsin-Lan Hsu, Attorney, Lee & Li Attorneys-at-Law                                                                                                                                                                                                                                                                     |                                                                                                                              |
| Certifying CPA                                                                       | CPAs Shu-Lin Liu and Hung-Bin Yu, Deloitte & Touche                                                                                                                                                                                                                                                                   |                                                                                                                              |
| Repayment method                                                                     | The Company shall repay the bond holders' converted corporate bond in cash upon maturity according to 109.09% (maturity annual yield rate of 1.25%) of the face value of the bond, except where the bond holder converts or sells the bonds or where the Company repurchases the bonds for de-registration in advance |                                                                                                                              |
| Outstanding amount                                                                   | NT\$728,000 thousand                                                                                                                                                                                                                                                                                                  |                                                                                                                              |
| Terms for redemption or early repayment                                              | Please refer to the issuance and conversion methods                                                                                                                                                                                                                                                                   |                                                                                                                              |
| Restriction clauses                                                                  | N/A                                                                                                                                                                                                                                                                                                                   |                                                                                                                              |
| Name of credit rating institution, rating date, and outcome of corporate bond rating | N/A                                                                                                                                                                                                                                                                                                                   |                                                                                                                              |
| Other appended rights                                                                | Amount of converted (exchanged or subscribed) ordinary shares, GDRs, or other securities                                                                                                                                                                                                                              | NT\$231,192,460 (23,119,246 shares)                                                                                          |
|                                                                                      | Issuance and conversion (swaps or warrants) methods                                                                                                                                                                                                                                                                   | Please refer to the corporate bond issuance information disclosed in the Bonds section on the Market Observation Post System |
| Dilution effect and other effects on existing shareholder equity                     | Based on the current conversion price of NT\$38.20, if all corporate bonds are converted into common shares, 29,047,116 will be issued and they will have limited impact on shareholder equity                                                                                                                        |                                                                                                                              |
| Name of the custodian institution entrusted with securities to be converted          | Not applicable                                                                                                                                                                                                                                                                                                        |                                                                                                                              |

(II) Corporate bonds maturing within two years: N/A.

(III) Convertible bonds issued by the Company that may be converted into common shares, GDRs, or other securities

|                                              |                                                              |                                                           |
|----------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------|
| Type of corporate bonds                      | First issuance of domestic unsecured convertible bonds       |                                                           |
| Year                                         | 2021 up to March 31                                          |                                                           |
| Item                                         | Market value of convertible corporate bond                   | Highest<br>149.40<br>Lowest<br>97.00<br>Average<br>106.34 |
|                                              | Conversion price                                             | NT\$38.20                                                 |
|                                              | Conversion price at the date of issuance and during issuance | Issuance date: May 20, 2020<br>Issue price: NT\$39.90     |
| Method for exercising conversion obligations | Issue new shares                                             |                                                           |

(IV) Where the Company has issued exchangeable bonds, specify the issuance date, underlying shares, and exchange price during issuance of each exchangeable bond, and the highest and lowest market prices, exchange prices, and the quantity of the underlying shares held by the Company in the most recent two years and up to the date of publication of the prospectus: N/A.

- (V) In the event the Company conducts a shelf registration for the collection of funds and issuance of regular corporate bonds, it shall disclose the estimated total issuance amount, total outstanding amount, and balance of reported shelf registration: N/A.
- (VI) Where the Company issues corporate bonds with warrants, it shall specify the issuance date, type and quantity of each corporate bond with warrants available for subscription, duration for the subscription of restricted shares, contract performance method, subscription price, and the units unexercised and the ratio of units unexercised to total outstanding shares as of the publication date of the prospectus: N/A.
- (VII) Progress of private placement of corporate bonds in the most recent three years and up to the publication date of the prospectus: N/A.

V. Issuance of preferred stocks:

N/A.

VI. Issuance of global depositary receipts (GDR):

With regard to the Company's plan for cash capital increase and GDRs approved by the FSC in the Jin-Guan-Zheng-Fa-Zi No. 1080342102 Letter on January 14, 2020, we have received the approval from the FSC for the abolishment of the plan on July 16, 2020.

VII. Exercise of employee stock option plan (ESOP):

N/A.

VIII. Restricted stock awards:

N/A.

IX. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies:

The Company referenced the value appraisal report submitted by PricewaterhouseCoopers, Taiwan based on the asset approach and income approach before paying the equivalent of US\$250 million to the Panasonic Group of Japan for the purchase of 100% of the shares of its subsidiary Panasonic Semiconductor Solutions Co. Ltd., specific operation assets including equipment and inventories of semiconductor operations of Panasonic Semiconductor (Suzhou) Co., Ltd., and specific operation assets including assets, liabilities, and contracts of Panasonic Industrial Devices Semiconductor Asia. The delivery was completed in September 2020. This transaction expand the scale of its semiconductor business, expand global sales channels and customers, obtain core technical patents for related applications and R&D talents, increase the Company's influence in the global semiconductor industry, and enhance long-term competitiveness. The plans for the integration of finances, businesses, personnel, and information after the acquisition are still in progress.

NTCJ is a leading global supplier which provides related semiconductor products and solutions and specializes in image sensing technologies microcontroller technologies, and semiconductor component technologies.

X. Implementation of capital allocation plan:

The Company has not implemented the issuance of new shares or private placement of securities for the aforementioned acquisition or transfer of other companies' shares. The previous plans for fundraising and issuance of securities were completed in the issuance of new shares for cash capital increase in 2019 which have been completed in accordance with the plan and expected schedule. With regard to the plan for cash capital increase and GDRs for 2020, we have received the approval from the FSC for the abolishment of the plan in the Jin-Guan-Zheng-Fa-Zi No. 1090349318 Letter. The Company issued corporate bonds in 2020 for the acquisition of related semiconductor businesses of Panasonic Corporation. The contents, execution status, and benefits of the issuance of new shares for cash capital increase in 2019 and the plan for issuing corporate bonds and issuance of new shares for cash capital increase in 2020 are explained below:

(I) Issuance of new shares for cash capital increase in 2019

1. Project content

- (1) Competent authority approval date and document number: Jin-Guan-Zheng-Fa-Zi No. 1080326356 dated August 26, 2019.
- (2) Total funding required for the plan: NT\$3,600,000 thousand.
- (3) Sources of capital: Issuance of 80,000,000 shares for cash capital increase with a value of NT\$45 per share for raising a total NT\$3,600,000 thousand.
- (4) Project items, fund implementation progress, and anticipated benefits:

Unit: NT\$1,000

| Project item                       | Anticipated completion date                                                                                                                                                                                                   | Total funding needed | Scheduled rate of progress of fund utilization |           |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------------------------------------|-----------|
|                                    |                                                                                                                                                                                                                               |                      | 2019                                           | 2020      |
|                                    |                                                                                                                                                                                                                               |                      | Q4                                             | Q1        |
| Replenishment of operating capital | 2020 Q1                                                                                                                                                                                                                       | 3,600,000            | 1,500,000                                      | 2,100,000 |
| Total                              | -                                                                                                                                                                                                                             | 3,600,000            | 1,500,000                                      | 2,100,000 |
| Anticipated benefits               | Payment of funding necessary for daily operations, enhancement of financial structure, and increase in market competitiveness. The plan is expected to save interest expenditures by approximately NT\$118,080,000 each year. |                      |                                                |           |

## 2. Implementation status:

Unit: NT\$1,000

| Project item                       | Implementation status   |             | 2019 Q4   | 2020 Q1   | Description                                                                    |
|------------------------------------|-------------------------|-------------|-----------|-----------|--------------------------------------------------------------------------------|
| Replenishment of operating capital | Expenditures            | Anticipated | 1,500,000 | 2,100,000 | The Company has completed the capital utilization plan on schedule in 2020 Q1. |
|                                    |                         | Actual      | 1,947,444 | 1,652,556 |                                                                                |
|                                    | implementation progress | Anticipated | 41.66%    | 58.34%    |                                                                                |
|                                    |                         | Actual      | 54.09%    | 45.91%    |                                                                                |

The Company raised sufficient funds on October 23, 2019 and immediately replenished operating funds in accordance with the plan. We also began using the funds for routine material purchases, salaries, service fees of subsidiaries, and other business activities. The utilization plan was completed in 2020 Q1 and there were no irregularities in the capital expenditure schedule.

## 3. Implementation benefits

According to the Company's 2019 financial report, the current assets increased significantly after the fundraising and the debt ratio was significantly lowered from levels before the end of September 2019. The percentage of long-term capital in PP&E, current and quick ratios increased significantly. The financial structure and solvency have been significantly improved and the revenue from October to December amounted to NT\$2,789,451 thousand, which was a 12.87% increase from NT\$2,471,448 thousand from the previous year. The total revenue in 2020 Q1 amounted to NT\$2,133,155 thousand which was also higher than NT\$2,049,821 thousand in the same period of the previous year. Therefore, the effects of the fundraising in the replenishment of operating capital were significant.

Unit: %; NT\$1,000

| Item                |                                                 | Year                       | 2019 Q3<br>(before fundraising) | 2019 Q4<br>(after fundraising) |
|---------------------|-------------------------------------------------|----------------------------|---------------------------------|--------------------------------|
|                     |                                                 | Capital Structure Analysis | Debts Ratio                     |                                |
|                     | Long-term Fund to Property, Plant and Equipment |                            | 702.59                          | 1,159.29                       |
| Liquidity Analysis  | Current ratio                                   |                            | 201.88                          | 349.60                         |
|                     | Quick ratio                                     |                            | 124.26                          | 275.20                         |
| Current assets      |                                                 |                            | 4,524,902                       | 8,187,357                      |
| Current liabilities |                                                 |                            | 2,241,287                       | 2,341,884                      |
| Total liabilities   |                                                 |                            | 3,587,614                       | 3,764,198                      |

Source: Financial statements audited and certified by a CPA.

(II) First issuance of domestic unsecured convertible bonds in 2020

1. Project content

- (1) Competent authority approval date and document number: Jin-Guan-Zheng-Fa-Zi No. 1090336393 dated April 14, 2020.
- (2) Total funding required for the plan: US\$250,000,000 which was equivalent to approximately NT\$7,625,000 thousand (the NTD to USD exchange rate is provisionally set as 30.5:1).
- (3) Sources of capital:
  - A. The first issuance of 20,000 domestic unsecured convertible bonds with a par value of NT\$100 thousand for each bond totaled NT\$2,000,000 thousand. The issuance period is seven years and the coupon rate is 0%. The bonds are issued based on a competitive auction system and the actual amount raised was NT\$2,004,854 thousand.
  - B. The Company's plan for issuing new common shares and GDRs was approved by the FSC on January 14, 2020 and the Company plans to issue 60,000 to 90,000 thousand shares in GDRs. However, the Company has applied to withdraw the GDR plan on July 1, 2020 and the FSC approved the abolishment of the plan on July 14, 2020.
  - C. The gap between the fundraising plan and the actual implementation shall be made up with the Company's proprietary funds, bank loans, or other funding methods.
- (4) Project items, fund implementation progress, and anticipated benefits:

Unit: NT\$1,000

| Project item                                                             | Anticipated completion date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Total funding needed<br>(Note 2) |           | Scheduled rate of progress of fund utilization |
|--------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------|------------------------------------------------|
|                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                  |           | 2020 years                                     |
|                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                  |           | Q2                                             |
| Acquisition of related semiconductor businesses of Panasonic Corporation | June 2020                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | USD                              | 250,000   | 250,000                                        |
|                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | NTD                              | 7,625,000 | 7,625,000                                      |
| <b>Total</b>                                                             | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | USD                              | 250,000   | 250,000                                        |
|                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | NTD                              | 7,625,000 | 7,625,000                                      |
| Anticipated benefits                                                     | The Company paid cash for the purchase of 100% of the shares of Panasonic Semiconductor Solutions Co. Ltd., a subsidiary of the Panasonic Group of Japan, specific operation assets including equipment and inventories of semiconductor operations of Panasonic Semiconductor (Suzhou) Co., Ltd., and specific operation assets including assets, liabilities, and contracts of Panasonic Industrial Devices Semiconductor Asia. This transaction is expected to expand the scale of its semiconductor business, expand global sales channels |                                  |           |                                                |

|  |                                                                                                                                                                                                                                                                                                                                                                   |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | and customers, obtain core technical patents for related applications and R&D talents, increase the Company's influence in the global semiconductor industry, and enhance long-term competitiveness. The Company expects to accumulate recognizable investment proceeds of US\$269,965 thousand from 2020 to 2027 with a payback period of approximately 8 years. |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Note 1: The NTD to USD exchange rate is provisionally set as NTD 30.5 to USD 1.

Note 2: The amount is the basic purchase price agreed by the parties. The actual transaction price shall be adjusted in accordance with the price adjustment mechanisms before and after settlement specified in the Stock and Asset Purchase Agreement signed by the parties.

## 2. Implementation status:

Unit: NT\$1,000

| Project item                                                             | Implementation status   |               | 2020 Q2 | 2020 Q3   |           |
|--------------------------------------------------------------------------|-------------------------|---------------|---------|-----------|-----------|
| Acquisition of related semiconductor businesses of Panasonic Corporation | Expenditures            | Anticipated   | USD     | 250,000   | -         |
|                                                                          |                         |               | NTD     | 7,625,000 | -         |
|                                                                          |                         | Actual (Note) | USD     | -         | 226,804   |
|                                                                          |                         |               | NTD     | -         | 6,690,710 |
|                                                                          | implementation progress | Anticipated   |         | 100.00%   | -         |
|                                                                          |                         | Actual        |         | -         | 90.72%    |

Note 1: The NTD to USD exchange rate is set as NTD 29.5 to USD 1.

Note 2: The actual amount shall be adjusted in accordance with the price adjustment mechanisms before and after settlement specified in the Stock and Asset Purchase Agreement signed by the parties.

The Company originally planned to raise sufficient funds via convertible bonds in 2020 and complete the delivery of semiconductor businesses of Panasonic Corporation in June 2020. However, the COVID-19 pandemic has become increasingly severe and has affected economic activities and life in all countries. As a result, the antitrust review progress of this investment project was delayed in different countries, but the delivery of the investment was completed on September 1, 2020.

The Company's original plans for the acquisition of related semiconductor businesses of Panasonic Corporation have been completed. However, the actual amount was adjusted in accordance with the price adjustment mechanisms before and after settlement specified in the Stock and Asset Purchase Agreement signed by the parties. Therefore, based on the actual expenditures, the implementation progress was 90.72%.

## 3. Implementation benefits

The delivery of the plan was only completed on September 1, 2020 and still in the early stage of integration. There are currently no significant implementation benefits.

### (III) Issuance of new shares for cash capital increase in 2020

#### 1. Project content

- (1) Competent authority approval date and document number: Jin-Guan-Zheng-Fa-Zi No. 1090358477 dated September 25, 2020.
- (2) Total funding required for the plan: NT\$3,040,000 thousand
- (3) Sources of capital: Issuance of 80,000,000 common shares for cash capital increase with a value of NT\$38 per share for raising a total NT\$3,040,000 thousand.

(4) Project items, fund implementation progress, and anticipated benefits:

Unit: NT\$1,000

| Project item                       | Anticipated completion date | Total funding needed | Scheduled rate of progress of fund utilization |         |           |
|------------------------------------|-----------------------------|----------------------|------------------------------------------------|---------|-----------|
|                                    |                             |                      | 2020                                           | 2021    | 2021      |
|                                    |                             |                      | Q4                                             | Q1      | Q2        |
| Repayment of bank loans            | 2021 Q2                     | 1,800,000            | -                                              | -       | 1,800,000 |
| Replenishment of operating capital | 2021 Q1                     | 1,240,000            | 400,000                                        | 840,000 | -         |
| Total                              | -                           | 3,040,000            | 400,000                                        | 840,000 | 1,800,000 |

2. Implementation status:

Unit: NT\$1,000

| Project item                       | Implementation status   | 2020 Q4     | 2021 Q1   | Description |                                                                                                                                                           |
|------------------------------------|-------------------------|-------------|-----------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Repayment of bank loans            | Expenditures            | Anticipated | -         | 1,800,000   | The implementation progress was ahead of schedule because the Company intended to reduce interest expenses and repaid loans in 2020 Q4 ahead of schedule. |
|                                    |                         | Actual      | 1,800,000 | -           |                                                                                                                                                           |
|                                    | implementation progress | Anticipated | -         | 100.00%     |                                                                                                                                                           |
|                                    |                         | Actual      | 100.00%   | -           |                                                                                                                                                           |
| Replenishment of operating capital | Expenditures            | Anticipated | 400,000   | 840,000     | The Company has completed the capital utilization plan on schedule in 2021 Q1.                                                                            |
|                                    |                         | Actual      | 821,742   | 418,258     |                                                                                                                                                           |
|                                    | implementation progress | Anticipated | 32.26%    | 67.74%      |                                                                                                                                                           |
|                                    |                         | Actual      | 66.27%    | 33.73%      |                                                                                                                                                           |

Source: Provided by the Company

The Company raised sufficient funds on December 10, 2020 and repaid bank loans in 2020 Q4 ahead of schedule to reduce interest expenses. The Company replenished operating funds in accordance with the plan. We also began using the funds for routine material purchases, salaries, service fees of subsidiaries, and other business activities. The utilization plan was completed in 2021 Q1 and there were no irregularities in the capital expenditure schedule.

3. Implementation benefits

According to the Company's 2020 financial report, the debt ratio was significantly lowered from levels before the end of September 2020 after the repayment of bank loans in 2020 Q4. The percentage of long-term capital in PP&E, current and quick ratios increased significantly. The financial structure and solvency have been significantly improved and the revenue from October to December amounted to NT\$9,869,190 thousand, which was an increase from the same period in the previous year. The total revenue in 2021 Q1 amounted

to NT\$10,072,480 thousand which was also higher than the previous quarter. Therefore, the effects of the fundraising in the replenishment of operating capital were significant.

Unit: NT\$1,000

| Item                       |                                                 | Year | 2020 Q3<br>(before fundraising) | 2020 Q4<br>(after fundraising) |
|----------------------------|-------------------------------------------------|------|---------------------------------|--------------------------------|
| Capital Structure Analysis | Debts Ratio                                     |      | 74.79%                          | 64.35%                         |
|                            | Long-term Fund to Property, Plant and Equipment |      | 293.17%                         | 317.27%                        |
| Liquidity Analysis         | Current ratio                                   |      | 150.51%                         | 158.96%                        |
|                            | Quick ratio                                     |      | 91.49%                          | 102.66%                        |
| Current assets             |                                                 |      | 16,788,547                      | 18,360,546                     |
| Current liabilities        |                                                 |      | 11,154,177                      | 11,550,328                     |
| Total liabilities          |                                                 |      | 22,727,693                      | 20,801,333                     |

Source: Financial statements audited and certified by a CPA.

## Chapter 3 Business Overview

### I. Business Activities

#### (I) Business scope

##### 1. Major business activities

The Company's primary business consists of the research and development, design and sales of integrated circuits and semiconductor foundry services, providing customers with customized total solutions from design, system integration, and manufacture to market.

##### 2. Revenue distribution

Unit: NT\$1,000

| Core product types     | 2020              |                          |
|------------------------|-------------------|--------------------------|
|                        | Operating revenue | Revenue Distribution (%) |
| IC Income              | 17,955,892        | 87%                      |
| Foundry Service Income | 2,047,394         | 10%                      |
| Other                  | 664,770           | 3%                       |
| Total                  | 20,668,056        | 100%                     |

##### 3. Current products and services

The Company's primary business consists of IC design and sales and IC foundry services. The main IC products are ICs with a wide range of applications. Products include microcontrollers (MCU), audio products and cloud computing products. After including the NTCJ, we enhanced product development in image sensing and battery management as well as the applicable scope of MCU products. The Company also owns a 6-inch wafer plant equipped with diversified processing technologies to provide professional wafer foundry services.

The Company's main products and services are described below:

#### (1) IC Business

The Company's regular IC products consist mainly of microcontrollers, audio products and cloud computing products. The Company has established a comprehensive product platform for microcontrollers including 64-bit microprocessor and 32-bit and 8-bit MCU product lines. We also satisfy demands in IoT, health care, industrial control, and automotive electronics with low power consumption, high security and confidentiality, integration of precision analog circuits, abundant resources, and comprehensive software and hardware platforms and development tools.

Audio products include audio CODEC, ARM<sup>®</sup> Cortex<sup>®</sup>-M0/M4 and 4/8-bit MCU and Class D Speaker Amplifiers, Speakers Amp, Audio Enhancement, and DSP core products. Target markets are diverse and they include smart home market such including

smart appliances, smart stereo systems, smart family entertainment, smart cars, smart interactive toys, smart robots, consumer electronics, medicine, and industrial applications.

In terms of cloud computing products, the Company focuses on applications such as data centers, computer servers, edge computing, and terminal processing in related smart devices. Our technologies include security structure, communication interfaces, and energy management, and we provide remote baseboard management controllers, Super I/O for desktop computers, embedded controllers for laptop computers, trust platform modules, computer hardware monitoring chips, and power management controllers for servers used by major brands and OEM plants.

In terms of battery management products, they include lithium battery monitoring IC for automobile and industrial lithium batteries, and cooling fan motor driver ICs for data centers, base stations, and home appliances.

Semiconductor component products are mostly used for small lithium battery chip-size package (CSPs) MOSFET which can be used for all types of mobile products.

Image sensing products include 2D and 3D applications. The advantages of 2D sensors are their small foot print and high image quality. They can be used in all types of consumer and medical imaging equipment. In terms of 3D sensing, we provide high-precision and high-stability Time of Flight (ToF) sensors. Coupled with our exclusive Digital Signal Processor (DSP) signal processing technology, we can meet the rigorous demands for Human Machine Interface (HMI) quality of the automotive industry. They can also be used in industrial or commercial applications for identifying human behavior or detecting obstacles.

For IoT products, we provide power control MCU, IC security microcontrollers, and HDMI 2.1 high-speed transmission interface ICs.

(2) Foundry service

The Company owns an advanced 6-inch foundry plant and has accumulated over 25 years of experience in wafer foundry services. We are committed to providing stable, long-term capacity, the best OEM quality, and a precise delivery schedule to our customers. We create more added-value for our customers and provide IDM-level OEM services as an indispensable partner in market competition with our strong R&D team and integrated services in the semiconductor supply chain.

4. New products under development

(1) IC Business

The development of the Company's new microcontroller products focuses on achieving high performance, security, low power consumption, and analog technologies to satisfy demand in the industrial control market. The Company also continued to develop

low-power consumption, analog, and security technologies for IoT development. We introduced the latest IoT security Arm® Cortex®-M23 microcontroller with certifications for Arm® PSA Certified Level 1, PSA Functional API Certified, and Arm® PSA Certified Level 2. With high-performance microcontrollers with Arm® Cortex®-M4 as the inner core, IoT gateways with microprocessors as the core, the IoT operating system, wired and wireless module drivers, cloud software, and other IoT development platforms, the Company continues to expand the IoT security and high-end industrial control MCU product line in the IoT and industrial control markets and satisfy customer demands for high-performance, security, and low power consumption.

We are currently committed to development of new audio products in the smart home entertainment, smart automobile, smart home, personal computer, mobile phone, and consumer electronics application markets. Class D Speaker Amps have been successfully expanded to smart home entertainment applications. We launched the Smart Amplifier with DSP internal core and incorporated speaker protection algorithms to provide high-performance single-chip solutions, which were also successfully expanded to meeting system applications. In addition, we also launched N589 — the first Emd-Flash 8-bit uC audio control chip in the industry. It effectively shortens the development cycle and resolves storage issues for audio products. In addition, the NSPxx series was also successfully expanded to consumer audio application products such as electronic door locks, electric vehicles, medical equipment, charging stations, smart toilets, smart trash bins, massage chairs, and electric toothbrushes.

In terms of cloud computing products, we also actively introduced related functions that satisfy future energy conservation legislation. We increased the computing speed of the embedded processor and the hardware encryption module to fulfill customer demand for higher security when they work from home.

In terms of battery management products, we continue to develop Automotive Safety Integrity Level (ASIL-D) battery monitoring IC to ensure high capacity and safety of lithium batteries, and expand the scope of applications to energy storage systems.

MOSFET products are characterized by their low-weight and small footprint. We are committed to developing applications to support rapid recharging for 5G smart phone batteries or long-duration requirements.

We continue to increase the reliability of image sensing products such as HMI and TOF to enhance the image quality and image processing performance and satisfy the sensing requirements for different spaces and distances in the automotive, industrial, and commercial markets.

For IoT products, we are committed to developing power control MCU, e-Passport

security microcontrollers, and USB 4 high-speed transmission interface ICs.

## (2) Foundry service

The Company's foundry service focuses on the development of special production processes to provide customers with more competitive next-generation power technology platforms and service value. We have completed the development of the second-generation 0.5 $\mu$ m UHV and commenced mass production. We provide a diverse range of components to expand AC/DC power applications. We have completed the development of the third-generation 0.35 $\mu$ m BCD and commenced trial production. We provide streamlined production processes and a diverse range of components to satisfy customer demands for DC/DC power management products. We have expanded our ultra-high-voltage technology into motor control applications. We have completed the development of the second-generation 0.5 $\mu$ m HVIC and commenced trial production. We provide streamlined production processes and high-reliability components. We have completed product verification with specific customers for the third-generation semiconductor GaN power components and commenced mass production. The development of IoT market applications has increased the demand for smart sensors, Nuvoton Technology provides customized processes to increase customers' market competitiveness.

## (II) Industry Overview

### 1. Current trends and outlook of the industry

#### (1) IC Business

In terms of embedded computing applications, the demand for MCU and MPU continues to climb. The 32-bit ARM® Cortex®-M MCU and 64-bit Arm® Cortex®-A core MPU are the backbone of the market and demand is increasing rapidly as the product offers low power consumption, high performance and a complete ecosystem with a vast number of users. The growing applications in the overall embedded computing market that attract the most attention are the IoT, industrial controls, smart appliances, and automotive systems.

Applications that enable hands free natural language audio interaction interfaces and the Internet continue to increase. The Company's audio products are also heading into innovation in this diversified sector and has completed several projects with end users. Applications include smart conference systems, smart audio, smart appliances, smart cars, IoT, and wearable devices.

Due to the impact of the epidemic, the demands for working and learning from home and video conferencing have increased. The change in work conditions has become an irreversible trend. The demand for laptop computers in the next few years will continue to be high and the demand for remote collaboration through cloud computing as well as cloud

data storage will increase accordingly. Personal data protection and equipment security become increasingly important.

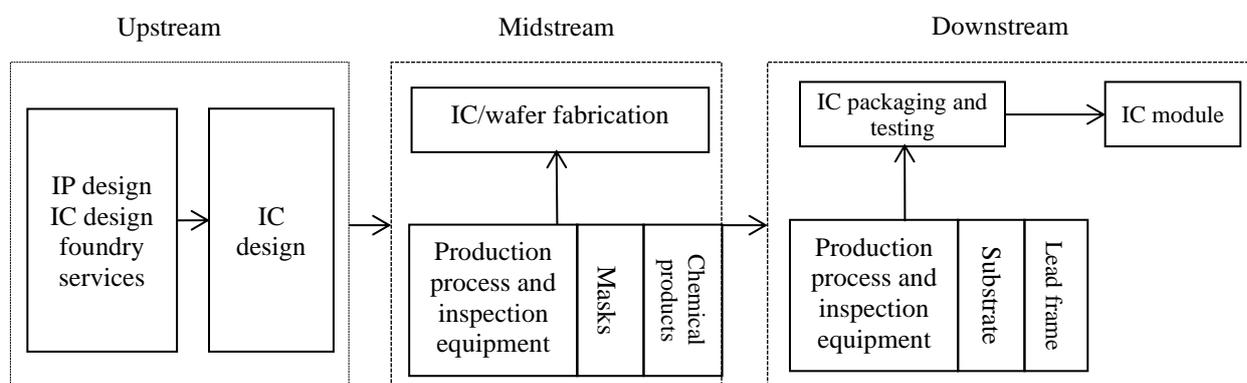
As global environmental protection laws tighten and as world governments actively promote electric vehicles, the demand for automotive lithium batteries is expected to continue to grow. In addition, the gradual increase in the use of automotive electronic equipment and advanced driver-assistance systems (ADAS) means that vehicle-mounted systems are required to display or process a higher volume of information, and the demand will also power the growth of HMI products. With higher demand for replacement of mobile phones spurred by the spread of 5G technology, the MOSFET market is also expected to grow rapidly.

## (2) Foundry service

According to the report published by the market research institute WSTS, despite the spread of the COVID-19 epidemic in 2020, the semiconductor industry has sustained growth. It is predicted to grow by 8.4% in 2021. The Company's foundry service actively develops new products, applications, and technologies to fully satisfy market and customer demand and respond to market changes. In terms of regions, Asia Pacific remains a key market and the Company also actively develops wafer foundry services in other regions.

## 2. Relationships with suppliers in the industry's supply chain

The supply chain of the IC industry can be roughly divided into upstream IC design companies, midstream IC manufacturers and downstream IC packaging and testing plants.



From the perspective of the supply chain, MCUs are the control and computing core of end products. In cloud computing IC, the Company's downstream customers consist mainly of servers, desktop workstations, personal computers, smart handheld devices, network communications and industrial computer industries. The Company has established long and close partnerships in these sectors and has also established stable, long-term cooperation models with upstream industries.

## 3. Product Trends

### (1) IC Business

MCU and MPU products must incorporate low power consumption as well as high performance and security functions. Different application fields demand specific designs and one product cannot satisfy all requirements. Therefore, the Company's embedded product plan involves the development of an MCU and MPU platform for different applications, high confidentiality and security designs, and software/hardware reference solutions. The Company also launched a software and hardware development platform with operating systems, online communication modules, and cloud software services suitable for the IoT ecosystem to fulfill diverse and rapid development demands from the market. The Company promotes the products to professional realms for the customers to obtain the best solutions.

The development of future audio products will continue to focus on ultra-low power Audio MCU/DSP, audio CODEC, Smart Class D Speaker Amplifiers, Amplifiers, Audio Enhancement, and the DSP-core algorithm to provide cost-effective solutions for smart home, mobile phones, consumer electronics, personal computer applications. We shall also continue to launch Emd-Flash audio control chips with the aim of providing total solutions that effectively shorten the development cycle and resolve storage issues for audio products.

The demand for remote collaboration through cloud computing and learning from home will power continuous innovation of related products in network connection performance, user experience, and personal data security. As users upload vast amounts of data for analysis, innovative applications and services not only lead to the construction of data and computing centers but also increases the importance of security for basic user-end information collection equipment.

In light of the projected medium to long-term development of the automotive market, the industry has shifted its focus to enhancing mobility security and the useful life or range of automotive batteries. It will also power continuous innovation in automotive battery monitoring or management, and the capabilities of vehicle-mounted systems, sensor imaging, signal processing, and integration.

(2) Foundry service

5G and AIoT market applications will continue to increase the power requirements of end products. The Company's foundry service focuses on developing power technologies. We continue to develop high-efficiency and low power consumption manufacturing processes for power supply management and strive to become the best provider of total power supply management solutions. In addition, the demand of third-generation semiconductor GaN power components and smart sensors is expected to grow and it will also inject new momentum into the growth of semiconductor foundry services.

#### 4. Product competition

##### (1) IC Business

The Company began developing new 32-bit Arm® Cortex®-M0 universal MCU products in 2010. We introduced the 32-bit Arm®Cortex®-M4 with floating-point operations and DSP functions in 2012. The Company has also introduced the latest secure Arm® Cortex® -M23 MCU in 2016, and introduced Arm® Cortex® -A high-performance MPU products in 2019. We use our complete range of products and software and hardware platforms to satisfy future industrial application demands, and a strong technical support team to serve customers. We shall create irreplaceable customer relations and competitiveness and provide total solutions, software, tools, and the IoT software and hardware development platform to create a comprehensive ecosystem and build unique competitiveness.

The Company has begun developing audio products under the DSP framework in 2017 and used a diverse range of algorithms to actively expand the smart home market. We also launched the Smart Amplifier with DSP internal core in 2020. We also continue to expand our audio product lines to provide the industry with the best choices and service options with the aim of escaping the low-end and low-price market and focus on developing the smart toy market with high margins. We therefore launched N589, the first EMD-Flash 8-bit uC audio control chip in the industry in 2018. It effectively shortens the development cycle and resolves storage issues for audio products.

With regard to cloud computing products, the Company uses unique security technology as the foundation to integrate key customers' systems and applications. Innovative products, superior quality, and technical support remain our most important competitive edge.

In terms of battery management products, we began developing the industry-leading automobile battery voltage measurement and functional security technologies for internal monitoring in 2010. We will provide more effective applications of innovative products and solutions in the future.

Image sensing high-tech products continue to improve in the form of image signal processing technologies with higher resolution, higher speed, and lower power consumption. The Company has more than 30 years of R&D experience and market records and continues to provide global customers with related products from its leading position in the market.

##### (2) Foundry service

In the face of competition from a constantly growing production capacity in the global semiconductor industry, the Company's foundry service is more focused on the

power supply management market and customization market than other domestic and foreign foundry service providers. With flexible production, rapid development, and full support of the technical team, we provide our customers with irreplaceable foundry services in response to the ever-changing demands in the market.

### (III) Overview of Technology and R&D

#### 1. R&D expenditures

Unit: NT\$1,000

| Item                | 2020       | 2021 up to March 31 |
|---------------------|------------|---------------------|
| R&D expenditure (A) | 5,516,242  | 2,443,416           |
| Net revenue (B)     | 20,668,056 | 10,072,480          |
| (A)/(B)             | 27%        | 24%                 |

#### 2. Technologies and products successfully developed in the past year

| Year | Research and development achievements                                                                                                                                                                             |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2020 | Nuvoton launched the MM254/M256/M258 series M23 microcontrollers and ML54/56 series 8051 microcontrollers with low power consumption, security, touch buttons, and displays for next-generation IoT applications. |
| 2020 | Nuvoton's IoT platform provides comprehensive software development suites and supports the connection of different cloud services including Amazon AWS, Microsoft Azure, and RT-Thread.                           |
| 2020 | Nuvoton launched the NuMicro <sup>®</sup> NUC131U and M0A21/M0A23 automobile microcontroller series.                                                                                                              |
| 2020 | Nuvoton launched the brand-new Arm <sup>®</sup> Cortex <sup>®</sup> —M0 MCU M031BT bluetooth wireless microcontroller series for the industrial control application market.                                       |
| 2020 | The Arm <sup>®</sup> Cortex <sup>®</sup> -M23 core M2351 passed Arm <sup>®</sup> PSA Certified Level 2 certification to provide services in the global market for the security of IoT applications.               |
| 2020 | Nuvoton launched the brand-new Audio CODEC NAU88L11 for the industrial control application and security market.                                                                                                   |
| 2020 | Nuvoton launched the smart amplifiers NAU83G10 and NAU83G20 with Klippel audio control technology powered by non-linear speaker control algorithms.                                                               |
| 2020 | Nuvoton launched HDMI 2.1 high-speed transmission interface ICs for gaming and audio.                                                                                                                             |
| 2020 | Nuvoton launched Arm <sup>®</sup> Cortex <sup>®</sup> -M7 high-performance digital power control MCU.                                                                                                             |
| 2020 | Nuvoton launched two types of industrial-grade battery monitoring ICs with 17 or 22 channels for e-Bike, industrial automated guided vehicle (AGV), and energy storage systems.                                   |

#### 3. Long- and Short-Term Business Development Plans

##### (1) IC Business

##### A. Short-Term Development:

In MCU and MPU, the Company provides a wide variety of product portfolios, development platforms, and tools, enhances the advantages in cost-performance ratio

and localized support, actively builds an ecosphere in which we work with third-party partners by providing free emWin graphic user interface software to provide customers with the best development experience. We joined the ARM® Mbed™ IoT Device Platform that uses the Mbed OS to provides IoT equipment with a consistent operating system, cloud services, a system of tools and developers for rapidly building and deploying standard large-scale commercial IoT solutions for customers. We also create a software and hardware IoT platform for Linux, Amazon FreeRTOS, Microsoft Azure, RT-Thread, and other IoT ecosystems to meet the diverse needs of customers. With respect to audio products, we will provide customers with comprehensive and high-performance audio and voice solutions. We also launched the first Emd-Flash 8-bit uC audio control chip in the industry. It effectively shortens the development cycle and resolves storage issues for audio products.

Regarding cloud computing products, the Company uses leading security technologies to integrate local advantages and expand the development of hardware and software solutions that are suitable for the world's leading brand names. At the same time, Nuvoton actively participates in projects of international security standards establishment organization and open-source software projects to maintain technological advantages.

In terms of battery management products, we use the outstanding heat resistance, high insulation, and high voltage resistance of the Company's battery monitoring IC to develop diverse control technologies and minimize the battery control system. Our image sensing products are equipped with existing high-resolution imaging technologies for applications in the endoscope sensors for medical use and we continue to enhance automotive HMI IC and software platform integration.

#### B. Long-Term Business Development Plan:

In terms of the Company's long-term business development plan for embedded computing, we will continue to advance MCU and MPU product and platform research and development and focus on the three major technologies of low power consumption, analog IC and security. We hope to enrich the Company's 64-bit micro processors and 32-bit and 8-bit MCU product platform and through technology innovation and advancement in the technology of the production process. The Company will also focus on providing customers with comprehensive product portfolios, establishing its own patents and unique technologies, and providing products with long lifecycle and short lead time to customers to establish the Company's unique advantages in embedded computing.

For our audio products, we will continue to improve product performance and develop high-integration and low power consumption audio processing controllers. We will also continue to enhance the development of audio amplifiers. We work hard on our audio product lines to provide the industry with the best choices and service options with the aim of escaping the low-end and low-price market and focus on developing the smart toy market with high margins.

As online applications continue to expand, online security has become an important issue that cannot be ignored in the future. The Company has invested more resources in product development based on our advantages in existing technologies and customer relationships. We hope to leverage product and technology innovation and provide customers with leading secure products in various different applications in our pursuit of long-term development.

We continued to develop lithium battery monitoring and current measurement technologies for battery management products with the aim of increasing the market share and product output in the automotive market.

We will continue to develop core imaging and image processing technologies and use AI image and audio detection technologies to develop end-to-end edge sensor devices. We will develop multi-functional products with high resolution and high dynamic range for 2D and 3D sensors and we are committed to develop comprehensive sensing solutions.

(2) Foundry service

A. Short-term business development plans:

The Company's wafer foundry service has accumulated many years of profound experience in production, research and development, and product services. We shall continue to service our customers with innovative ideas on existing foundations. The Company's short-term business development and promotion are focused on power management and power components, and the development of transducer production processes in order to meet the demand for energy efficient, high performance power management products and smart sensors.

B. Long-term business development:

The Company's wafer foundry service has a strong R&D and production team that works with a comprehensive product support team and an international certified laboratory to provide customers with IDM-level OEM services. We shall also focus on markets including 5G, AIoT, medical electronics, and automotive electronics as our long-term business development objectives. The Company shall continue to meet market demand and provide irreplaceable product competitiveness to customers

through special and customized processes. In addition, our business development will gradually shift from Asia Pacific to Europe and America as we become a professional global OEM service provider.

## II. Market, production and sales

### (I) Market analysis

#### 1. Areas in which core products (services) are sold (provided)

Unit: NT\$1,000

| Sales region | 2020       |                |
|--------------|------------|----------------|
|              | Amount     | Percentage (%) |
| Asia         | 20,259,853 | 98%            |
| America      | 199,776    | 1%             |
| Europe       | 203,569    | 1%             |
| Other        | 4,858      | 0%             |
| Total        | 20,668,056 | 100%           |

#### 2. Market Share

The company's 32-bit Cortex®-M0/M4 MCU, ARM® 7/9, and 8-bit MCUs are cost effective and well received by the market. We continue to increase our market share and enjoy stable growth. Our largest customers include well-known major manufacturers of consumer, industrial control, power supply, and communications products. Output of audio products in toys, connected vehicles, IoT and consumer appliances have acquired a significant market share.

With regard to computer/cloud applications, market share of the Company's motherboard Super I/O, notebook EC and TPM still ranked in the top three worldwide in 2020. Our largest customers include well-known brand names in computers as well as OEMs.

Our battery management ICs and image sensing products have been incorporated into the supply chain of multiple automobile manufacturers across the world and we have received extremely high ratings from customers. The MOSFET used for protecting lithium batteries, inverter MCU used for household appliances, and high-speed transmission interface HDMI ICs have achieved exceedingly high market shares.

#### 3. Future Market Supply and Demand and Future Growth

The development of MCUs is moving toward energy-efficiency, smart devices, security, small and light devices and multiple functions. The growth of the market for IoT energy-saving and environmental protection devices, security management, healthcare management, smart AI products, 5G infrastructure, and smart phone applications in the future will help facilitate growth in the MCU market. The Company shall maintain its lead in the market by intensifying relations with major computer brands as well as penetrating into more product applications.

The high-performance audio/frequency microcontroller Cortex M4 Audio MCU can

be used in combination with Nuvoton's audio code and different audio processing algorithms (e.g., dual microphone noise-cancellation/audio identification) in consumer electronics, smart home, AIoT, and vehicle-mounted applications. As such demands increase, they offer comprehensive cost-effective solutions. The Company also launched a high-performance and low base-level noise digital input 3W Class D amplifier that requires only power and no driver, and is suitable for consumer electronics.

With digitalization, automation, and electrification in the automotive market, the demand for vehicle-mounted HMI and automotive lithium battery monitoring system will increase. Furthermore, the increase in global health awareness and the impact of an aging society will increase the demand for non-invasive diagnostics and remote medical services. The use of the Company's 2D sensors in high-resolution imaging equipment and medical endoscopes will gradually increase. The growth in TOF sensors is mainly derived from smart applications and industrial automation markets including autonomous mobile robots ("AMR"), unmanned stores, and automotive sensors.

#### 4. Competitive niches

The Company's MCUs provide diversified customized services with the help of professional R&D and technical support teams. We establish strategic partnerships with customers and provide competitive total design and development solutions to lower customers' cost, shorten development and increase the competitiveness of their products. In addition, the Company's experience in the voice and audio processing market involves IoT market application for the integration of MCU audio CODEC and third-party voice recognition in hopes of providing diversified product options and ideal economic solutions.

With regard to cloud computing products, the Company and customers collaborated on developing customized IC for usage in non-computer product lines to lower cost for customers and enhance their competitive edge.

#### 5. Favorable and unfavorable factors to long-term development and response measures

##### (1) Favorable factors

The Company's MCUs retain advantages in the high compatibility, consistent development platform, upward and downward compatibility, ease of development by users, and environmental protection certifications. This core competitive edge raises the barrier to competition for rivals. The Company launched high-performance audio/frequency microcontrollers and the world's first non-linear speaker protection smart functions to provide unrivaled sound quality for customer products. It supports thin speakers for a simpler and trendier outer design in end customers' applications.

The Company's cloud computing products retains a leading position in the market. The Company also led the industry in becoming the TPM (Trusted Platform Module) IC

provider with Federal Information Processing Standards (FIPS), Common Criteria EAL4+ and Trusted Computing Group (TCG) certification, thereby enhancing our core competitiveness and increasing the market penetration in the PC market.

The Company's lithium battery monitoring and image sensing products are powered by advanced technologies and we expect the end-user market to continue to grow with the establishment and development of the global automotive electronics industry, industrial automation, artificial intelligence, and 5G networks.

(2) Unfavorable factors and response measures

Competition in consumer electronics has intensified in recent years. The short life-cycles of the products and the quick replacement of tradition products by new product applications in the market mean relatively higher investment costs. We must continue the research and development of products with high integration capabilities to lower cost and enhance R&D capabilities to maintain our leading position in the market.

The Company will continue to strengthen optimization of our products and invest in global technical support teams in order to provide localized customer support services. We will also provide reference designs to reduce R&D costs and time required for customers to adopt our products. In addition, the Company plans to establish applications sales teams for key customers, introduce vertically integrated application solutions and replicate our successful solutions in other emerging cities and markets.

As global PC brands continue to integrate their PC business development, the Company builds on the successful foundation of partnerships with PC ODM/OEM customers and continues to provide new products with innovative integration, low power consumption and high cost-performance ratio to obtain more cooperation opportunities with international brand firms.

The intense competition in the Chinese market has created concerns for price wars. The Company's image sensing technologies and products will be based on their advantages in special applications, and we will continue to provide cost-effective products to maintain our leading position in the market.

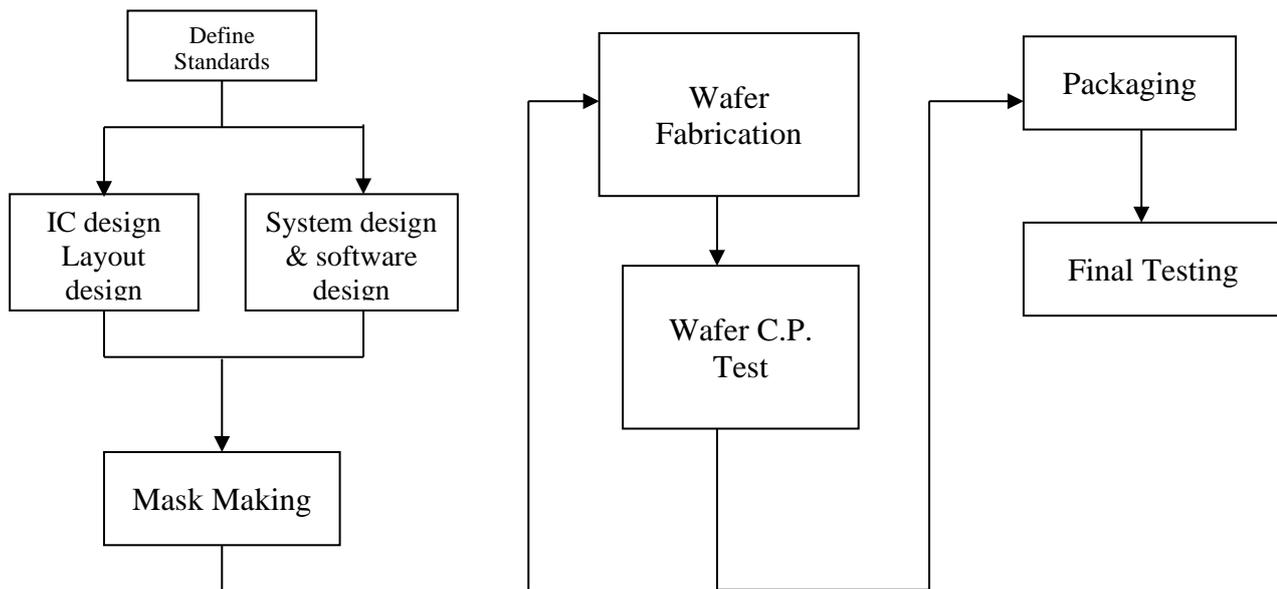
The Company continues the recruitment of teams to strengthen local sales services in order to build customer recognition in local markets, build long-term business partnerships and provide growth in the Company's revenue.

(II) Important applications and manufacturing processes of major products

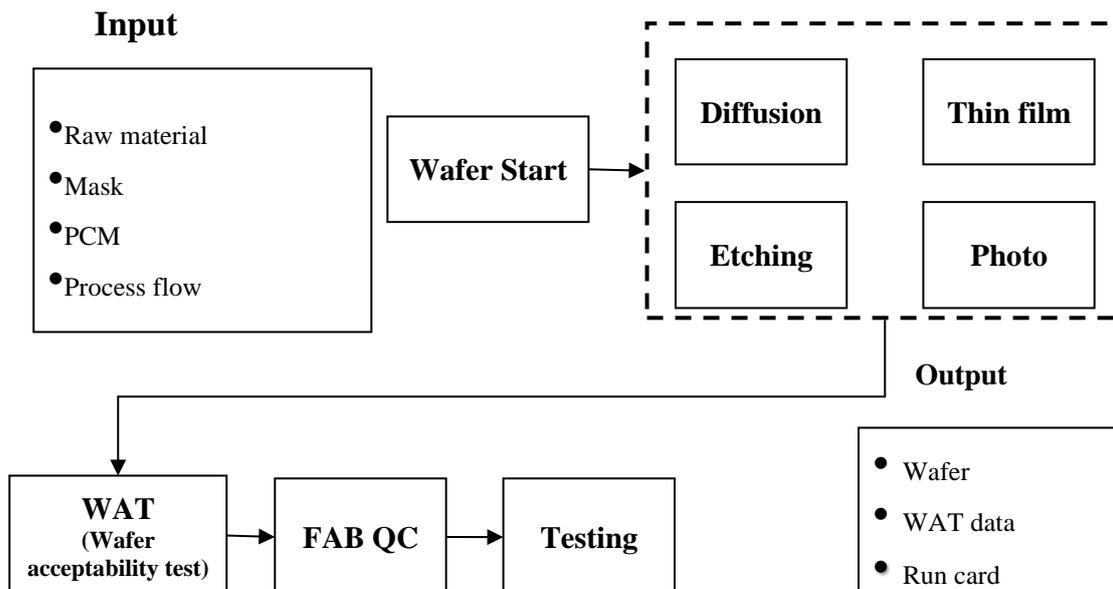
1. Important applications of major products:

| Product         | Important Applications                                                                                                                                    |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| IC Business     | Provide customers with industrial controls, consumer electronics, smart appliances, computer equipment, automotive equipment, and communication products. |
| Foundry service | Provide foundry service for customers' integrated circuits.                                                                                               |

2. Production process:



Wafer Fabrication:



(III) Supply status of primary raw materials

| Name of primary raw material | Major supplier                        | Supply status                                                               |
|------------------------------|---------------------------------------|-----------------------------------------------------------------------------|
| Wafer                        | Supplier A, Supplier L and Supplier I | Stable quality, high yield rate, long-term cooperation, good supply status. |
| Blank wafer                  | Supplier C, Supplier J and Supplier H | Stable quality and supply, long-term cooperation, good supply status.       |

(IV) Names of suppliers who accounted for more than 10% of the purchases of the Company in the last two years, and the ratio to total purchases

Unit: NT\$1,000

| Item | 2019         |           |                                |                          | 2020         |           |                                |                          |
|------|--------------|-----------|--------------------------------|--------------------------|--------------|-----------|--------------------------------|--------------------------|
|      | Name         | Amount    | Percentage of total purchase % | Relationship with issuer | Name         | Amount    | Percentage of total purchase % | Relationship with issuer |
| 1    | Supplier A   | 1,084,268 | 31%                            | N/A                      | Supplier K   | 2,101,947 | 28%                            | Other Related Party      |
| 2    | Supplier I   | 724,146   | 21%                            | N/A                      | Supplier A   | 1,158,935 | 16%                            | N/A                      |
| 3    | Supplier L   | 589,363   | 17%                            | N/A                      | Supplier I   | 1,083,089 | 15%                            | N/A                      |
|      |              |           |                                |                          | Supplier L   | 636,537   | 9%                             | N/A                      |
|      | Other        | 1,067,486 | 31%                            |                          | Other        | 2,477,334 | 32%                            |                          |
|      | Net purchase | 3,465,263 | 100%                           |                          | Net purchase | 7,457,842 | 100%                           |                          |

Reasons for changes: The Company completed the merger of semiconductor businesses of Panasonic Corporation in Japan on September 1, 2020 and incorporated the business into the Company's net purchase on the completion date.

(V) Names of customers who accounted for more than 10% of the sales in the last two years, and sales as a percentage of total sales

Unit: NT\$1,000

| Item | 2019       |            |                           |                          | 2020       |            |                           |                          |
|------|------------|------------|---------------------------|--------------------------|------------|------------|---------------------------|--------------------------|
|      | Name       | Amount     | Percentage of net sales % | Relationship with issuer | Name       | Amount     | Percentage of net sales % | Relationship with issuer |
| 1    | Customer V | 2,942,505  | 28%                       | N/A                      | Customer S | 4,793,626  | 23%                       | N/A                      |
| 2    | Customer C | 1,094,889  | 11%                       | N/A                      | Customer V | 3,853,466  | 19%                       | N/A                      |
|      | Other      | 6,329,875  | 61%                       |                          | Customer C | 1,291,476  | 6%                        | N/A                      |
|      |            |            |                           |                          | Other      | 10,729,488 | 52%                       | N/A                      |
|      | Net sales  | 10,367,269 | 100%                      |                          | Net sales  | 20,668,056 | 100%                      |                          |

Reasons for changes: The Company completed the merger of semiconductor businesses of Panasonic Corporation in Japan on September 1, 2020 and incorporated the business into the Company on the completion date.

(VI) Output volume and value for the last two years

Unit: Capacity of a thousand pieces/a thousand wafers/a thousand dies; NT\$1,000

| Main Product    | Year | 2019                       |               |         |              | 2020                       |               |           |              |            |
|-----------------|------|----------------------------|---------------|---------|--------------|----------------------------|---------------|-----------|--------------|------------|
|                 |      | Production capacity (Note) | Output volume |         | Output value | Production capacity (Note) | Output volume |           | Output value |            |
|                 |      |                            | Wafer         | Die     |              |                            | Wafer         | Die       |              |            |
| IC Business     |      | 500                        | 1             | 918,358 | 4,685,862    | 692                        | 1             | 2,994,672 | 12,346,107   |            |
| Foundry service |      |                            | 411           | -       | 1,288,782    |                            |               | 462       | -            | 1,326,003  |
| Other           |      |                            | -             | -       | 12,870       |                            |               | -         | -            | 15,100     |
| Total           |      |                            | 412           | 918,358 | 5,987,514    |                            |               | 463       | 2,994,672    | 13,687,210 |

Note: Production capacity is indicated by self-manufactured 6-inch wafers.

Reasons for changes: The Company completed the merger of semiconductor businesses of Panasonic Corporation in Japan on September 1, 2020 and incorporated the business into the Company on the completion date.

## (VII) Sales volume and value for the last 2 years

Unit: a thousand wafers/a thousand dies; NT\$1,000

| Main Product    | Year           |         | 2019      |         |         |           |                |         | 2020      |         |           |            |  |  |
|-----------------|----------------|---------|-----------|---------|---------|-----------|----------------|---------|-----------|---------|-----------|------------|--|--|
|                 | Domestic sales |         |           | Exports |         |           | Domestic sales |         |           | Exports |           |            |  |  |
|                 | Volume         |         | Value     | Volume  |         | Value     | Volume         |         | Value     | Volume  |           | Value      |  |  |
|                 | Wafer          | Die     |           | Wafer   | Die     |           | Wafer          | Die     |           | Wafer   | Die       |            |  |  |
| IC Business     | -              | 220,319 | 3,061,104 | 1       | 699,463 | 5,365,356 | -              | 386,210 | 4,025,004 | -       | 2,534,703 | 13,930,888 |  |  |
| Foundry service | 197            | -       | 858,373   | 207     | -       | 1,066,503 | 185            | -       | 766,279   | 272     | -         | 1,281,115  |  |  |
| Other           | -              | -       | 4,815     | -       | -       | 11,118    | -              | -       | 5,711     | -       | -         | 659,059    |  |  |
| Total           | 197            | 220,319 | 3,924,292 | 208     | 699,463 | 6,442,977 | 185            | 386,210 | 4,796,994 | 272     | 2,534,703 | 15,871,062 |  |  |

Reasons for changes: The Company completed the merger of semiconductor businesses of Panasonic Corporation in Japan on September 1, 2020 and incorporated the business into the Company on the completion date.

## III. Employees

| Year                       |                                 | 2019  | 2020  | 2021 up to March 31 |
|----------------------------|---------------------------------|-------|-------|---------------------|
| Number of employees        | Technical personnel (engineers) | 1,043 | 2,670 | 2,670               |
|                            | Administration and sales staff  | 238   | 845   | 848                 |
|                            | Assistant                       | 383   | 396   | 396                 |
|                            | Total                           | 1,664 | 3,911 | 3,914               |
| Average age (year)         |                                 | 40.97 | 44.04 | 45.85               |
| Average years of service   |                                 | 11.83 | 17.05 | 16.85               |
| Academic qualification (%) | PhD                             | 1.50  | 0.66  | 0.69                |
|                            | MA                              | 39.54 | 38.41 | 38.55               |
|                            | University/College              | 41.47 | 46.15 | 46.12               |
|                            | High school                     | 16.53 | 13.91 | 13.77               |
|                            | Below high school               | 0.96  | 0.87  | 0.87                |
|                            | Total                           | 100   | 100   | 100                 |

## IV. Environmental protection expenditure information

- (I) Losses due to environmental pollution (including compensation) and total fines during the most recent year and up to the annual report publication date: N/A.
- (II) Preventive measures taken to ensure a safe working environment and maintain employees' personal safety

The Company continues to invest preventative measures in safety and sanitary in our best efforts to maintain a safe and sanitary work environment. We hope to lower any risks of potential harm to employees in their work environments through continuous improvements. The Company's actual input includes:

1. Obtained the OHSAS 18001 Occupational Health and Safety and ISO 14001 Environmental Management certifications for more systematical and more comprehensive protection in safety and sanitary protection management and environmental protection. The Company also passed certification in 2008 and passed the updated ISO 45001 Occupational Safety and Health Management System certification in 2019.
2. Enhance fire safety and personnel protection facilities in the work environment with domestic laws and regulations as the minimum standard while incorporating international standards into regulations governing plant construction. Continue investment in funds and personnel for improvement projects.
3. In environmental inspections, we conduct inspections on chemical factors, carbon dioxide, illumination, noise and ionizing radiation etc. and the results were all superior to regulatory standards. The Company also measures perimeter noise levels at regular intervals each year and the results met requirements.
4. In personal protection of the employees, we provide suitable personal protection equipment in accordance with the nature of the operation. The measure is incorporated in automatic inspection plans to maintain its validity. The Company regularly evaluates personal protection equipment that offers greater comfort and safety to increase the convenience, comfort, and safety for workers.
5. Employees' professional training and certification in safety and sanitary management is a key aspect for protection plans. We organized 87 courses in 2020 to enhance employees' recognition beyond the scope of protection by facilities.
6. Emergency drills are conducted in accordance with possible operation hazards. We schedule periodical training for the employees every year to minimize damages in emergencies and we completed 69 different drills in 2020.
7. Continuous safety, sanitary and environmental protection improvement plans are advanced measures to ensure the safety of the work environment and employees and we completed 23 improvement plans in 2020.

V. Employees-employer relations

(I) The Company's employee benefit measures, continuing education, training, retirement system, and actual state of implementation

1. Employee benefits measures:

The Company funds the Employee Welfare Fund in accordance with related regulations and we organized the Employees' Welfare Committee to plan, oversee and implement employees' benefits.

The Company requests all employees to enroll in labor insurance unless otherwise specified in the Labor Insurance Act. The Company also offers employees with group

insurance paid for by the Company. Family members of the employees can also enroll in the group insurance by paying the insurance fee.

In addition, to enhance the Company's competitiveness, we offer a complete training program for employees' career plans and professional capabilities. We also we provide performance bonuses and implement fair promotion institutions for employees to enhance employees' cohesion.

## 2. Employee training

To help new recruits adapt to the Company culture, we offer training programs in accordance with the positions of new recruits and request the supervisor and employees of the department to help new recruits understand the Company's market position and future development. Employees can participate in training courses held by consulting firms, training institutes or government and business groups in accordance with their personal professional needs to enhance their knowledge.

To cultivate long-term talents and encourage employees to improve their knowledge in accordance with the organizational needs, the Company established regulations governing on-job training to allow employees to enhance professional or managerial skills.

## 3. Retirement system and its implementation status

To provide security to employees in retirement and enhance their service during employment, the Company has established a retirement system pursuant to Labor Standards Act requirements that clearly states retirement conditions, payment standards and application processes and we have also established the Supervisory Committees of Labor Retirement Reserve in accordance with regulations. In addition, for employees that fit the criteria in the Labor Pension Act, the Company injects an additional 6% of the employee's monthly salary to his/her pension account at the Bureau of Labor Insurance.

### (II) Licenses held by personnel involved in transparency of financial information:

Certified Public Accountant (CPA) of the Republic of China: 1 employee in the Auditing Department and 2 employees in the Finance Department.

Certified Public Accountant (CPA) of the United States: 1 employee in the Finance Department.

International Certification in Control Self-Assessor (CCSA): 2 employees in the Auditing Department.

International Certified Internal Auditor (CIA): 2 employees in the Auditing Department.

International Certification in Risk Management Assurance (CRMA): 1 employee in the Auditing Department.

International certified information systems auditor (CISA): 1 employee in the Auditing Department.

### (III) Employer-employee relations and employee rights maintenance measures

#### 1. Labor Agreement Status

The Company follows all labor laws and related regulations in all matters. Both labor and management follow rules stipulated in the work contract, work regulations and various management regulations. To facilitate friendly communication between labor and management, the Company holds labor-management meetings and the departments hold periodical monthly meetings etc. to help both sides come to a consensus and enhance cooperation to achieve maximum mutual benefits for both parties. The Company has enjoyed harmonious relations between labor and management since its founding and there have been no major labor-management disputes or losses.

## 2. Employee benefit protection status

The Company has established comprehensive regulations governing the rights, obligations and benefits of employees. The Company also established complaint filing protocols to safeguard employee rights and benefits.

(IV) Losses arising as a result of employment disputes in the recent year up until the publishing date of this annual report; quantify the estimated losses and state any response actions or state any reasons why losses cannot be reasonably estimated.

According to the Zhu-Huan No. 1090007755 Labor Inspection Results Notice dated March 16, 2020, the Company has violated Article 32, Paragraph 2 of the Labor Standards Act for "extension of working hours exceeds 46 hours a month" and Article 36, Paragraph 1 "failure to provide workers with 2 regular days off every 7 days including 1 day of regular leave and 1 rest day" and was fined NT\$50,000 for each violation. The penalties totaled NT\$100,000.

Since the founding of the Company up until now, there have not been any labor-management disputes that resulted in losses. We shall continue to enhance communication between the labor and management and organize regular "labor-management meetings" to achieve company prosperity and safeguard employees' benefits in hopes of reducing the occurrence of labor-management disputes with through peaceful and reasonable means. The Company shall continue to strengthen communication and increase awareness of compliance with regulations to implement attendance management.

(V) Employee code of conduct

The Company established comprehensive regulations governing employees' work ethics, intellectual property rights/trade secret protection and work rules, as described below:

### 1. Work ethics and conduct

- (1) Work rules: The Company's regulations contain dedicated service rules and general principles for prevention of sexual harassment.
- (2) Workplace sexual harassment prevention regulations: In accordance with relevant government laws and regulations, the Company has explicitly drafted workplace sexual harassment prevention regulations and has adopted appropriate prevention, correction, and punishment measures.

- (3) Employment contracts: We have implemented rules including loyalty in the execution of job functions and restrictions on dual employment and non-competition.
2. Rules for protection of intellectual property rights and maintenance of business secrets
    - (1) Work rules: The Company's regulations contain general principles for maintenance of the confidentiality of business secrets.
    - (2) Employment contracts: Employment contracts specify requirements concerning confidentiality duties, document ownership, secret information, ownership of intellectual or industrial property, and non-compete terms during the period of employment.
    - (3) Legal software authorization statement and notice to employees: Agreements on legal software usage and respect for intellectual property rights are in place.
3. Work orders
    - (1) Division of responsibilities: The "Delegation Policy" specify the division of responsibilities and guide the performance of on-the-job duties.
    - (2) Duties of individual units: The mission of each unit is clearly defined.
    - (3) Restrictions on the hiring of relatives: The "restrictions on the hiring of relatives" specify that relatives should not be hired to fill certain positions. This is intended to ensure that the effectiveness and efficiency of the Company's internal management is not compromised unnecessarily by family relationships between employees.
    - (4) Attendance management
      - A. "Request for leave regulations": These regulations explicitly state The Company's leave request principles and regulations.
      - B. "Domestic travel regulations" and "foreign travel regulations": To facilitate personnel management and activate substitute mechanisms, the Company has established operating procedures for travel applications; To ensure that personnel taking business trips accomplish their missions, such personnel shall be given appropriate travel subsidies.
      - C. "Overtime regulations": These regulations explicitly specify The Company's overtime principles and standards.
      - D. "Regulations concerning work stoppages due to natural disasters and major accidents": These regulations explicitly state standards for work stoppages in the event of natural disasters and major accidents.
    - (5) Performance management
      - A. "Performance management and evaluation regulations": These regulations seek to provide an understanding of employees' strengths and weaknesses, and help them to develop their personal abilities, by assessing the degree to which employees have achieved their personal goals; Employees' contributions to the organization are determined on the basis of mutual comparisons between peers.
      - B. "Performance guidance operating regulations": Performance guidance work seeks

to enhance the productivity of the Company as a whole.

(6) Reward and penalty regulations

The "Reward and penalty handling regulations" prescribe appropriate rewards or punishments for those employees who display superior performance or violate regulations and have the intent of encouraging and maintaining on-the-job morale and order.

(7) Manpower development

"In-service continuing education regulations": These regulations establish channels for continuing education, and have a goal of accumulating the human resources needed for the Company's long-term operations.

(8) Communication channels

"Corporate internal appeal regulations": These regulations provide employees with channels expressing their views and making appeals directly to the Company, maintain employees' rights and interests, and encourage communication of views.

VI. Important contracts:

| Nature of Contract       | Contracting parties                | Commencement date/expiration date     | Content              | Restriction clauses                                                                                        |
|--------------------------|------------------------------------|---------------------------------------|----------------------|------------------------------------------------------------------------------------------------------------|
| Authorization contract   | Company A                          | July 1, 2008– indefinite period       | Technology licensing | The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality. |
| Authorization contract   | Company B                          | June 26, 2009 – indefinite period     | Technology licensing | The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality. |
| Authorization contract   | Company C                          | November 12, 2009 – indefinite period | Technology licensing | The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality. |
| Authorization contract   | Company B                          | June 22, 2012 – indefinite period     | Technology licensing | The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality. |
| Authorization contract   | Winbond Electronics Corp.          | August 1, 2012 – December 31, 2021    | Technology licensing | The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality. |
| Authorization contract   | Company B                          | March 29, 2016 – indefinite period    | Technology licensing | The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality. |
| Sales contract           | Company M                          | August 3, 2017 – July 30, 2022        | Sales of products    | Product-related guarantees. The Company retains obligation of confidentiality.                             |
| Share purchase agreement | Autotalks Ltd. and other investors | July 31, 2019 – indefinite period     | Equity investment    | Payment for investment of shares fees in accordance with the contract.                                     |
| Lease agreement          | Hsinchu Science and                | August 1, 2019 – December 31, 2027    | Lease                | Payment of rent in accordance with regulations.                                                            |

| Nature of Contract                | Contracting parties                                 | Commencement date/expiration date       | Content                          | Restriction clauses                                                        |
|-----------------------------------|-----------------------------------------------------|-----------------------------------------|----------------------------------|----------------------------------------------------------------------------|
|                                   | Industrial Park, Ministry of Science and Technology |                                         |                                  |                                                                            |
| Merger and acquisition contract   | Panasonic Corporation                               | November 28, 2019 – indefinite period   | Merger and acquisition           | Payment for M&A in accordance with regulations.                            |
| Letter of confirmation            | Company N                                           | March 1, 2017– indefinite period        | Electricity supply               | The Company retains obligation of confidentiality.                         |
| Service contract                  | Company N                                           | March 1, 2017– indefinite period        | Electricity supply               | The Company retains obligation of confidentiality.                         |
| Technology development contract   | Company S                                           | June 24, 2016 – March 12, 2021          | Technology development           | The Company retains obligation of confidentiality.                         |
| Procurement contract              | Company O                                           | April 1, 2020 to end of purchase orders | Software license                 | The Company retains obligation of confidentiality.                         |
| Maintenance contract              | Company Q                                           | April 1, 2020 – March 31, 2023          | Production equipment maintenance | The Company retains obligation of confidentiality.                         |
| Insurance contract                | Mitsui Sumitomo Insurance                           | June 1, 2020 – May 31, 2021             | Comprehensive insurance          | Payment of insurance premiums in accordance with the contract.             |
| Sales service contract            | Company P                                           | September 1, 2020 – August 31, 2023     | Sales of products                | The Company retains obligation of confidentiality.                         |
| Procurement/sales contract        | Company R                                           | September 1, 2020 – August 31, 2023     | Product purchase and sales       | The Company retains obligation of confidentiality.                         |
| Asset purchase and sales contract | Panasonic Asia Pacific Pte. Ltd.                    | September 1, 2020– indefinite period    | Asset transaction                | Purchase of machinery, products, and other assets                          |
| Licensing contract                | Microchip Technology Incorporated                   | March 31, 2020 - expiry of patents      | Patent licensing                 | The Company is prohibited from licensing third parties.                    |
| Mandate contract                  | Goldman Sachs (Asia) L.L.C.                         | November 28, 2019 – November 27, 2021   | Mandate                          | Appointment of GS to serve as the financial consultant for the merger      |
| Letter of confirmation            | Panasonic Semiconductor (Suzhou) Co., Ltd.          | November 1, 2020 – January 31, 2021     | Product transaction              | Purchase of semiconductor products from PSCSZ                              |
| Loan contract                     | Export-Import Bank of the Republic of China         | May 22, 2020 – August 25, 2027          | Loan                             | Payment of interest and repayment of loan in accordance with the contract. |
| Loan contract                     | Export-Import Bank of the Republic of China         | September 12, 2019 – September 21, 2026 | Loan                             | Payment of interest and repayment of loan in accordance with the contract. |
| Loan contract                     | Bank of Taiwan                                      | July 29, 2020 – August 24, 2023         | Loan                             | Payment of interest and repayment of loan in accordance with the contract. |
| Loan contract                     | CTBC Bank                                           | August 12, 2020 – August 24, 2022       | Loan                             | Payment of interest and repayment of loan in accordance                    |

| Nature of Contract                | Contracting parties                        | Commencement date/expiration date     | Content           | Restriction clauses                                                        |
|-----------------------------------|--------------------------------------------|---------------------------------------|-------------------|----------------------------------------------------------------------------|
|                                   |                                            |                                       |                   | with the contract and restriction on financial ratios.                     |
| Loan contract                     | Bank of Taiwan Shanghai Branch             | August 11, 2020 – August 26, 2021     | Loan              | Payment of interest and repayment of loan in accordance with the contract. |
| Asset purchase and sales contract | Panasonic Semiconductor (Suzhou) Co., Ltd. | September 1, 2020 – indefinite period | Asset transaction | Payment for assets in accordance with the contract.                        |
| Service contract                  | Panasonic Corporation                      | September 1, 2020 – indefinite period | Service provision | Payment for services in accordance with the contract.                      |
| Asset transfer contract           | HSMC Corp. (Suzhou) Co., Ltd.              | April 1, 2021– indefinite period      | Asset transaction | Sales and transfer of assets in accordance with the contract.              |

## Chapter 4 Financial Overview

I. Condensed balance sheets, statements of income, names of auditors, and audit opinions in the most recent 5 years

(I) Condensed consolidated balance sheet and statements of income

### Condensed consolidated balance sheet

Unit: NT\$1,000

| Item                                    | Year                | Financial information for the most recent 5 fiscal years (Note 1) |           |           |            |            |
|-----------------------------------------|---------------------|-------------------------------------------------------------------|-----------|-----------|------------|------------|
|                                         |                     | 2016                                                              | 2017      | 2018      | 2019       | 2020       |
| Current assets                          |                     | 4,383,299                                                         | 4,449,412 | 4,457,859 | 8,187,357  | 18,360,546 |
| Property, plant and equipment           |                     | 526,167                                                           | 642,663   | 697,917   | 760,321    | 6,547,107  |
| Intangible assets                       |                     | 257,940                                                           | 203,612   | 144,754   | 261,230    | 802,691    |
| Other assets                            |                     | 730,875                                                           | 853,145   | 817,138   | 1,947,321  | 6,612,357  |
| Total assets                            |                     | 5,898,281                                                         | 6,148,832 | 6,117,668 | 11,156,229 | 32,322,701 |
| Current liabilities                     | Before distribution | 1,949,781                                                         | 1,987,326 | 1,915,178 | 2,341,884  | 11,550,328 |
|                                         | After distribution  | 2,447,912                                                         | 2,506,212 | 2,434,064 | 2,686,949  | (Note 2)   |
| Non-current liabilities                 |                     | 570,026                                                           | 498,545   | 468,124   | 1,422,314  | 9,251,005  |
| Total liabilities                       | Before distribution | 2,519,807                                                         | 2,485,871 | 2,383,302 | 3,764,198  | 20,801,333 |
|                                         | After distribution  | 3,017,938                                                         | 3,004,757 | 2,902,188 | 4,109,263  | (Note 2)   |
| Equity attributable to owners of parent |                     | 3,378,474                                                         | 3,662,961 | 3,734,366 | 7,392,031  | 11,521,368 |
| Capital Stock                           |                     | 2,075,544                                                         | 2,075,544 | 2,075,544 | 2,875,544  | 3,883,936  |
| Capital surplus                         |                     | 63,498                                                            | 63,498    | 63,498    | 2,906,976  | 5,796,731  |
| Retained earnings                       | Before distribution | 1,126,804                                                         | 1,297,860 | 1,426,005 | 1,458,951  | 1,699,988  |
|                                         | After distribution  | 628,673                                                           | 778,974   | 907,119   | 1,113,886  | (Note 2)   |
| Other interests                         |                     | 112,628                                                           | 226,059   | 169,319   | 150,560    | 140,713    |
| Treasury stock                          |                     | -                                                                 | -         | -         | -          | -          |
| Non-controlling interests               |                     | -                                                                 | -         | -         | -          | -          |
| Total equity                            | Before distribution | 3,378,474                                                         | 3,662,961 | 3,734,366 | 7,392,031  | 11,521,368 |
|                                         | After distribution  | 2,880,343                                                         | 3,144,075 | 3,215,480 | 7,046,966  | (Note 2)   |

Note 1: Consolidated financial report inspected and certified by a CPA.

Note 2: Pending final approval from Shareholders' Meeting.

### Condensed consolidated statement of comprehensive income

Unit: NT\$1,000

| Item                                  | Year | Financial information for the most recent 5 fiscal years (Note) |           |            |            |            |
|---------------------------------------|------|-----------------------------------------------------------------|-----------|------------|------------|------------|
|                                       |      | 2016                                                            | 2017      | 2018       | 2019       | 2020       |
| Operating revenue                     |      | 8,329,286                                                       | 9,235,382 | 10,040,221 | 10,367,269 | 20,668,056 |
| Gross profit                          |      | 3,408,320                                                       | 3,732,507 | 3,913,167  | 4,127,889  | 7,706,912  |
| Operating income/loss                 |      | 604,842                                                         | 713,563   | 754,659    | 584,321    | 322,282    |
| Non-operating income and expenses     |      | 104,108                                                         | 85,868    | 84,261     | 83,248     | 421,143    |
| Net income before tax                 |      | 708,950                                                         | 799,431   | 838,920    | 667,569    | 743,425    |
| Net income from continuing operations |      | 613,165                                                         | 688,133   | 710,633    | 558,459    | 532,785    |
| Loss from discontinued operations     |      | -                                                               | -         | -          | -          | -          |
| Net profit of the term (loss)         |      | 613,165                                                         | 688,133   | 710,633    | 558,459    | 532,785    |

| Item \ Year                                                          | Financial information for the most recent 5 fiscal years (Note) |         |           |          |         |
|----------------------------------------------------------------------|-----------------------------------------------------------------|---------|-----------|----------|---------|
|                                                                      | 2016                                                            | 2017    | 2018      | 2019     | 2020    |
| Other comprehensive income of the term (Net income after tax)        | 17,106                                                          | 94,485  | (273,853) | (25,386) | 43,470  |
| Total comprehensive income of the term                               | 630,271                                                         | 782,618 | 436,780   | 533,073  | 576,255 |
| Net income belongs to owners of parent company                       | 613,165                                                         | 688,133 | 710,633   | 558,459  | 532,785 |
| Net Income (Loss) Attributable to Non-controlling Interests          | -                                                               | -       | -         | -        | -       |
| Total Comprehensive income attributable Owners of the Parent         | 630,271                                                         | 782,618 | 436,780   | 533,073  | 576,255 |
| Total Comprehensive income attributable to Non-controlling Interests | -                                                               | -       | -         | -        | -       |
| Earnings per share                                                   | 2.95                                                            | 3.32    | 3.42      | 2.53     | 1.81    |

Note: Consolidated financial report inspected and certified by a CPA.

### Individual condensed balance sheet

Unit: NT\$1,000

| Item \ Year                             | Financial information for the most recent 5 fiscal years (Note 1) |           |           |            |            |            |
|-----------------------------------------|-------------------------------------------------------------------|-----------|-----------|------------|------------|------------|
|                                         | 2016                                                              | 2017      | 2018      | 2019       | 2020       |            |
| Current assets                          | 3,478,482                                                         | 3,568,901 | 3,642,943 | 7,342,113  | 7,140,333  |            |
| Property, plant and equipment           | 474,952                                                           | 569,765   | 612,248   | 673,029    | 669,361    |            |
| Intangible assets                       | 225,964                                                           | 163,499   | 122,967   | 192,005    | 561,859    |            |
| Other assets                            | 1,656,307                                                         | 1,792,566 | 1,693,876 | 2,664,973  | 10,000,750 |            |
| Total assets                            | 5,835,705                                                         | 6,094,731 | 6,072,034 | 10,872,120 | 18,372,303 |            |
| Current liabilities                     | Before distribution                                               | 1,980,805 | 2,008,149 | 1,941,342  | 2,334,337  | 3,522,367  |
|                                         | After distribution                                                | 2,478,936 | 2,527,035 | 2,460,228  | 2,679,402  | (Note 2)   |
| Non-current liabilities                 | 476,426                                                           | 423,621   | 396,326   | 1,145,752  | 3,328,568  |            |
| Total liabilities                       | Before distribution                                               | 2,457,231 | 2,431,770 | 2,337,668  | 3,480,089  | 6,850,935  |
|                                         | After distribution                                                | 2,955,362 | 2,950,656 | 2,856,554  | 3,825,154  | (Note 2)   |
| Equity attributable to owners of parent | 3,378,474                                                         | 3,662,961 | 3,734,366 | 7,392,031  | 11,521,368 |            |
| Capital Stock                           | 2,075,544                                                         | 2,075,544 | 2,075,544 | 2,875,544  | 3,883,936  |            |
| Capital surplus                         | 63,498                                                            | 63,498    | 63,498    | 2,906,976  | 5,796,731  |            |
| Retained earnings                       | Before distribution                                               | 1,126,804 | 1,297,860 | 1,426,005  | 1,458,951  | 1,699,988  |
|                                         | After distribution                                                | 628,673   | 778,974   | 907,119    | 1,113,886  | (Note 2)   |
| Other interests                         | 112,628                                                           | 226,059   | 169,319   | 150,560    | 140,713    |            |
| Treasury stock                          | -                                                                 | -         | -         | -          | -          |            |
| Non-controlling interests               | -                                                                 | -         | -         | -          | -          |            |
| Total equity                            | Before distribution                                               | 3,378,474 | 3,662,961 | 3,734,366  | 7,392,031  | 11,521,368 |
|                                         | After distribution                                                | 2,880,343 | 3,144,075 | 3,215,480  | 7,046,966  | (Note 2)   |

Note 1: Financial report inspected and certified by a CPA.

Note 2: Pending final approval from Shareholders' Meeting.

Condensed individual statement of comprehensive income

Unit: NT\$1,000

| Item                                                          | Year | Financial information for the most recent 5 fiscal years (Note) |           |           |            |            |
|---------------------------------------------------------------|------|-----------------------------------------------------------------|-----------|-----------|------------|------------|
|                                                               |      | 2016                                                            | 2017      | 2018      | 2019       | 2020       |
| Operating revenue                                             |      | 8,046,760                                                       | 9,000,394 | 9,798,594 | 10,123,801 | 11,433,163 |
| Gross profit                                                  |      | 3,138,495                                                       | 3,509,949 | 3,682,050 | 3,891,680  | 4,465,591  |
| Operating income/loss                                         |      | 596,770                                                         | 668,458   | 705,358   | 494,017    | 647,574    |
| Non-operating income and expenses                             |      | 94,288                                                          | 96,630    | 76,279    | 139,442    | 9,966      |
| Net income before tax                                         |      | 691,058                                                         | 765,088   | 781,637   | 633,459    | 657,540    |
| Continuing business units                                     |      |                                                                 |           |           |            |            |
| Net profit of the term                                        |      | 613,165                                                         | 688,133   | 710,633   | 558,459    | 532,785    |
| Loss from discontinued operations                             |      | -                                                               | -         | -         | -          | -          |
| Net profit of the term (loss)                                 |      | 613,165                                                         | 688,133   | 710,633   | 558,459    | 532,785    |
| Other comprehensive income of the term (Net income after tax) |      | 17,106                                                          | 94,485    | (273,853) | (25,386)   | 43,470     |
| Total comprehensive income of the term                        |      | 630,271                                                         | 782,618   | 436,780   | 533,073    | 576,255    |
| Earnings per share                                            |      | 2.95                                                            | 3.32      | 3.42      | 2.53       | 1.81       |

Note: Financial report inspected and certified by a CPA.

(III) Names of auditing CPAs of the most recent five years and their audit opinions:

| Year | Name of firm      | Name of CPA:                                        | Audit opinion       |
|------|-------------------|-----------------------------------------------------|---------------------|
| 2016 | Deloitte & Touche | Ker-Chang Wu, Accountant<br>Hung-Bin Yu, Accountant | Unqualified opinion |
| 2017 | Deloitte & Touche | Hung-Bin Yu, Accountant<br>Ker-Chang Wu, Accountant | Unqualified opinion |
| 2018 | Deloitte & Touche | Hung-Bin Yu, Accountant<br>K. T. Hong, Accountant   | Unqualified opinion |
| 2019 | Deloitte & Touche | Shu-Lin Liu, Accountant<br>Hung-Bin Yu, Accountant  | Unqualified opinion |
| 2020 | Deloitte & Touche | Shu-Lin Liu, Accountant<br>Hung-Bin Yu, Accountant  | Unqualified opinion |

## II. Financial analysis for the last five years

### Consolidated financial analysis

| Analytical item            |                                                     | Financial analysis for the last five years |        |        |          |          |
|----------------------------|-----------------------------------------------------|--------------------------------------------|--------|--------|----------|----------|
|                            |                                                     | 2016                                       | 2017   | 2018   | 2019     | 2020     |
| Capital Structure Analysis | Debt to total assets ratio (%)                      | 42.72                                      | 40.43  | 38.95  | 33.74    | 64.35    |
|                            | Long-term fund to property, plant and equipment (%) | 750.43                                     | 647.54 | 602.14 | 1,159.29 | 317.27   |
| Liquidity Analysis         | Current ratio (%)                                   | 224.81                                     | 223.89 | 232.76 | 349.60   | 158.96   |
|                            | Quick ratio (%)                                     | 153.26                                     | 130.51 | 142.36 | 275.20   | 102.66   |
|                            | Interest protection multiples (%)                   | -                                          | -      | -      | 4,775.18 | 1,158.58 |
| Operating ability          | Average collection turnover (times)                 | 10.67                                      | 11.17  | 10.98  | 9.78     | 7.69     |
|                            | Average collection period                           | 34                                         | 33     | 33     | 37       | 47       |
|                            | Average inventory turnover (times)                  | 3.46                                       | 3.23   | 3.20   | 3.23     | 3.02     |
|                            | Average payment turnover (times)                    | 6.26                                       | 5.98   | 6.71   | 6.18     | 5.20     |
|                            | Average inventory turnover days                     | 105                                        | 113    | 114    | 113      | 120      |
|                            | Property, plant and equipment turnover (times)      | 16.83                                      | 15.80  | 14.97  | 14.21    | 5.65     |
|                            | Total assets turnover (times)                       | 1.49                                       | 1.53   | 1.63   | 1.20     | 0.95     |
| Profitability              | Return on assets (%)                                | 10.96                                      | 11.42  | 11.58  | 6.59     | 2.70     |
|                            | ROE (%)                                             | 18.87                                      | 19.55  | 19.21  | 10.03    | 5.63     |
|                            | Pre-tax income to paid-in capital ratio (%)         | 34.16                                      | 38.52  | 40.41  | 23.21    | 19.14    |
|                            | Net Margin (%)                                      | 7.36                                       | 7.45   | 7.07   | 5.38     | 2.57     |
|                            | Earnings per share (NT\$)                           | 2.95                                       | 3.32   | 3.42   | 2.53     | 1.81     |
| Cash flows                 | Cash flow ratio (%)                                 | 37.60                                      | 19.07  | 45.59  | 45.99    | 12.08    |
|                            | Cash flow adequacy ratio (%)                        | 126.31                                     | 92.94  | 86.67  | 86.62    | 106.83   |
|                            | Cash flow reinvestment ratio (%)                    | 1.91                                       | -0.63  | 1.87   | 2.35     | 0.98     |
| Leverage                   | Operating leverage                                  | 5.50                                       | 5.12   | 5.07   | 6.92     | 23.38    |
|                            | Financial leverage                                  | 1.00                                       | 1.00   | 1.00   | 1.02     | 1.27     |

Reasons for changes in financial ratios in recent two years:

The more significant changes in financial ratios were mainly due to the Company's completion of the merger of semiconductor businesses of Panasonic Corporation in Japan on September 1, 2020.

### Individual financial analysis

| Analytical item              |                                                 | Year   | Financial analysis for the last five years |        |          |          |  |
|------------------------------|-------------------------------------------------|--------|--------------------------------------------|--------|----------|----------|--|
|                              |                                                 | 2016   | 2017                                       | 2018   | 2019     | 2020     |  |
| Capital Structure Analysis % | Debts Ratio                                     | 42.11  | 39.90                                      | 38.49  | 32.00    | 37.28    |  |
|                              | Long-term Fund to Property, Plant and Equipment | 811.64 | 717.24                                     | 674.67 | 1,268.56 | 2,218.52 |  |
| Liquidity Analysis %         | Current ratio                                   | 175.61 | 177.72                                     | 187.65 | 314.52   | 202.71   |  |
|                              | Quick ratio                                     | 106.06 | 86.12                                      | 99.12  | 240.35   | 146.13   |  |
|                              | Times Interest Earned                           | -      | -                                          | -      | 8,745.54 | 1,967.74 |  |
| Operating ability            | Average collection turnover (times)             | 14.54  | 12.79                                      | 11.31  | 11.08    | 12.68    |  |
|                              | Average collection period                       | 25     | 29                                         | 32     | 32       | 28       |  |
|                              | Average inventory turnover (times)              | 3.49   | 3.24                                       | 3.21   | 3.24     | 3.27     |  |
|                              | Average payment turnover (times)                | 6.26   | 5.97                                       | 6.71   | 6.18     | 5.56     |  |
|                              | Average inventory turnover days                 | 105    | 113                                        | 113    | 112      | 111      |  |
|                              | Property, plant and equipment turnover (times)  | 18.18  | 17.23                                      | 16.57  | 15.75    | 17.03    |  |
|                              | Total assets turnover (times)                   | 1.45   | 1.51                                       | 1.61   | 1.19     | 0.78     |  |
| Profitability                | Return on assets (%)                            | 11.06  | 11.54                                      | 11.68  | 6.66     | 3.83     |  |
|                              | ROE (%)                                         | 18.87  | 19.55                                      | 19.21  | 10.03    | 5.63     |  |
|                              | Pre-tax income to paid-in capital ratio (%)     | 33.30  | 36.86                                      | 37.65  | 22.02    | 16.92    |  |
|                              | Net Margin (%)                                  | 7.62   | 7.65                                       | 7.25   | 5.51     | 4.65     |  |
|                              | Earnings per share (NT\$)                       | 2.95   | 3.32                                       | 3.42   | 2.53     | 1.81     |  |
| Cash flows                   | Cash flow ratio (%)                             | 33.24  | -3.52                                      | 50.14  | 46.07    | 39.45    |  |
|                              | Cash flow adequacy ratio (%)                    | 123.26 | 77.79                                      | 80.94  | 83.04    | 96.75    |  |
|                              | Cash flow reinvestment ratio (%)                | 1.54   | -3.05                                      | 2.43   | 2.40     | 3.53     |  |
| Leverage                     | Operating leverage                              | 5.29   | 5.27                                       | 5.22   | 7.87     | 6.92     |  |
|                              | Financial leverage                              | 1.00   | 1.00                                       | 1.00   | 1.01     | 1.05     |  |

Reasons for changes in financial ratios in recent two years:

Increase of long-term fund to property, plant and equipment; decrease of return on equity: Mainly due to cash capital increase in 2020 which resulted in increased equity.

Decrease in current ratio and quick ratio; Mainly due to increase in current liabilities.

Times Interest Earned reduction: Mainly due to increased interest expenses.

decrease in total assets turnover and return on assets ratio: Mainly due to the Company's completion of the merger of semiconductor businesses of Panasonic Corporation in Japan on September 1, 2020.

Decrease in ratio of pre-tax income to share capital and earnings per share: Mainly due to cash capital increase and issuance of convertible bonds in 2020 which resulted in increased share capital.

Increase in cash reinvestment ratio: Mainly due to the increase of net cash flows in business activities.

The calculation formula for the items of analysis is stated below:

#### 1. Capital Structure Analysis

(1) Debt-to-asset ratio = total liabilities / total assets.

(2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities) / net amount of real estate properties, plants and equipment.

## 2. Liquidity Analysis

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expense) / current liabilities.

(3) Time interest earned = net income before income tax and interest expense / current interest expense.

## 3. Operating ability

(1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.

(2) Average collection period = 365 / receivables turnover.

(3) Inventory turnover ratio = cost of goods sold / average amount of inventory.

(4) Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.

(5) Average days of sales = 365 / inventory turnover.

(6) Real estate, plant, and equipment turnover ratio = net sales / average net for real estate, plant, and equipment.

(7) Fixed assets turnover = net sales / average gross assets.

## 4. Profitability

(1) Return on assets ratio = [net income + interest expense (1 - tax rate)] / average gross assets.

(2) ROE = income after tax/net average equity.

(3) Net margin = net income / net sales.

(4) EPS = (income belonging to owner of the parent company - stock dividend of preferred stocks)/weighted average number of issued shares.

## 5. Cash flows

(1) Cash flow ratio = new cash flows from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.

(3) Cash reinvestment ratio = (net cash flows from operating activities - cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).

## 6. Leverage:

(1) Operating leverage = (net operating revenues - current operating cost and expense)/operating profit.

(2) Financial leverage = operating profit/(operating profit - interest expense).

III. Audit Committee's review report of the most recent fiscal year

## Audit Committee's Report

The Board of Directors has prepared and submitted the 2020 business report, financial statements, and earnings distribution proposal. The Board of Directors have appointed Shu-Lin Liu, Accountant and Hung-Bin Yu, Accountant of Deloitte & Touche CPA Firm to audit the financial statements and they have submitted an audit report with unqualified opinion. The Audit Committee has reviewed the business report, financial statements, and the earnings distribution proposal and did not find any instances of noncompliance. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, it is hereby submitted for your review and perusal.

To

Nuvoton Technology Corp. 2021 General Shareholders' Meeting

Chairman of the Audit Committee: Shan-Kio Hsu

March 16, 2021

IV. Consolidated financial statements of the most recent year

Consolidated Financial Statement of Affiliates:

For the 2020 year (from January 1 to December 31, 2020), companies that should be included in the consolidated financial statement of affiliates as provided by the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as what should be included in the consolidated financial statements of parent and subsidiary companies as provided in IFRS No. 10, and the relevant information that should be disclosed in the consolidated financial statements of affiliates has been disclosed in the consolidated financial statements of the parent and its subsidiaries. The Company shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declared that

Name of Company: Nuvoton Technology Corporation

Legal Representative: Yuan-Mou Su

Date: February 18, 2021

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Nuvoton Technology Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Nuvoton Technology Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Occurrence of Sales Revenues

Revenue from the sale of goods is recognized when the customer received the goods and bear the risk. There is a significant risk on revenue recognition, and customers' line of credit and delivery of products are highly correlated to recognition of sales revenue. We therefore considered that the occurrence of sales revenue from the ten largest customers with changes in credit limits and temporary increase in credit limits in 2020 as a key audit matter for the year ended December 31, 2020. Refer to Note 4 to the consolidated financial statements for the Group's revenue recognition policies.

Our audit procedures in response to the occurrence of sales revenue included understanding the design and the implementation of internal control of sales revenue and selecting samples of revenue items to verify that revenue transactions have indeed occurred.

### Business combination

As mentioned in Note 27, Nuvoton Technology Corporation acquired the semiconductor business of Panasonic Corporation. Because this business combination was a significant transaction in 2020 and the decision made by the management were about complicated calculations of transferred consideration and the fair value of underlying assets and the reasonableness of the purchase price allocation, we considered the combination transaction as a key audit matter for the year ended December 31, 2020.

Our audit procedures in response to the business combination transaction were as follows:

- a. Review the meeting minutes of the board of directors to confirm the business combination proposal has been properly assessed and approved.
- b. Review the payment voucher of NTC to confirm whether it is consistent with the terms of the agreement.
- c. Review and evaluate the reasonableness of the purchase price allocation report, issued by experts due to the business combination transaction, and the accounting treatment on the acquisition date.

### **Other Matter**

We have also audited the parent company only financial statements of Nuvoton Technology Corporation as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the audit committee) are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Lin Liu and Hung-Bin Yu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 18, 2021

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

| ASSETS                                                                                                          | 2020                 |            | 2019                 |            |
|-----------------------------------------------------------------------------------------------------------------|----------------------|------------|----------------------|------------|
|                                                                                                                 | Amount               | %          | Amount               | %          |
| <b>CURRENT ASSETS</b>                                                                                           |                      |            |                      |            |
| Cash and cash equivalents (Notes 4 and 6)                                                                       | \$ 5,881,733         | 18         | \$ 4,859,223         | 44         |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7)                                 | 13,223               | -          | 6,037                | -          |
| Notes and accounts receivable, net (Notes 4 and 8)                                                              | 4,155,816            | 13         | 1,010,722            | 9          |
| Accounts receivable from related parties, net (Notes 4, 8 and 30)                                               | 90,577               | -          | 67,394               | 1          |
| Other receivables (Notes 9 and 30)                                                                              | 1,710,051            | 5          | 496,881              | 4          |
| Inventories (Notes 4 and 10)                                                                                    | 6,250,131            | 20         | 1,604,658            | 14         |
| Other current assets                                                                                            | 259,015              | 1          | 142,442              | 1          |
| Total current assets                                                                                            | <u>18,360,546</u>    | <u>57</u>  | <u>8,187,357</u>     | <u>73</u>  |
| <b>NON-CURRENT ASSETS</b>                                                                                       |                      |            |                      |            |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 11)                | 1,806,580            | 6          | 1,117,410            | 10         |
| Property, plant and equipment (Notes 4 and 12)                                                                  | 6,547,107            | 20         | 760,321              | 7          |
| Right-of-use assets (Notes 4, 13 and 30)                                                                        | 1,498,888            | 5          | 600,288              | 5          |
| Investment properties (Notes 4 and 14)                                                                          | 2,466,667            | 8          | 44,207               | 1          |
| Intangible assets (Notes 4 and 15)                                                                              | 802,691              | 2          | 261,230              | 2          |
| Deferred tax assets (Notes 4 and 23)                                                                            | 188,397              | -          | 97,919               | 1          |
| Refundable deposits (Note 6)                                                                                    | 651,497              | 2          | 86,879               | 1          |
| Other non-current assets                                                                                        | 328                  | -          | 618                  | -          |
| Total non-current assets                                                                                        | <u>13,962,155</u>    | <u>43</u>  | <u>2,968,872</u>     | <u>27</u>  |
| <b>TOTAL</b>                                                                                                    | <u>\$ 32,322,701</u> | <u>100</u> | <u>\$ 11,156,229</u> | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>                                                                                   |                      |            |                      |            |
| <b>CURRENT LIABILITIES</b>                                                                                      |                      |            |                      |            |
| Short-term borrowings (Note 17)                                                                                 | \$ 1,821,210         | 6          | \$ -                 | -          |
| Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)                            | 3,191                | -          | -                    | -          |
| Notes payable                                                                                                   | 365,870              | 1          | -                    | -          |
| Accounts payable                                                                                                | 2,653,008            | 8          | 1,104,840            | 10         |
| Accounts payable to related parties (Note 30)                                                                   | 827,543              | 3          | 24,535               | -          |
| Other payables (Notes 18 and 30)                                                                                | 3,949,773            | 12         | 951,058              | 8          |
| Current tax liabilities (Notes 4 and 23)                                                                        | 279,913              | 1          | 78,732               | 1          |
| Provisions - current (Note 19)                                                                                  | 928,719              | 3          | -                    | -          |
| Lease liabilities - current (Notes 4 and 13)                                                                    | 300,067              | 1          | 114,308              | 1          |
| Other current liabilities                                                                                       | 421,034              | 1          | 68,411               | 1          |
| Total current liabilities                                                                                       | <u>11,550,328</u>    | <u>36</u>  | <u>2,341,884</u>     | <u>21</u>  |
| <b>NON-CURRENT LIABILITIES</b>                                                                                  |                      |            |                      |            |
| Bonds payable (Note 16)                                                                                         | 1,207,820            | 4          | -                    | -          |
| Long-term borrowings (Note 17)                                                                                  | 1,500,000            | 5          | 500,000              | 4          |
| Provisions - non-current (Note 19)                                                                              | 3,120,468            | 10         | 101,891              | 1          |
| Deferred tax liabilities (Notes 4 and 23)                                                                       | 52,132               | -          | -                    | -          |
| Lease liabilities - non-current (Notes 4 and 13)                                                                | 1,474,041            | 4          | 452,715              | 4          |
| Net defined benefit liabilities - non-current (Notes 4 and 20)                                                  | 1,780,008            | 5          | 287,565              | 3          |
| Other non-current liabilities                                                                                   | 116,536              | -          | 80,143               | 1          |
| Total non-current liabilities                                                                                   | <u>9,251,005</u>     | <u>28</u>  | <u>1,422,314</u>     | <u>13</u>  |
| Total liabilities                                                                                               | <u>20,801,333</u>    | <u>64</u>  | <u>3,764,198</u>     | <u>34</u>  |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>                                                             |                      |            |                      |            |
| Share capital (Note 21)                                                                                         | 3,759,616            | 12         | 2,875,544            | 26         |
| Certificates of bond-to-stock conversion (Note 21)                                                              | 124,320              | -          | -                    | -          |
| Capital surplus (Note 21)                                                                                       | 5,796,731            | 18         | 2,906,976            | 26         |
| Retained earnings (Note 21)                                                                                     |                      |            |                      |            |
| Legal reserve                                                                                                   | 596,905              | 2          | 541,722              | 5          |
| Unappropriated earnings                                                                                         | 1,103,083            | 3          | 917,229              | 8          |
| Exchange differences on translation of foreign financial statements of foreign operations (Notes 4 and 21)      | (128,352)            | -          | (18,984)             | -          |
| Unrealized gains (losses) on financial assets at fair value through other comprehensive income (Notes 4 and 21) | 269,065              | 1          | 169,544              | 1          |
| Total equity                                                                                                    | <u>11,521,368</u>    | <u>36</u>  | <u>7,392,031</u>     | <u>66</u>  |
| <b>TOTAL</b>                                                                                                    | <u>\$ 32,322,701</u> | <u>100</u> | <u>\$ 11,156,229</u> | <u>100</u> |

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

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|                                                                                 | 2020              |            | 2019             |            |
|---------------------------------------------------------------------------------|-------------------|------------|------------------|------------|
|                                                                                 | Amount            | %          | Amount           | %          |
| OPERATING REVENUE (Note 22)                                                     | \$ 20,668,056     | 100        | \$ 10,367,269    | 100        |
| OPERATING COST (Notes 10, 24 and 30)                                            | <u>12,961,144</u> | <u>62</u>  | <u>6,239,380</u> | <u>61</u>  |
| GROSS PROFIT                                                                    | <u>7,706,912</u>  | <u>38</u>  | <u>4,127,889</u> | <u>39</u>  |
| OPERATING EXPENSES (Notes 24 and 30)                                            |                   |            |                  |            |
| Selling expenses                                                                | 507,929           | 2          | 249,968          | 2          |
| General and administrative expenses                                             | 1,358,393         | 7          | 468,518          | 5          |
| Research and development expenses                                               | 5,516,242         | 27         | 2,822,825        | 27         |
| Expected credit loss (gain)                                                     | <u>2,066</u>      | <u>-</u>   | <u>2,257</u>     | <u>-</u>   |
| Total operating expenses                                                        | <u>7,384,630</u>  | <u>36</u>  | <u>3,543,568</u> | <u>34</u>  |
| PROFIT FROM OPERATIONS                                                          | <u>322,282</u>    | <u>2</u>   | <u>584,321</u>   | <u>5</u>   |
| NON-OPERATING INCOME AND EXPENSES<br>(Notes 4, 27 and 30)                       |                   |            |                  |            |
| Interest expense                                                                | (70,228)          | -          | (14,279)         | -          |
| Interest income                                                                 | 22,330            | -          | 17,777           | -          |
| Dividend income                                                                 | 67,746            | -          | 70,529           | 1          |
| Gain on the bargain purchase                                                    | 218,968           | 1          | -                | -          |
| Other gains and losses                                                          | 114,345           | 1          | 12,203           | -          |
| Gains (losses) on disposal of property, plant and<br>equipment                  | 40,433            | -          | 62               | -          |
| Foreign exchange gains (losses)                                                 | (6,417)           | -          | (2,791)          | -          |
| Gains (losses) on financial instruments at fair value<br>through profit or loss | <u>33,966</u>     | <u>-</u>   | <u>(253)</u>     | <u>-</u>   |
| Total non-operating income and expenses                                         | <u>421,143</u>    | <u>2</u>   | <u>83,248</u>    | <u>1</u>   |
| PROFIT BEFORE INCOME TAX                                                        | 743,425           | 4          | 667,569          | 6          |
| INCOME TAX EXPENSE (Notes 4 and 23)                                             | <u>(210,640)</u>  | <u>(1)</u> | <u>(109,110)</u> | <u>(1)</u> |
| NET PROFIT FOR THE YEAR                                                         | <u>532,785</u>    | <u>3</u>   | <u>558,459</u>   | <u>5</u>   |
| OTHER COMPREHENSIVE INCOME (LOSS) (Note<br>21)                                  |                   |            |                  |            |

(Continued)

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|                                                                                                                 | 2020              |            | 2019              |          |
|-----------------------------------------------------------------------------------------------------------------|-------------------|------------|-------------------|----------|
|                                                                                                                 | Amount            | %          | Amount            | %        |
| Items that will not be reclassified subsequently to profit or loss:                                             |                   |            |                   |          |
| Remeasurement of defined benefit plans (Notes 4 and 20)                                                         | \$ (29,082)       | -          | \$ (56,330)       | -        |
| Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income | 181,920           | 1          | 39,393            | -        |
| Items that may be reclassified subsequently to profit or loss:                                                  |                   |            |                   |          |
| Exchange differences on translation of the financial statements of foreign operations                           | <u>(109,368)</u>  | <u>(1)</u> | <u>(8,449)</u>    | <u>-</u> |
| Other comprehensive income (loss)                                                                               | <u>43,470</u>     | <u>-</u>   | <u>(25,386)</u>   | <u>-</u> |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                                                                  | <u>\$ 576,255</u> | <u>3</u>   | <u>\$ 533,073</u> | <u>5</u> |
| <b>EARNINGS PER SHARE (Notes 4 and 26)</b>                                                                      |                   |            |                   |          |
| From continuing operations                                                                                      |                   |            |                   |          |
| Basic                                                                                                           | <u>\$ 1.81</u>    |            | <u>\$ 2.53</u>    |          |
| Diluted                                                                                                         | <u>\$ 1.72</u>    |            | <u>\$ 2.52</u>    |          |

(Concluded)

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

**NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

|                                                                                                                                | Equity Attributable to Owners of the Company |                                          |                 |                   |                         | Other Equity                                                                              |                                                                                                | Total Equity  |
|--------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------|-----------------|-------------------|-------------------------|-------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|---------------|
|                                                                                                                                | Ordinary Share                               | Certificates of Bond-to-Stock Conversion | Capital Surplus | Retained Earnings |                         | Exchange Differences on Translation of Foreign Financial Statements of Foreign Operations | Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income |               |
|                                                                                                                                |                                              |                                          |                 | Legal Reserve     | Unappropriated Earnings |                                                                                           |                                                                                                |               |
| BALANCE AT JANUARY 1, 2019                                                                                                     | \$ 2,075,544                                 | \$ -                                     | \$ 63,498       | \$ 470,659        | \$ 955,346              | \$ (10,535)                                                                               | \$ 179,854                                                                                     | \$ 3,734,366  |
| Appropriation of 2018 earnings (Note 21)                                                                                       |                                              |                                          |                 |                   |                         |                                                                                           |                                                                                                |               |
| Legal reserve                                                                                                                  | -                                            | -                                        | -               | 71,063            | (71,063)                | -                                                                                         | -                                                                                              | -             |
| Cash dividends                                                                                                                 | -                                            | -                                        | -               | -                 | (518,886)               | -                                                                                         | -                                                                                              | (518,886)     |
| Net profit for the year ended December 31, 2019                                                                                | -                                            | -                                        | -               | -                 | 558,459                 | -                                                                                         | -                                                                                              | 558,459       |
| Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax                                      | -                                            | -                                        | -               | -                 | (56,330)                | (8,449)                                                                                   | 39,393                                                                                         | (25,386)      |
| Total comprehensive income (loss) for the year ended December 31, 2019                                                         | -                                            | -                                        | -               | -                 | 502,129                 | (8,449)                                                                                   | 39,393                                                                                         | 533,073       |
| Compensation cost of employee share options (Notes 21 and 25)                                                                  | -                                            | -                                        | 49,920          | -                 | -                       | -                                                                                         | -                                                                                              | 49,920        |
| Unclaimed dividends from claims extinguished by prescriptions                                                                  | -                                            | -                                        | 52              | -                 | -                       | -                                                                                         | -                                                                                              | 52            |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 11 and 21) | -                                            | -                                        | -               | -                 | 49,703                  | -                                                                                         | (49,703)                                                                                       | -             |
| Issuance of ordinary shares for cash (Note 21)                                                                                 | 800,000                                      | -                                        | 2,793,506       | -                 | -                       | -                                                                                         | -                                                                                              | 3,593,506     |
| BALANCE AT DECEMBER 31, 2019                                                                                                   | 2,875,544                                    | -                                        | 2,906,976       | 541,722           | 917,229                 | (18,984)                                                                                  | 169,544                                                                                        | 7,392,031     |
| Appropriation of 2019 earnings (Note 21)                                                                                       |                                              |                                          |                 |                   |                         |                                                                                           |                                                                                                |               |
| Legal reserve                                                                                                                  | -                                            | -                                        | -               | 55,183            | (55,183)                | -                                                                                         | -                                                                                              | -             |
| Cash dividends                                                                                                                 | -                                            | -                                        | -               | -                 | (345,065)               | -                                                                                         | -                                                                                              | (345,065)     |
| Net profit for the year ended December 31, 2020                                                                                | -                                            | -                                        | -               | -                 | 532,785                 | -                                                                                         | -                                                                                              | 532,785       |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax                                      | -                                            | -                                        | -               | -                 | (29,082)                | (109,368)                                                                                 | 181,920                                                                                        | 43,470        |
| Total comprehensive income (loss) for the year ended December 31, 2020                                                         | -                                            | -                                        | -               | -                 | 503,703                 | (109,368)                                                                                 | 181,920                                                                                        | 576,255       |
| Convertible bonds converted to ordinary shares (Note 16)                                                                       | 84,072                                       | 124,320                                  | 596,347         | -                 | -                       | -                                                                                         | -                                                                                              | 804,739       |
| Compensation cost of employee share options (Notes 21 and 25)                                                                  | -                                            | -                                        | 62,240          | -                 | -                       | -                                                                                         | -                                                                                              | 62,240        |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 11 and 21) | -                                            | -                                        | -               | -                 | 82,399                  | -                                                                                         | (82,399)                                                                                       | -             |
| Issuance of ordinary shares for cash (Note 21)                                                                                 | 800,000                                      | -                                        | 2,231,168       | -                 | -                       | -                                                                                         | -                                                                                              | 3,031,168     |
| BALANCE AT DECEMBER 31, 2020                                                                                                   | \$ 3,759,616                                 | \$ 124,320                               | \$ 5,796,731    | \$ 596,905        | \$ 1,103,083            | \$ (128,352)                                                                              | \$ 269,065                                                                                     | \$ 11,521,368 |

The accompanying notes are an integral part of the financial statements.

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

|                                                                                                      | 2020             | 2019             |
|------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                          |                  |                  |
| Profit before income tax                                                                             | \$ 743,425       | \$ 667,569       |
| Adjustments for:                                                                                     |                  |                  |
| Depreciation expense                                                                                 | 602,985          | 290,277          |
| Amortization expense                                                                                 | 179,513          | 89,569           |
| Interest expense                                                                                     | 70,228           | 14,279           |
| Expected credit loss (gain) recognized on accounts receivable                                        | 2,066            | 2,257            |
| Interest income                                                                                      | (22,330)         | (17,777)         |
| Dividend income                                                                                      | (67,746)         | (70,529)         |
| Compensation cost of employee share options                                                          | 62,240           | 49,920           |
| (Gains) losses on disposal of property, plant and equipment                                          | (40,433)         | (62)             |
| Gain on the bargain purchase                                                                         | (218,968)        | -                |
| Other income                                                                                         | (5)              | -                |
| Changes in operating assets and liabilities                                                          |                  |                  |
| (Increase) decrease in financial assets at fair value through profit or loss                         | (3,570)          | (5,274)          |
| (Increase) decrease in notes and accounts receivable                                                 | 99,420           | (78,012)         |
| (Increase) decrease in accounts receivable from related parties                                      | 3,023            | (5,088)          |
| (Increase) decrease in other receivables                                                             | 382,463          | (6,845)          |
| (Increase) decrease in inventories                                                                   | (32,371)         | (43,720)         |
| (Increase) decrease in other current assets                                                          | 98,794           | 26,911           |
| (Increase) decrease in other non-current assets                                                      | 952              | 356              |
| (Increase) decrease in notes payable                                                                 | (49,851)         | -                |
| Increase (decrease) in accounts payable                                                              | (582,411)        | 240,675          |
| Increase (decrease) in other payables                                                                | (130,220)        | 6,315            |
| Increase (decrease) in other current liabilities                                                     | 294,988          | 5,225            |
| Increase (decrease) in net defined benefit liabilities                                               | 2,405            | (63,192)         |
| Increase (decrease) in other non-current liabilities                                                 | 36,393           | 8,337            |
| Cash flows from operations                                                                           | <u>1,430,990</u> | <u>1,111,191</u> |
| Income tax paid                                                                                      | (79,348)         | (103,362)        |
| Interest received                                                                                    | 27,426           | 11,101           |
| Interest paid                                                                                        | (50,438)         | (12,240)         |
| Dividend received                                                                                    | <u>67,746</u>    | <u>70,529</u>    |
| Net cash flows generated from (used in) operating activities                                         | <u>1,396,376</u> | <u>1,077,219</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                          |                  |                  |
| Acquisition of intangible assets                                                                     | (443,458)        | (163,513)        |
| Proceeds from disposal of intangible assets                                                          | 736              | -                |
| Proceeds from disposal of financial assets at fair value through other comprehensive income          | 402,003          | 87,266           |
| Acquisition of financial assets at fair value through other comprehensive income                     | -                | (630,000)        |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 2,250            | 4,000            |

(Continued)

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

|                                                                                           | 2020                | 2019                               |
|-------------------------------------------------------------------------------------------|---------------------|------------------------------------|
| Acquisition of property, plant and equipment                                              | \$ (364,747)        | \$ (214,755)                       |
| Proceeds from disposal of property, plant and equipment                                   | 46,884              | 233                                |
| (Increase) decrease in refundable deposits paid                                           | (560,641)           | (5,444)                            |
| Net cash outflow on acquisition of subsidiaries (Note 27)                                 | (6,928,207)         | -                                  |
| (Increase) decrease in other receivables - time deposits                                  | <u>250,236</u>      | <u>(302,071)</u>                   |
| Net cash flows generated from (used in) investing activities                              | <u>(7,594,944)</u>  | <u>(1,224,284)</u>                 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                               |                     |                                    |
| Increase in short-term borrowings                                                         | 1,821,210           | -                                  |
| Proceeds from long-term borrowings                                                        | 2,800,000           | 500,000                            |
| Repayments of long-term borrowings                                                        | (1,800,000)         | -                                  |
| Repayments of the principal portion of lease liabilities                                  | (187,753)           | (102,217)                          |
| Proceeds from issuance of bonds                                                           | 1,998,428           | -                                  |
| Dividends paid to owners of the Company                                                   | (345,065)           | (518,886)                          |
| Proceeds from issuance of ordinary shares                                                 | 3,031,168           | 3,593,506                          |
| Other financing activities                                                                | <u>-</u>            | <u>52</u>                          |
| Net cash flows generated from (used in) financing activities                              | <u>7,317,988</u>    | <u>3,472,455</u>                   |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b> |                     |                                    |
|                                                                                           | <u>(96,910)</u>     | <u>(10,085)</u>                    |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                               |                     |                                    |
|                                                                                           | 1,022,510           | 3,315,305                          |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                                       |                     |                                    |
|                                                                                           | <u>4,859,223</u>    | <u>1,543,918</u>                   |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                                             |                     |                                    |
|                                                                                           | <u>\$ 5,881,733</u> | <u>\$ 4,859,223</u><br>(Concluded) |

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

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Nuvoton Technology Corporation (the “Company”) was incorporated in the Republic of China (“ROC”) in April 2008 and commenced business in July 2008. The Company is engaged mainly in the research, design, development, manufacture, and sale of logic integrated circuits (“ICs”) and the manufacturing, testing and OEM of 6-inch wafers.

For the specialization and division of labor and the reinforcement of core competitive ability, the Company’s parent company, Winbond Electronics Corporation (WEC), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act and the Company commenced business in July 2008. WEC held approximately 55% and 62% of the ownership interest in the Company as of December 31, 2020 and 2019, respectively.

The Company’s shares have been listed on the Taiwan Stock Exchange since September 27, 2010.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s Board of Directors and authorized for issue on February 18, 2021.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financing Reporting Interpretation Committee (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

#### Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to “could reasonably be expected to influence” and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

#### Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. Related accounting policies are stated in Note 4. Prior to the application of the amendment, the Group shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

| <b>New IFRSs</b>                                                                                    | <b>Effective Date<br/>Announced by IASB</b>         |
|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”                    | Effective immediately upon promulgation by the IASB |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2” | January 1, 2021                                     |

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

| <b>New IFRSs</b>                                                                                                         | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| “Annual Improvements to IFRS Standards 2018-2020”                                                                        | January 1, 2022 (Note 2)                             |
| Amendments to IFRS 3 “Reference to the Conceptual Framework”                                                             | January 1, 2022 (Note 3)                             |
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture” | To be determined by IASB                             |
| IFRS 17 “Insurance Contracts”                                                                                            | January 1, 2023                                      |
| Amendments to IFRS 17                                                                                                    | January 1, 2023                                      |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”                                            | January 1, 2023                                      |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”                                      | January 1, 2022 (Note 4)                             |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”                                                 | January 1, 2022 (Note 5)                             |

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by

the FSC.

### Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets, that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Subsidiary included in the consolidated financial statements:

| Investor    | Investee                                                                            | Main Business                                                                                              | % of Ownership                                                                                           |      |
|-------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|------|
|             |                                                                                     |                                                                                                            | 2020                                                                                                     | 2019 |
| The Company | Nuvoton Electronics Technology (H.K.) Limited (“NTHK”)                              | Sales of semiconductor                                                                                     | 100                                                                                                      | 100  |
|             | Marketplace Management Limited (“MML”)                                              | Investment holding                                                                                         | 100                                                                                                      | 100  |
|             | Nuvoton Investment Holding Ltd. (“NIH”)                                             | Investment holding                                                                                         | 100                                                                                                      | 100  |
|             | Song Yong Investment Corporation (“SYI”)                                            | Investment holding                                                                                         | 100                                                                                                      | 100  |
|             | Nuvoton Technology India Private Limited (“NTIPL”)                                  | Design, sales and after-sales service of semiconductor                                                     | 100                                                                                                      | 100  |
|             | Nuvoton Technology Corporation America (“NTCA”)                                     | Design, sales and after-sales service of semiconductor                                                     | 100                                                                                                      | 100  |
|             | Nuvoton Technology Holding Japan (“NTHJ”) (Note1)                                   | Investment holding                                                                                         | 100                                                                                                      | -    |
|             | Nuvoton Technology Singapore Pte. Ltd (“NTSPL”)                                     | Design, sales and after-sales service of semiconductor                                                     | 100                                                                                                      | -    |
|             | Nuvoton Technology Korea Limited (“NTKR”)                                           | Design, sales and after-sales service of semiconductor                                                     | 100                                                                                                      | -    |
|             | NTHK                                                                                | Nuvoton Electronics Technology (Shenzhen) Limited (“NTSZ”)                                                 | Computer software service (except I.C. design), wholesale business for computer, supplement and software | 100  |
| MML         | Goldbond LLC (“GLLC”)                                                               | Investment holding                                                                                         | 100                                                                                                      | 100  |
| GLLC        | Nuvoton Electronics Technology (Shanghai) Limited (“NTSH”)                          | Provides projects for sale in China and repairing, testing and consulting of software and leasing business | 100                                                                                                      | 100  |
|             | Winbond Electronics (Nanjing) Ltd. (“WENJ”)                                         | Computer software service (except I.C. design)                                                             | 100                                                                                                      | 100  |
| NIH         | Nuvoton Technology Israel Ltd. (“NTIL”)                                             | Design and service of semiconductor                                                                        | 100                                                                                                      | 100  |
| NTHJ        | Nuvoton Technology Corporation Japan (“NTCJ”, former PSCS company) (Note1)          | Design, sales and after-sales service of semiconductor                                                     | 100                                                                                                      | -    |
| NTCJ        | Atfields Manufacturing Technology Corporation (“AMTC”, former PIDE company) (Note1) | Design and service of semiconductor                                                                        | 100                                                                                                      | -    |
| NTCJ        | Miraxia Edge Technology Corporation (“METC”, former PIDST company) (Note1)          | Design and service of semiconductor                                                                        | 100                                                                                                      | -    |

Note 1: The Group acquired the semiconductor business of Panasonic Corporation on September 1, 2020 and held NTHJ, NTCJ (formerly “PSCS”), AMTC (formerly “PIDE”), and METC (formerly “PIDST”) with 100% ownership, refer to Note 27.

## **Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

## **Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gains on bargain purchases. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed 1 year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity and included in capital surplus - options is not remeasured at the end of the subsequent reporting period and its subsequent settlement is accounted for within equity and transferred to capital surplus - share premiums. Other contingent consideration is remeasured at fair value at the end of subsequent reporting period with any gain or loss recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the

accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

### **Foreign Currencies**

The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's foreign currencies are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement are recognized in profit or loss in the period they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, and exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

### **Cash Equivalents**

Cash equivalents include time deposits and investments, highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

### **Financial Instruments**

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities other than financial assets and financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

#### **a. Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis, except derivative financial assets which are recognized and derecognized on settlement date basis.

### Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

#### 1) Financial asset at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 29.

#### 2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

#### 3) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the

Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

#### Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivable).

The Group always recognizes lifetime Expected Credit Loss (ECL) on accounts receivable. On all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

#### Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

#### b. Financial liabilities

##### a) Subsequent measurement

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL. Financial liabilities at fair value through profit or loss are stated at fair value, with any interest paid on such financial liabilities is recognized in finance costs, and any gains or losses arising on remeasurement recognized in profit or loss.

Other financial liabilities are measured at amortized cost using the effective interest method.

##### b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

#### c. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and cross-currency swaps.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

d. Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

## **Inventories**

Inventories consist of raw materials, supplies, finished goods and work-in-process. The cost of raw materials and supplies are recognized using moving-average method and finished goods and work-in-process are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Inventories are stated at the lower of cost or net realizable value; evaluation and recognition of appropriate allowance for value decline are based on the amount of inventories and sales situation. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

## **Property, Plant and Equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method over the following estimated useful life after considering residual values: buildings 8-20 years, machinery and equipment 3-5 years and other equipment

5 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

### **Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss, and depreciated over 20 years useful life after considering residual values, using the straight-line method. On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

### **Intangible Assets**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line method over the following estimated useful life of the assets: Deferred technical assets - economic life or contract period and other intangible assets 3-5 years. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

### **Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the reversed carrying amount should not exceed the carrying amount (after amortization or depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

### **Products Guarantee Based on Commitment**

The Group will estimate guarantee provision by using appropriate ratio at the time the related product is sold.

### **Revenue Recognition**

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods is mainly recognized when a customer obtains control of promised goods, at which time the goods are delivered to the customer's specific location and performance obligation is satisfied.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience and on the consideration of varying contractual terms affecting the recognition of a provision, which is classified under other non-current liabilities.

## **Leases**

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

### **a. The Group as lessor**

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs, and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Under operating lease, lease payments (less any lease incentives payable) are recognized as income on a straight-line basis over the terms of the relevant lease. Initial direct costs incurred in obtaining operating lease are added to the carrying amount of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

### **b. The Group as lessee**

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the

earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease substantially less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

## **Employee Benefits**

### **a. Short-term employee benefits**

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### **b. Retirement benefits**

Payments to defined contribution retirement benefit plans are recognized as expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets excluding interest, is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

## **Share-based payment arrangements**

Cash-settled share-based payment is a liability in which the entity receives goods or services and the fair value of the amount payable is initially measured at cost. The amount is remeasured at each reporting date and at settlement based on the fair value. Any changes in the liabilities are recognized in profit or loss, with a corresponding adjustment to capital surplus - employee share options.

## **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

### **a. Current tax**

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

### **b. Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and it is remeasured at the end of each reporting period and recognized to the extent that it has become probable that there will be future taxable profit.

Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## **6. CASH AND CASH EQUIVALENTS**

|                                               | <b>December 31</b>  |                     |
|-----------------------------------------------|---------------------|---------------------|
|                                               | <b>2020</b>         | <b>2019</b>         |
| Cash and deposits in banks                    | \$ 4,898,733        | \$ 4,650,223        |
| Repurchase agreements collateralized by bonds | <u>983,000</u>      | <u>209,000</u>      |
|                                               | <u>\$ 5,881,733</u> | <u>\$ 4,859,223</u> |

- a. The Group has time deposits pledged to secure land leases, customs tariff obligations and borrowings which are reclassified as “refundable deposits” as follows:

|               | <u>December 31</u> |                  |
|---------------|--------------------|------------------|
|               | <u>2020</u>        | <u>2019</u>      |
| Time deposits | <u>\$ 636,102</u>  | <u>\$ 75,988</u> |

- b. The Group has time deposits which are not held for the purpose of meeting short-term cash commitments and are reclassified to “other receivables” as follows (Note 9):

|               | <u>December 31</u> |                   |
|---------------|--------------------|-------------------|
|               | <u>2020</u>        | <u>2019</u>       |
| Time deposits | <u>\$ 197,489</u>  | <u>\$ 447,725</u> |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|                                            | <u>December 31</u> |                 |
|--------------------------------------------|--------------------|-----------------|
|                                            | <u>2020</u>        | <u>2019</u>     |
| <u>Financial assets at FVTPL - current</u> |                    |                 |
| Foreign exchange forward contracts         | \$ -               | \$ 6,037        |
| Cross-currency swap contracts              | 4,128              | -               |
| Right of redemption of convertible bonds   | <u>9,095</u>       | <u>-</u>        |
|                                            | <u>\$ 13,223</u>   | <u>\$ 6,037</u> |

|                                                 | <u>December 31</u> |             |
|-------------------------------------------------|--------------------|-------------|
|                                                 | <u>2020</u>        | <u>2019</u> |
| <u>Financial liabilities at FVTPL - current</u> |                    |             |
| Foreign exchange forward contracts              | <u>\$ 3,191</u>    | <u>\$ -</u> |

At the end of the year, the outstanding foreign exchange forward contracts not under hedge accounting were as follows:

|                                 | <b>Currencies</b> | <b>Maturity Date</b>  | <b>Contract Amount<br/>(In Thousands)</b> |
|---------------------------------|-------------------|-----------------------|-------------------------------------------|
| <u>December 31, 2020</u>        |                   |                       |                                           |
| Sell forward exchange contracts | USD/NTD           | 2021.01.21-2021.02.25 | USD21,000/NTD594,889                      |
| Cross-currency swap contracts   | USD/NTD           | 2021.01.22            | USD16,000/NTD459,808                      |
| <u>December 31, 2019</u>        |                   |                       |                                           |
| Sell forward exchange contracts | USD/NTD           | 2020.01.03-2020.03.05 | USD20,000/NTD604,050                      |

The Group entered into foreign exchange forward and cross-currency swap contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. These forward exchange and cross-currency swap contracts did not meet the criteria for hedge accounting, therefore, the Group did not apply hedge accounting treatment.

## 8. NOTES AND ACCOUNTS RECEIVABLE

|                                                        | <u>December 31</u>  |                     |
|--------------------------------------------------------|---------------------|---------------------|
|                                                        | <b>2020</b>         | <b>2019</b>         |
| <u>Notes receivable</u>                                | \$ -                | \$ 21               |
| <u>Accounts receivable (including related parties)</u> |                     |                     |
| At amortized cost                                      |                     |                     |
| Gross carrying amount                                  | \$ 4,271,490        | \$ 1,100,661        |
| Less: Allowance for impairment loss                    | <u>(25,097)</u>     | <u>(22,566)</u>     |
|                                                        | <u>\$ 4,246,393</u> | <u>\$ 1,078,116</u> |

The average credit period of sales of goods was 30-60 days. No interest was charged on accounts receivable. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by financial department annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the customer and the customer's current financial position, adjusted for economic conditions of the industry in which the customer operates, as well as the GDP forecast and industry outlooks. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

The Group writes off a accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

### December 31, 2020

|                               | <b>Not Overdue</b>  | <b>Overdue<br/>under 30 Days</b> | <b>Overdue<br/>31-90 Days</b> | <b>Overdue<br/>91-180 Days</b> | <b>Over 180 Days</b> | <b>Total</b>        |
|-------------------------------|---------------------|----------------------------------|-------------------------------|--------------------------------|----------------------|---------------------|
| Expected credit loss rate     | 0.1-2%              | 2%                               | 10%                           | 20%                            | 50%                  |                     |
| Gross carrying amount         | \$ 4,250,939        | \$ 3,931                         | \$ -                          | \$ 16,620                      | \$ -                 | \$ 4,271,490        |
| Loss allowance (lifetime ECL) | <u>(21,694)</u>     | <u>(79)</u>                      | <u>-</u>                      | <u>(3,324)</u>                 | <u>-</u>             | <u>(25,097)</u>     |
| Amortized cost                | <u>\$ 4,229,245</u> | <u>\$ 3,852</u>                  | <u>\$ -</u>                   | <u>\$ 13,296</u>               | <u>\$ -</u>          | <u>\$ 4,246,393</u> |

December 31, 2019

|                               | Not Overdue         | Overdue<br>under 30 Days | Overdue<br>31-90 Days | Overdue<br>91-180 Days | Over 180 Days | Total               |
|-------------------------------|---------------------|--------------------------|-----------------------|------------------------|---------------|---------------------|
| Expected credit loss rate     | 2%                  | 2%                       | 10%                   | 20%                    | 50%           |                     |
| Gross carrying amount         | \$ 1,093,869        | \$ 6,813                 | \$ -                  | \$ -                   | \$ -          | \$ 1,100,682        |
| Loss allowance (lifetime ECL) | <u>(22,430)</u>     | <u>(136)</u>             | <u>-</u>              | <u>-</u>               | <u>-</u>      | <u>(22,566)</u>     |
| Amortized cost                | <u>\$ 1,071,439</u> | <u>\$ 6,677</u>          | <u>\$ -</u>           | <u>\$ -</u>            | <u>\$ -</u>   | <u>\$ 1,078,116</u> |

The movements of the loss allowance of notes and accounts receivable were as follows:

|                                                 | <u>For the Year Ended December 31</u> |                  |
|-------------------------------------------------|---------------------------------------|------------------|
|                                                 | <u>2020</u>                           | <u>2019</u>      |
| Balance at January 1                            | \$ 22,566                             | \$ 20,499        |
| Add: Acquired through business combinations     | 806                                   | -                |
| Add: Net remeasurement of loss allowance        | 2,066                                 | 2,257            |
| Effect of foreign currency exchange differences | <u>(341)</u>                          | <u>(190)</u>     |
| Balance at December 31                          | <u>\$ 25,097</u>                      | <u>\$ 22,566</u> |

The Group's provision for losses on accounts receivable was recognized on a collective basis.

Refer to Note 29 for details of the factoring agreements for accounts receivable.

**9. OTHER RECEIVABLES**

|                                              | <u>December 31</u> |                   |
|----------------------------------------------|--------------------|-------------------|
|                                              | <u>2020</u>        | <u>2019</u>       |
| Receivables for acquisition price adjustment | \$ 520,890         | \$ -              |
| Royalty receivable                           | 425,453            | -                 |
| Business tax refund receivable               | 165,647            | 34,611            |
| Time deposits (Note 6)                       | 197,489            | 447,725           |
| Technical service receivable                 | 156,641            | -                 |
| Others                                       | <u>243,931</u>     | <u>14,545</u>     |
|                                              | <u>\$1,710,051</u> | <u>\$ 496,881</u> |

**10. INVENTORIES**

|                            | <u>December 31</u>  |                     |
|----------------------------|---------------------|---------------------|
|                            | <u>2020</u>         | <u>2019</u>         |
| Raw materials and supplies | \$ 301,764          | \$ 105,937          |
| Work-in-process            | 4,008,947           | 1,181,653           |
| Finished goods             | 1,934,294           | 308,869             |
| Inventories in transit     | <u>5,126</u>        | <u>8,199</u>        |
|                            | <u>\$ 6,250,131</u> | <u>\$ 1,604,658</u> |

- As of December 31, 2020 and 2019, the allowance for inventory value decline was NT\$356,915 thousand and NT\$362,717 thousand, respectively.
- The operating cost for the years ended December 31, 2020 and 2019 was NT\$12,961,144 thousand and NT\$6,239,380 thousand, respectively. The inventory write-downs, obsolescence and abandonment of inventories for the years ended December 31, 2020 and 2019 were NT\$60,828 thousand and

NT\$58,550 thousand, respectively.

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI:

|                                                   | <b>December 31</b>  |                     |
|---------------------------------------------------|---------------------|---------------------|
|                                                   | <b>2020</b>         | <b>2019</b>         |
| Listed shares and emerging market shares          |                     |                     |
| Nyquest Technology Co., Ltd.                      | \$ 80,685           | \$ 60,720           |
| Brightek Optoelectronic Co., Ltd.                 | 894                 | 485                 |
| Tower Semiconductor Ltd.                          | 232,110             | -                   |
| Unlisted shares                                   |                     |                     |
| United Industrial Gases Co., Ltd.                 | 396,000             | 440,000             |
| Yu-Ji Venture Capital Co., Ltd.                   | 14,479              | 16,605              |
| Autotalks Ltd. - Preferred E. Share               | 569,600             | 599,600             |
| Tower Partners Semiconductor Co., Ltd. ( TPSCo. ) | 512,812             | -                   |
| Symetrix Corporation - Preferred A. Share         | -                   | -                   |
|                                                   | <u>\$ 1,806,580</u> | <u>\$ 1,117,410</u> |

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In 2020 and 2019, the Group sold part of its shares in Tower Semiconductor Ltd. and Nyquest Technology Co., Ltd. in order to manage credit concentration risk. The shares sold had a fair value of NT\$401,356 thousand and NT\$87,266 thousand, respectively. Their related unrealized valuation gain of NT\$82,399 and NT\$49,703 thousand was transferred from other equity to retained earnings. Refer to Note 21 for related information.

Dividends of NT\$67,746 and NT\$70,529 thousand were recognized during 2020 and 2019, respectively. The dividends related to investments derecognized during 2020 and 2019 were NT\$0 and NT\$4,006 thousand, respectively, and those related to investments held at December 31, 2020 and 2019 were NT\$67,746 thousand and NT\$66,523 thousand, respectively.

In September, 2020, the Company acquired the Preferred A Share of the Symetrix Corporation through the combination of Panasonic semiconductor business. The entitled rights of the Preferred A Share were as follows:

- a. Each Preferred A Shares grants its holder a number of votes equal to the number of votes per Ordinary Share.
- b. In the event of liquidation, the Preferred A Shares shall be prior to Ordinary Shares.
- c. The investor shall have the right to nominate board directors.
- d. The conversion rights (Each Preferred A share converts ten Ordinary Shares).

In August 2019, the Company resolved to invest in the Preferred E Share of the non-related party communication chip maker in Israel, Autotalks Ltd. The entitled rights of the Preferred E Share were as follows:

- a. Each Preferred E Shares grants its holder a number of votes equal to the number of votes per Ordinary Share.

- b. In the event of liquidation, the Preferred E Shares shall be prior to all other equity securities of Autotalks Ltd.
- c. The holders of the Preferred E Shares shall be entitled to receive non-cumulative cash dividends at the rate of eight percent.
- d. The investors shall have the right to appoint one non-voting observer (“Observer”) to attend Autotalks Ltd.’s board meetings.
- e. The holders of the Preferred E Shares shall be entitled to preemptive right with respect to future issuance of new securities of Autotalks Ltd.
- f. The investors have the rights to obtain the annual financial statements, quarterly financial statements and etc.

## 12. PROPERTY, PLANT AND EQUIPMENT

|                                                                    |                  | <u>December 31</u> |                                    |                                                                                           |                   |                   |
|--------------------------------------------------------------------|------------------|--------------------|------------------------------------|-------------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                    |                  | <u>2020</u>        |                                    |                                                                                           | <u>2019</u>       |                   |
| Land                                                               |                  | \$2,203,639        |                                    |                                                                                           | \$ -              |                   |
| Buildings                                                          |                  | 2,374,032          |                                    |                                                                                           | 189,755           |                   |
| Machinery and equipment                                            |                  | 1,574,487          |                                    |                                                                                           | 465,033           |                   |
| Other equipment                                                    |                  | 256,600            |                                    |                                                                                           | 104,117           |                   |
| Construction in progress and prepayments for purchase of equipment |                  | <u>138,349</u>     |                                    |                                                                                           | <u>1,416</u>      |                   |
|                                                                    |                  | <u>\$6,547,107</u> |                                    |                                                                                           | <u>\$ 760,321</u> |                   |
|                                                                    |                  |                    |                                    |                                                                                           |                   |                   |
|                                                                    |                  |                    |                                    | <b>Construction in<br/>Progress and<br/>Prepayments for<br/>Purchase of<br/>Equipment</b> |                   |                   |
|                                                                    | <b>Land</b>      | <b>Buildings</b>   | <b>Machinery and<br/>Equipment</b> | <b>Other<br/>Equipment</b>                                                                | <b>Total</b>      |                   |
| <u>Cost</u>                                                        |                  |                    |                                    |                                                                                           |                   |                   |
| Balance at January 1,<br>2020                                      | \$ -             | \$ 3,662,145       | \$ 11,557,247                      | \$ 405,918                                                                                | \$ 1,416          | \$ 15,626,726     |
| Additions                                                          | -                | 48,810             | 141,324                            | 75,791                                                                                    | 136,484           | 402,409           |
| Acquired through<br>business combinations                          | 2,223,578        | 19,911,591         | 52,834,858                         | 3,543,897                                                                                 | 110,089           | 78,624,013        |
| Disposals                                                          | -                | (9,672)            | (903,884)                          | (160,157)                                                                                 | -                 | (1,073,713)       |
| Reclassified                                                       | -                | 3,387              | 74,474                             | (3,968)                                                                                   | (73,893)          | -                 |
| Effects of foreign<br>currency exchange<br>differences             | <u>(19,939)</u>  | <u>(178,572)</u>   | <u>(453,848)</u>                   | <u>(30,225)</u>                                                                           | <u>(1,276)</u>    | <u>(683,860)</u>  |
| Balance at December 31,<br>2020                                    | <u>2,203,639</u> | <u>23,437,689</u>  | <u>63,250,171</u>                  | <u>3,831,256</u>                                                                          | <u>172,820</u>    | <u>92,895,575</u> |
| <u>Accumulated<br/>depreciation and<br/>impairment</u>             |                  |                    |                                    |                                                                                           |                   |                   |
| Balance at January 1,<br>2020                                      | -                | 3,472,390          | 11,092,214                         | 301,801                                                                                   | -                 | 14,866,405        |
| Disposals                                                          | -                | (9,543)            | (900,382)                          | (157,337)                                                                                 | -                 | (1,067,262)       |
| Depreciation expense                                               | -                | 91,828             | 214,766                            | 75,107                                                                                    | -                 | 381,701           |
| Acquired through<br>business combinations                          | -                | 17,667,303         | 51,732,718                         | 3,384,282                                                                                 | 36,176            | 72,820,479        |
| Reclassified                                                       | -                | -                  | 1,388                              | -                                                                                         | (1,388)           | -                 |
| Effects of foreign<br>currency exchange<br>differences             | <u>-</u>         | <u>(158,321)</u>   | <u>(465,020)</u>                   | <u>(29,197)</u>                                                                           | <u>(317)</u>      | <u>(652,855)</u>  |

(Continued)

|                                                  | Land                | Buildings           | Machinery and Equipment | Other Equipment   | Construction in Progress and Prepayments for Purchase of Equipment | Total               |
|--------------------------------------------------|---------------------|---------------------|-------------------------|-------------------|--------------------------------------------------------------------|---------------------|
| Balance at December 31, 2020                     | \$ -                | \$ 21,063,657       | \$ 61,675,684           | \$ 3,574,656      | \$ 34,471                                                          | \$ 86,348,468       |
| Carrying amounts at December 31, 2020            | <u>\$ 2,203,639</u> | <u>\$ 2,374,032</u> | <u>\$ 1,574,487</u>     | <u>\$ 256,600</u> | <u>\$ 138,349</u>                                                  | <u>\$ 6,547,107</u> |
| <u>Cost</u>                                      |                     |                     |                         |                   |                                                                    |                     |
| Balance at January 1, 2019                       | \$ -                | \$ 3,649,663        | \$ 11,403,272           | \$ 381,190        | \$ -                                                               | \$ 15,434,125       |
| Additions                                        | -                   | 16,446              | 172,191                 | 48,188            | 1,416                                                              | 238,241             |
| Disposals                                        | -                   | (3,964)             | (45,210)                | (2,664)           | -                                                                  | (51,838)            |
| Reclassified                                     | -                   | -                   | 23,735                  | (23,735)          | -                                                                  | -                   |
| Effects of foreign currency exchange differences | -                   | -                   | 3,259                   | 2,939             | -                                                                  | 6,198               |
| Balance at December 31, 2019                     | -                   | 3,662,145           | 11,557,247              | 405,918           | 1,416                                                              | 15,626,726          |
| <u>Accumulated depreciation and impairment</u>   |                     |                     |                         |                   |                                                                    |                     |
| Balance at January 1, 2019                       | -                   | 3,450,850           | 11,009,989              | 275,369           | -                                                                  | 14,736,208          |
| Disposals                                        | -                   | (3,964)             | (45,158)                | (2,545)           | -                                                                  | (51,667)            |
| Depreciation expense                             | -                   | 25,504              | 124,974                 | 28,395            | -                                                                  | 178,873             |
| Reclassified                                     | -                   | -                   | -                       | -                 | -                                                                  | -                   |
| Effects of foreign currency exchange differences | -                   | -                   | 2,409                   | 582               | -                                                                  | 2,991               |
| Balance at December 31, 2019                     | -                   | 3,472,390           | 11,092,214              | 301,801           | -                                                                  | 14,866,405          |
| Carrying amounts at December 31, 2019            | <u>\$ -</u>         | <u>\$ 189,755</u>   | <u>\$ 465,033</u>       | <u>\$ 104,117</u> | <u>\$ 1,416</u>                                                    | <u>\$ 760,321</u>   |

(Concluded)

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

|                                        | <u>December 31</u>                    |                   |
|----------------------------------------|---------------------------------------|-------------------|
|                                        | <u>2020</u>                           | <u>2019</u>       |
| <u>Carrying amounts</u>                |                                       |                   |
| Land                                   | \$ 198,547                            | \$ 226,581        |
| Buildings                              | 326,004                               | 333,255           |
| Machinery and Equipment                | 940,671                               | -                 |
| Other equipment                        | <u>33,666</u>                         | <u>40,452</u>     |
|                                        | <u>\$1,498,888</u>                    | <u>\$ 600,288</u> |
|                                        | <u>For the Year Ended December 31</u> |                   |
|                                        | <u>2020</u>                           | <u>2019</u>       |
| Additions to right-of-use assets       | <u>\$ 73,933</u>                      | <u>\$ 117,417</u> |
| Acquired through business combinations | <u>\$ 997,787</u>                     | <u>\$ -</u>       |

(Continued)

|                                                                               | <b>For the Year Ended December 31</b> |                                  |
|-------------------------------------------------------------------------------|---------------------------------------|----------------------------------|
|                                                                               | <b>2020</b>                           | <b>2019</b>                      |
| Depreciation for right-of-use assets                                          |                                       |                                  |
| Land                                                                          | \$ 25,211                             | \$ 25,408                        |
| Buildings                                                                     | 91,830                                | 72,722                           |
| Machinery and Equipment                                                       | 24,792                                | -                                |
| Other equipment                                                               | <u>20,203</u>                         | <u>8,669</u>                     |
|                                                                               | <u>\$ 162,036</u>                     | <u>\$ 106,799</u>                |
| Income from the subleasing of right-of-use assets (presented in other income) | <u>\$ (7,010)</u>                     | <u>\$ (7,600)</u><br>(Concluded) |

b. Lease liabilities

|                         | <b>December 31</b> |                   |
|-------------------------|--------------------|-------------------|
|                         | <b>2020</b>        | <b>2019</b>       |
| <u>Carrying amounts</u> |                    |                   |
| Current                 | <u>\$ 300,067</u>  | <u>\$ 114,308</u> |
| Non-current             | <u>\$1,474,041</u> | <u>\$ 452,715</u> |

Range of discount rate for lease liabilities was as follows:

|                         | <b>December 31</b> |             |
|-------------------------|--------------------|-------------|
|                         | <b>2020</b>        | <b>2019</b> |
| Land                    | 1.76%-2.06%        | 1.76%-2.06% |
| Buildings               | 0.33%-3.75%        | 1.44%-3.75% |
| Machinery and Equipment | 0.33%-0.80%        | -           |
| Other equipment         | 0.33%-3.61%        | 0.73%-3.61% |

For the year ended December 31, 2020 and 2019, the interest expense under lease liabilities amounted to \$14,007 thousand and \$11,361 thousand, respectively.

c. Material lease-in activities and terms

The Group leases low-voltage protection equipment from others in Japan, and the lease term will expire in 2021 to 2035 years.

The Group leased parcels of land from Science Park Administration, and the lease term will expire in December 2027, which can be extended after the expiration of the lease periods.

The Group leased parcels of land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which is allowed to extend after the expiration of lease. The chairman of the Company, is a joint guarantor of such lease (refer to Note 30).

The Group leased some of the offices in the United States, China, Israel, India, Korea and Taiwan, and the lease terms will expire between 2020 and 2026 which can be extended after the expiration of the lease periods.

d. Subleases

The Group subleases its right-of-use assets for buildings under operating leases with lease terms between 1 and 5 years.

The maturity analysis of lease payments receivable under operating subleases was as follows:

|                | <b>December 31</b> |                  |
|----------------|--------------------|------------------|
|                | <b>2020</b>        | <b>2019</b>      |
| Year 1         | \$ 6,816           | \$ 6,244         |
| Year 2         | 5,041              | 5,795            |
| Year 3         | 1,224              | 5,881            |
| Year 4         | -                  | 1,985            |
| Year 5         | -                  | -                |
| Year 6 onwards | -                  | -                |
|                | <u>\$ 13,081</u>   | <u>\$ 19,905</u> |

To reduce the residual asset risk related to the subleased asset at the end of the relevant sublease, the lease contract between the Group and the lessee includes the receipt of the deposits and the compensation for damage due to the lack of management and maintenance.

e. Other lease information

|                                        | <b>For the Year Ended December 31</b> |                     |
|----------------------------------------|---------------------------------------|---------------------|
|                                        | <b>2020</b>                           | <b>2019</b>         |
| Expenses relating to short-term leases | <u>\$ 133,468</u>                     | <u>\$ 13,493</u>    |
| Total cash outflow for leases          | <u>\$ (332,380)</u>                   | <u>\$ (125,190)</u> |

The Group leases certain buildings and transportation equipment which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

Lease-out arrangements under operating leases for investment properties are set out in Note 14.

**14. INVESTMENT PROPERTIES**

|                            | <b>December 31</b> |                  |
|----------------------------|--------------------|------------------|
|                            | <b>2020</b>        | <b>2019</b>      |
| Investment properties, net | <u>\$2,466,667</u> | <u>\$ 44,207</u> |

The Group acquired investment properties through business combinations in Niigata and Toyama, Japan on September 1, 2020. The fair value of investment properties was NT\$2,503,591 thousand on the purchase price allocation report. The Group's management team evaluated the fair value of investment properties and determined that the fair value of the investment properties had not changed significantly, compared to the fair value of the investment properties as of December 31, 2020.

The remaining investment properties are located in Shenzhen, China. As of December 31, 2020 and 2019, the fair value of such investment properties was both approximately NT\$200,000 thousand, which used as reference the neighboring area transactions.

|                                                  | <b>December 31</b> |                  |
|--------------------------------------------------|--------------------|------------------|
|                                                  | <b>2020</b>        | <b>2019</b>      |
| <u>Cost</u>                                      |                    |                  |
| Balance at January 1                             | \$ 98,511          | \$ 102,333       |
| Acquired through business combinations           | 9,072,159          | -                |
| Effects of foreign currency exchange differences | <u>(79,702)</u>    | <u>(3,822)</u>   |
| Balance at December 31                           | <u>9,090,968</u>   | <u>98,511</u>    |
| <u>Accumulated depreciation and impairment</u>   |                    |                  |
| Balance at January 1                             | 54,304             | 51,806           |
| Acquired through business combinations           | 6,568,568          | -                |
| Depreciation expense                             | 59,248             | 4,605            |
| Effects of foreign currency exchange differences | <u>(57,819)</u>    | <u>(2,107)</u>   |
| Balance at December 31                           | <u>6,624,301</u>   | <u>54,304</u>    |
| Carrying amount at December 31                   | <u>\$2,466,667</u> | <u>\$ 44,207</u> |

The investment properties were leased out for 3 to 5 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2020 was as follows:

|                 | <b>December 31</b> |                  |
|-----------------|--------------------|------------------|
|                 | <b>2020</b>        | <b>2019</b>      |
| Year 1          | \$ 265,390         | \$ 7,832         |
| Year 2          | 203,485            | 4,120            |
| Year 3          | 178,214            | 2,270            |
| Year 4          | 159,218            | -                |
| Year 5          | 102,231            | -                |
| Year 6 on wards | <u>741,175</u>     | <u>-</u>         |
|                 | <u>\$1,649,713</u> | <u>\$ 14,222</u> |

To reduce the residual asset risk related to the subleased asset at the end of the relevant sublease, the lease contract between the Group and the lessee includes the receipt of the deposits and the compensation for damage due to the lack of management and maintenance.

## 15. INTANGIBLE ASSETS

|                           | <b>December 31</b> |                   |
|---------------------------|--------------------|-------------------|
|                           | <b>2020</b>        | <b>2019</b>       |
| Deferred technical assets | \$ 537,497         | \$ 260,837        |
| Other intangible assets   | <u>265,194</u>     | <u>393</u>        |
|                           | <u>\$ 802,691</u>  | <u>\$ 261,230</u> |

|                                                  | <b>Deferred<br/>Technical Assets</b> | <b>Other<br/>Intangible<br/>Assets</b> | <b>Total</b>      |
|--------------------------------------------------|--------------------------------------|----------------------------------------|-------------------|
| <u>Cost</u>                                      |                                      |                                        |                   |
| Balance at January 1, 2020                       | \$ 1,202,455                         | \$ 3,426                               | \$ 1,205,881      |
| Additions                                        | 435,378                              | 203,101                                | 638,479           |
| Acquired through business combinations           | -                                    | 1,200,865                              | 1,200,865         |
| Disposals                                        | -                                    | (35,705)                               | (35,705)          |
| Effects of foreign currency exchange differences | <u>2,410</u>                         | <u>(10,718)</u>                        | <u>(8,308)</u>    |
| Balance at December 31, 2020                     | <u>1,640,243</u>                     | <u>1,360,969</u>                       | <u>3,001,212</u>  |
| <u>Accumulated amortization and impairment</u>   |                                      |                                        |                   |
| Balance at January 1, 2020                       | 941,618                              | 3,033                                  | 944,651           |
| Disposals                                        | -                                    | (34,969)                               | (34,969)          |
| Amortization expense                             | 159,518                              | 19,995                                 | 179,513           |
| Acquired through business combinations           | -                                    | 1,117,819                              | 1,117,819         |
| Effects of foreign currency exchange differences | <u>1,610</u>                         | <u>(10,103)</u>                        | <u>(8,493)</u>    |
| Balance at December 31, 2020                     | <u>1,102,746</u>                     | <u>1,095,775</u>                       | <u>2,198,521</u>  |
| Carrying amounts at December 31, 2020            | <u>\$ 537,497</u>                    | <u>\$ 265,194</u>                      | <u>\$ 802,691</u> |
| <u>Cost</u>                                      |                                      |                                        |                   |
| Balance at January 1, 2019                       | \$ 1,043,189                         | \$ 3,558                               | \$ 1,046,747      |
| Additions                                        | 206,283                              | -                                      | 206,283           |
| Disposals                                        | (53,844)                             | -                                      | (53,844)          |
| Effects of foreign currency exchange differences | <u>6,827</u>                         | <u>(132)</u>                           | <u>6,695</u>      |
| Balance at December 31, 2019                     | <u>1,202,455</u>                     | <u>3,426</u>                           | <u>1,205,881</u>  |
| <u>Accumulated amortization and impairment</u>   |                                      |                                        |                   |
| Balance at January 1, 2019                       | 899,145                              | 2,848                                  | 901,993           |
| Disposals                                        | (53,844)                             | -                                      | (53,844)          |
| Amortization expense                             | 89,267                               | 302                                    | 89,569            |
| Effects of foreign currency exchange differences | <u>7,050</u>                         | <u>(117)</u>                           | <u>6,933</u>      |
| Balance at December 31, 2019                     | <u>941,618</u>                       | <u>3,033</u>                           | <u>944,651</u>    |
| Carrying amounts at December 31, 2019            | <u>\$ 260,837</u>                    | <u>\$ 393</u>                          | <u>\$ 261,230</u> |

## 16. BONDS PAYABLE

|                                      | <b>December 31</b> |             |
|--------------------------------------|--------------------|-------------|
|                                      | <b>2020</b>        | <b>2019</b> |
| Unsecured domestic convertible bonds | <u>\$1,207,820</u> | <u>\$ -</u> |

In May 2020, the Company issued 20 thousand units, \$100,000 per unit, 0% NTD-denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of \$2,000,000 thousand. The terms of issuance, amounts and interest rate as follows:

- a. The conversion price was set at \$39.9 per share at the time of issuance. When meeting certain criteria, adjustments on the conversion price are made in accordance with the terms and conditions. Since the Company issued ordinary shares in December 2020, the conversion price should be adjusted according to issuance and conversion measures, the conversion price was adjusted to \$38.2 since December 10, 2020.
- b. After the first three months of the issuance and forty days before the maturity date, if the closing price of the Company's common shares listed on the Taiwan Stock Exchange exceeds or equals 30% of the conversion price or the outstanding balance of the bonds is less than 10% in principal amount of the bonds originally outstanding for thirty consecutive business days, the Company may redeem the bonds in cash at the principal amount.
- c. After the bonds has been issued for over five years, the bondholders may request the Company to redeem the bonds at 106.41% of the principal amount (annual rate of return 1.25%). The right of the redemption was recognized as financial instruments at fair value through profit or loss - current. The fair value was \$9,095 thousand on December 31, 2020.
- d. Except for the bonds that have been redeemed, sold back, converted or bought back by the Company in the market, the principal will be repaid in cash upon maturity at a rate of 109.09% (annual rate of return 1.25% upon maturity).

The effective interest rate of the convertible bonds liability component was 1.22% per annum on initial recognition.

|                                                                     |                     |
|---------------------------------------------------------------------|---------------------|
| Proceeds from issuance (less transaction costs of \$6,426 thousand) | \$ 1,998,428        |
| The right of redemption                                             | <u>5,200</u>        |
| Liability component at the date of issue                            | 2,003,628           |
| Convertible bonds converted into ordinary shares                    | (809,516)           |
| Interest charged at an effective interest rate of 1.22%             | <u>13,708</u>       |
| Liability component at December 31, 2020                            | <u>\$ 1,207,820</u> |

## 17. BORROWINGS

- a. Short-term borrowings

|                                               | <u>December 31, 2020</u> |                    | <u>December 31, 2019</u> |             |
|-----------------------------------------------|--------------------------|--------------------|--------------------------|-------------|
|                                               | Interest Rate            | Amount             | Interest Rate            | Amount      |
| <u>Secured borrowings</u>                     |                          |                    |                          |             |
| Bank of Taiwan (Note 6)                       | 4.35%                    | \$1,544,910        | -                        | \$ -        |
| Chinatrust Commercial Bank Co., Ltd (Note 30) | 1.29%                    | <u>276,300</u>     | -                        | <u>-</u>    |
|                                               |                          | <u>\$1,821,210</u> |                          | <u>\$ -</u> |

The short-term borrowings of Chinatrust Commercial Bank Co., Ltd are secured and guaranteed by the parent company (refer to Note 30).

b. Long-term borrowings

|                               | Period                | Interest Rate | December 31        |                   |
|-------------------------------|-----------------------|---------------|--------------------|-------------------|
|                               |                       |               | 2020               | 2019              |
| <u>Unsecured borrowings</u>   |                       |               |                    |                   |
| The Export-Import Bank of ROC | 2019.09.20-2026.09.21 | 0.92%         | \$ 500,000         | \$ 500,000        |
| The Export-Import Bank of ROC | 2020.08.25-2027.08.25 | 0.92%         | <u>1,000,000</u>   | <u>-</u>          |
|                               |                       |               | <u>\$1,500,000</u> | <u>\$ 500,000</u> |

The proceeds of the Group's unsecured loan was invested in Autotalks Ltd and acquired Panasonic's semiconductor business in Japan.

18. OTHER PAYABLES

|                                           | December 31        |                   |
|-------------------------------------------|--------------------|-------------------|
|                                           | 2020               | 2019              |
| Payable for salaries or employee benefits | \$1,035,436        | \$ 367,537        |
| Payable for royalties                     | 421,639            | 129,494           |
| Payable for software                      | 320,223            | 58,540            |
| Payable for investment                    | 242,960            | -                 |
| Payable for purchase of equipment         | 131,281            | 93,619            |
| Payable for maintenance                   | 199,508            | 35,135            |
| Payable for utilities                     | 172,638            | -                 |
| Payable for service                       | 169,828            | 41,106            |
| Others                                    | <u>1,256,260</u>   | <u>225,627</u>    |
|                                           | <u>\$3,949,773</u> | <u>\$ 951,058</u> |

19. PROVISIONS

|                       | December 31        |                   |
|-----------------------|--------------------|-------------------|
|                       | 2020               | 2019              |
| <u>Current</u>        |                    |                   |
| Decommissioning costs | \$ 612,281         | \$ -              |
| Employee benefits     | <u>316,438</u>     | <u>-</u>          |
|                       | <u>\$ 928,719</u>  | <u>\$ -</u>       |
| <u>Non-current</u>    |                    |                   |
| Employee benefits     | \$1,765,833        | \$ -              |
| Decommissioning costs | 750,983            | -                 |
| Warranties            | <u>603,652</u>     | <u>101,891</u>    |
|                       | <u>\$3,120,468</u> | <u>\$ 101,891</u> |

|                                                  | <u>Decommissioning costs</u> | <u>Employee benefits</u> | <u>Warranties</u> | <u>Total</u>       |
|--------------------------------------------------|------------------------------|--------------------------|-------------------|--------------------|
| Balance at January 1, 2020                       | \$ -                         | \$ -                     | \$ 101,891        | \$ 101,891         |
| Acquired through business combinations           | 1,375,599                    | 2,098,249                | 506,301           | 3,980,149          |
| Effects of foreign currency exchange differences | <u>(12,335)</u>              | <u>(15,978)</u>          | <u>(4,540)</u>    | <u>(32,853)</u>    |
| Balance at December 31, 2020                     | <u>\$ 1,363,264</u>          | <u>\$ 2,082,271</u>      | <u>\$ 603,652</u> | <u>\$4,049,187</u> |

The Group acquired Panasonic’s semiconductor business in September 2020. Some fabs will be closed due to low capacity utilization, decommissioning costs and labor costs were accounted separately for decommissioning liabilities and employee benefits provision.

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group’s subsidiaries in the United States, Hong Kong, Israel, Japan, Korea, Singapore and China are members of a state-managed defined contribution plan implemented through the local government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

### b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average of monthly salaries of the 6 months before retirement. In 2020 and 2019, the Company contributed amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee of the Company. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The payables for employee turnover of NTIL are calculated on the basis of the length of service and the last monthly salary under a defined benefit plan.

The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

|                                              | <b>December 31</b>  |                    |
|----------------------------------------------|---------------------|--------------------|
|                                              | <b>2020</b>         | <b>2019</b>        |
| Present value of defined benefit obligation  | \$ 2,968,227        | \$ 1,444,939       |
| Fair value of plan assets                    | <u>(1,188,219)</u>  | <u>(1,157,374)</u> |
| Net defined benefit liabilities, non-current | <u>\$ 1,780,008</u> | <u>\$ 287,565</u>  |

Movements in net defined benefit liabilities (assets) were as follows:

|                                                                                                 | <b>Present Value of<br/>the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities<br/>(Assets)</b> |
|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------|
| Balance at January 1, 2019                                                                      | <u>\$ 1,282,657</u>                                                | <u>\$ (988,230)</u>                      | <u>\$ 294,427</u>                                           |
| Service cost                                                                                    |                                                                    |                                          |                                                             |
| Current service cost                                                                            | 37,909                                                             | -                                        | 37,909                                                      |
| Net interest expense (income)                                                                   | <u>27,098</u>                                                      | <u>(15,581)</u>                          | <u>11,517</u>                                               |
| Recognized in profit or loss                                                                    | <u>65,007</u>                                                      | <u>(15,581)</u>                          | <u>49,426</u>                                               |
| Remeasurement                                                                                   |                                                                    |                                          |                                                             |
| Actuarial (gain) loss - the discount rate<br>greater (less) than the realized rate of<br>return | -                                                                  | (19,854)                                 | (19,854)                                                    |
| Actuarial (gain) loss - changes in<br>demographic assumptions                                   | 398                                                                | -                                        | 398                                                         |
| Actuarial (gain) loss - changes in financial<br>assumptions                                     | 102,769                                                            | (42,426)                                 | 60,343                                                      |
| Actuarial (gain) loss - experience<br>adjustments                                               | <u>23,637</u>                                                      | <u>(8,194)</u>                           | <u>15,443</u>                                               |
| Recognized in other comprehensive income                                                        | <u>126,804</u>                                                     | <u>(70,474)</u>                          | <u>56,330</u>                                               |
| Contributions from the employer                                                                 | -                                                                  | (112,657)                                | (112,657)                                                   |
| Benefits paid                                                                                   | (51,951)                                                           | 51,951                                   | -                                                           |
| Effect of foreign currency exchange<br>differences                                              | <u>22,422</u>                                                      | <u>(22,383)</u>                          | <u>39</u>                                                   |
| Balance at December 31, 2019                                                                    | <u>1,444,939</u>                                                   | <u>(1,157,374)</u>                       | <u>287,565</u>                                              |
| Service cost                                                                                    |                                                                    |                                          |                                                             |
| Current service cost                                                                            | 37,017                                                             | -                                        | 37,017                                                      |
| Net interest expense (income)                                                                   | <u>19,566</u>                                                      | <u>(12,718)</u>                          | <u>6,848</u>                                                |
| Recognized in profit or loss                                                                    | <u>56,583</u>                                                      | <u>(12,718)</u>                          | <u>43,865</u>                                               |
| Remeasurement                                                                                   |                                                                    |                                          |                                                             |
| Actuarial (gain) loss - the discount rate<br>greater (less) than the realized rate of<br>return | -                                                                  | (22,052)                                 | (22,052)                                                    |
| Actuarial (gain) loss - changes in financial<br>assumptions                                     | 25,236                                                             | (2,995)                                  | 22,241                                                      |
| Actuarial (gain) loss - experience<br>adjustments                                               | <u>14,601</u>                                                      | <u>14,292</u>                            | <u>28,893</u>                                               |
| Recognized in other comprehensive income                                                        | <u>39,837</u>                                                      | <u>(10,755)</u>                          | <u>29,082</u>                                               |
| Contributions from the employer                                                                 | -                                                                  | (41,461)                                 | (41,461)                                                    |
| Benefits paid                                                                                   | (45,792)                                                           | 45,792                                   | -                                                           |
| Acquired through business combinations                                                          | 1,473,458                                                          | -                                        | 1,473,458                                                   |
| Effect of foreign currency exchange<br>differences                                              | <u>(798)</u>                                                       | <u>(11,703)</u>                          | <u>(12,501)</u>                                             |
| Balance at December 31, 2020                                                                    | <u>\$ 2,968,227</u>                                                | <u>\$ (1,188,219)</u>                    | <u>\$ 1,780,008</u>                                         |

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans were as follows:

|                                     | <b>For the Year Ended December 31</b> |                  |
|-------------------------------------|---------------------------------------|------------------|
|                                     | <b>2020</b>                           | <b>2019</b>      |
| Analysis by function                |                                       |                  |
| Operating cost                      | \$ 5,113                              | \$ 6,253         |
| Selling expenses                    | 98                                    | 103              |
| General and administrative expenses | 13,801                                | 7,571            |
| Research and development expenses   | <u>24,853</u>                         | <u>35,499</u>    |
|                                     | <u>\$ 43,865</u>                      | <u>\$ 49,426</u> |

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

|                                     | <b>December 31</b> |             |
|-------------------------------------|--------------------|-------------|
|                                     | <b>2020</b>        | <b>2019</b> |
| Discount rate(s)                    | 0.30%-2.50%        | 0.75%-4.18% |
| Expected rate(s) of salary increase | 1%-3.1%            | 1%-2.00%    |

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

|                                     | <b>December 31</b> |                    |
|-------------------------------------|--------------------|--------------------|
|                                     | <b>2020</b>        | <b>2019</b>        |
| Discount rate(s)                    |                    |                    |
| 0.25% increase                      | <u>\$ (33,068)</u> | <u>\$ (32,671)</u> |
| 0.25% decrease                      | <u>\$ 37,302</u>   | <u>\$ 37,019</u>   |
| Expected rate(s) of salary increase |                    |                    |
| 0.25% increase                      | <u>\$ 34,821</u>   | <u>\$ 33,724</u>   |
| 0.25% decrease                      | <u>\$ (29,927)</u> | <u>\$ (28,667)</u> |

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

|                                                        | <b>December 31</b> |                  |
|--------------------------------------------------------|--------------------|------------------|
|                                                        | <b>2020</b>        | <b>2019</b>      |
| Expected contributions to the plans for the next year  | \$ <u>60,369</u>   | \$ <u>51,326</u> |
| The average duration of the defined benefit obligation | 8.6-12.21 years    | 9-12.74 years    |

## 21. EQUITY

### a. Share capital

#### Ordinary Shares

|                                                       | <b>December 31</b>  |                     |
|-------------------------------------------------------|---------------------|---------------------|
|                                                       | <b>2020</b>         | <b>2019</b>         |
| Shares authorized (in thousands of shares)            | <u>500,000</u>      | <u>500,000</u>      |
| Shares authorized                                     | \$ <u>5,000,000</u> | \$ <u>5,000,000</u> |
| Shares issued and fully paid (in thousands of shares) | <u>375,962</u>      | <u>287,554</u>      |
| Shares issued and fully paid                          | \$ <u>3,759,616</u> | \$ <u>2,875,544</u> |
| Par value (in New Taiwan dollars)                     | \$ <u>10</u>        | \$ <u>10</u>        |

On August 21, 2020 and July 25, 2019, the Company's board of directors resolved to issue 80,000 thousand ordinary shares and 80,000 thousand ordinary shares with a par value of NT\$10 to repay bank loans and enhance working capital, respectively. On September 25, 2020 and August 26, 2019, the resolution was approved by the FSC, respectively. The consideration of NT\$38 and NT\$45 per share was determined by the chairman which was authorized by the board of directors of the Company, the subscription base date is December 10, 2020 and October 23, 2019, respectively. The associated issuance cost of \$8,832 thousand and \$6,494 thousand was deducted from capital surplus - additional paid-in capital, respectively.

In 2020, the Company's issued 20,839 thousand ordinary shares due to the conversion of unsecured convertible bonds, the registration of the 12,432 thousand ordinary shares issuance has not been completed as of December 31, 2020.

On December 6, 2019, the extraordinary general shareholders' meeting of the Company resolved to increase its capital by issuing ordinary shares between 60,000 thousand shares and 90,000 thousand shares through the offering of the Global Depository Shares (GDSs) to raise fund for the acquisition of the related business of Panasonic Semiconductor. The offering price for the GDSs was NT\$45 per share. According to the laws, the actual offering price should not be lower than the closing share price of the Company, one of the simple arithmetic averages of the Company's ordinary share closing price for one, three or five business days prior to the pricing data adjusted for any distribution of stock dividends, cash dividends or capital reduction, and 90% of the average price ex-dividends. The total proposed fund amounted to US\$132,787 thousand (at the exchange rate of US\$1:NT\$30.5); the total amount of the actual offering was based on the outstanding unit and price of the GDSs. The chairman was authorized by the board of the Company to set the pricing date and subscription base date after the approval by the FSC. On July 14, 2020, the FSC approved the termination of the offering of the GDSs.

As of December 31, 2020 and 2019, the balance of the Company's capital account amounted to NT\$3,759,616 thousand and NT\$2,875,544 thousand, divided into 375,962 thousand ordinary shares and 287,554 thousand ordinary shares with a par value of NT\$10.

b. Capital surplus

|                                                                                                                      | <b>December 31</b>  |                     |
|----------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                                                      | <b>2020</b>         | <b>2019</b>         |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital<sup>(1)</sup></u> |                     |                     |
| Additional paid-in capital                                                                                           | \$ 5,088,159        | \$ 2,856,991        |
| Conversion of bonds                                                                                                  | 596,347             | -                   |
| <u>May only be used to offset a deficit</u>                                                                          |                     |                     |
| Cash capital increase reserved for employee share options                                                            | 112,160             | 49,920              |
| Overdue dividends unclaimed                                                                                          | 52                  | 52                  |
| <u>May not be used for any purpose</u>                                                                               |                     |                     |
| Employee share options                                                                                               | <u>13</u>           | <u>13</u>           |
|                                                                                                                      | <u>\$ 5,796,731</u> | <u>\$ 2,906,976</u> |

(1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

The shareholders held their regular meeting on May 29, 2020 and resolved the amendments to the Company's dividend distribution policy in the Company's Articles of Incorporation (the "Articles"). Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The board of directors shall be authorized to distribute the profit, the legal reserve, and the capital plus in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting. In principle, not less than 10% of the total shareholders' bonus shall be distributed in the form of cash. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 24.

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2019 and 2018 approved in the shareholders' meetings on May 29, 2020 and June 24, 2019, respectively, were as follows:

|                | <b>Appropriation of Earnings</b> |                          | <b>Dividends Per Share<br/>(NT\$)</b> |                          |
|----------------|----------------------------------|--------------------------|---------------------------------------|--------------------------|
|                | <b>For<br/>Year 2019</b>         | <b>For<br/>Year 2018</b> | <b>For<br/>Year 2019</b>              | <b>For<br/>Year 2018</b> |
| Legal reserve  | \$ 55,183                        | \$ 71,063                |                                       |                          |
| Cash dividends | <u>345,065</u>                   | <u>518,886</u>           | \$1.20                                | \$2.50                   |
|                | <u>\$ 400,248</u>                | <u>\$ 589,949</u>        |                                       |                          |

As of the date of the Company's board meeting, February 18, 2021, the appropriation of earnings for 2020 are not subjected.

d. Other equity items

- 1) The exchange differences arising on translation of foreign operations' net assets from its functional currency to the Group's presentation currency (New Taiwan dollar) are recognized directly in other comprehensive income. For the years ended December 31, 2020 and 2019, other comprehensive loss was NT\$109,368 thousand and NT\$8,449 thousand, respectively.
- 2) Unrealized valuation gains (losses) on financial assets at FVTOCI

|                                                                                                             | <b>For the Year End December 31</b> |                   |
|-------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------|
|                                                                                                             | <b>2020</b>                         | <b>2019</b>       |
| Balance at January 1                                                                                        | \$ 169,544                          | \$ 179,854        |
| Recognized for the period                                                                                   | 181,920                             | 39,393            |
| Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal | <u>(82,399)</u>                     | <u>(49,703)</u>   |
| Balance at December 31                                                                                      | <u>\$ 269,065</u>                   | <u>\$ 169,544</u> |

Unrealized gains (losses) on financial assets at FVTOCI represents the cumulative gains or losses arising from the fair value measurement on financial assets at FVTOCI that are recognized in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

## 22. REVENUE

Refer to Note 35 for the Group's revenue.

## 23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

|                                                                     | <b>For the Year Ended December 31</b> |                   |
|---------------------------------------------------------------------|---------------------------------------|-------------------|
|                                                                     | <b>2020</b>                           | <b>2019</b>       |
| Current tax                                                         |                                       |                   |
| In respect of the current year                                      | \$ 250,386                            | \$ 96,776         |
| Adjustment for prior years' tax and effects of estimated difference | (9,778)                               | 462               |
| Deferred tax                                                        |                                       |                   |
| In respect of the current year                                      | <u>(29,968)</u>                       | <u>11,872</u>     |
| Income tax expense recognized in profit or loss                     | <u>\$ 210,640</u>                     | <u>\$ 109,110</u> |

b. Reconciliation of accounting profit and income tax expense were as follows:

|                                                                     | <b>For the Year Ended December 31</b> |                   |
|---------------------------------------------------------------------|---------------------------------------|-------------------|
|                                                                     | <b>2020</b>                           | <b>2019</b>       |
| Income tax expense from continuing operations at the statutory rate | \$ 221,449                            | \$ 146,352        |
| Tax effect of adjustment item                                       |                                       |                   |
| Permanent differences                                               | 99,998                                | (12,813)          |
| Tax-exempt income                                                   | (13,000)                              | -                 |
| Others                                                              | <u>(30,029)</u>                       | <u>5,109</u>      |
| Current income tax                                                  | 278,418                               | 138,648           |
| Unused investment credits                                           | (58,000)                              | (30,000)          |
| Adjustment for prior year's income tax                              | <u>(9,778)</u>                        | <u>462</u>        |
| Income tax expense recognized in profit or loss                     | <u>\$ 210,640</u>                     | <u>\$ 109,110</u> |

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

As the shareholders have not yet resolved the appropriation of earnings for 2020, the potential income tax consequences of the 2020 unappropriated earnings are not reliably determinable.

c. Current tax assets and liabilities

|                        | <b>December 31</b> |                  |
|------------------------|--------------------|------------------|
|                        | <b>2020</b>        | <b>2019</b>      |
| Tax refund receivables | <u>\$ 5,561</u>    | <u>\$ 2,253</u>  |
| Income tax payables    | <u>\$ 279,913</u>  | <u>\$ 78,732</u> |

d. Deferred tax assets

|                                                                    | <b>December 31</b> |                  |
|--------------------------------------------------------------------|--------------------|------------------|
|                                                                    | <b>2020</b>        | <b>2019</b>      |
| Deferred tax assets                                                |                    |                  |
| Allowance for inventory valuation and obsolescence loss and others | <u>\$ 188,397</u>  | <u>\$ 97,919</u> |

e. Deferred tax liabilities

|                                      | <b>December 31</b> |             |
|--------------------------------------|--------------------|-------------|
|                                      | <b>2020</b>        | <b>2019</b> |
| Deferred tax liabilities             |                    |             |
| Unrealized valuation gains or losses | \$ <u>52,132</u>   | \$ <u>-</u> |

f. Income tax assessments

The Company's tax returns through 2018 have been assessed by the tax authorities.

g. Information about investment credits

The Company applies the Statute for Industrial Innovation Article 10, and up to 10% of its R&D expenses may be credited against the profit-seeking enterprise income tax payable in each of the three years following the then current year.

## 24. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

|                                             | <b>For the Year Ended December 31</b> |                                        |                                                        |              |                                  |                                        |                                                        |              |
|---------------------------------------------|---------------------------------------|----------------------------------------|--------------------------------------------------------|--------------|----------------------------------|----------------------------------------|--------------------------------------------------------|--------------|
|                                             | <b>2020</b>                           |                                        |                                                        |              | <b>2019</b>                      |                                        |                                                        |              |
|                                             | Classified as<br>Operating Costs      | Classified as<br>Operating<br>Expenses | Classified as<br>Non-operating<br>Income and<br>Losses | Total        | Classified as<br>Operating Costs | Classified as<br>Operating<br>Expenses | Classified as<br>Non-operating<br>Income and<br>Losses | Total        |
| Employee benefits expense                   |                                       |                                        |                                                        |              |                                  |                                        |                                                        |              |
| Short-term employment benefits              | \$ 874,299                            | \$ 3,729,598                           | \$ -                                                   | \$ 4,603,897 | \$ 711,339                       | \$ 1,985,903                           | \$ -                                                   | \$ 2,697,242 |
| Post-employment benefits                    | 34,221                                | 181,238                                | -                                                      | 215,459      | 30,792                           | 151,878                                | -                                                      | 182,670      |
| Compensation cost of employee share options | 16,945                                | 45,295                                 | -                                                      | 62,240       | 16,667                           | 33,253                                 | -                                                      | 49,920       |
| Depreciation                                | 287,171                               | 256,566                                | 59,248                                                 | 602,985      | 123,215                          | 162,457                                | 4,605                                                  | 290,277      |
| Amortization                                | 34,330                                | 145,183                                | -                                                      | 179,513      | 33,506                           | 56,063                                 | -                                                      | 89,569       |

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of director.

The employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on February 18, 2021 and February 6, 2020, respectively, were as follows:

|                              | <b>For the Year Ended December 31</b> |          |               |          |
|------------------------------|---------------------------------------|----------|---------------|----------|
|                              | <b>2020</b>                           |          | <b>2019</b>   |          |
|                              | <b>Amount</b>                         | <b>%</b> | <b>Amount</b> | <b>%</b> |
| Employees' cash compensation | \$ 42,422                             | 6        | \$ 40,868     | 6        |
| Remuneration of directors    | 7,070                                 | 1        | 6,811         | 1        |

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate. There is no difference between the actual amounts of employees' compensation and remuneration to directors paid and the amounts recognized in the financial statements for the year ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 25. SHARE-BASED PAYMENT ARRANGEMENTS

The Company's board of directors resolved to reserve 10% of the shares from the issuance of both 80,000 thousand shares approved by the FSC on September 25, 2020 and August 26, 2019 to be subscribed for by its employees, respectively. The number of shares subscribed for by the employees was affirmed on October 21 2020 and September 3, 2019, respectively. The fair value of such share options subscribed for by the Company's employees on the grant date was measured using the Black-Scholes Option Pricing Model and amounted to NT\$62,240 thousand and NT\$49,920 thousand which was recorded as compensation costs with a corresponding increase in capital surplus, respectively.

- a. As of December 31, 2020 and 2019, the Company's Share-based payments agreements were as follows:

### 2020

| <b>Agreement</b>                                          | <b>Grant Date</b> | <b>Number of Shares<br/>Grant</b> | <b>Vesting Conditions</b> |
|-----------------------------------------------------------|-------------------|-----------------------------------|---------------------------|
| Cash capital increase reserved for employee share options | 2020.10.21        | 8,000 thousand shares             | Vested immediately        |

### 2019

| <b>Agreement</b>                                          | <b>Grant Date</b> | <b>Number of Shares<br/>Grant</b> | <b>Vesting Conditions</b> |
|-----------------------------------------------------------|-------------------|-----------------------------------|---------------------------|
| Cash capital increase reserved for employee share options | 2019.09.03        | 8,000 thousand shares             | Vested immediately        |

- b. The fair value of share options acquired by employees on grant day, October 21 2020 and September 3, 2019, respectively, were measured by using Black-Scholes Option Pricing Model. Relevant information were as follows:

### 2020

| <b>Share Price<br/>(NT\$)</b> | <b>Exercise<br/>Price (NT\$)</b> | <b>Expected<br/>Price<br/>Volatility</b> | <b>Expected<br/>Vesting<br/>Period</b> | <b>Expected<br/>Dividend<br/>Yield Rate</b> | <b>Risk-free<br/>Interest<br/>Rate</b> | <b>Fair Value<br/>Per Share<br/>(NT\$)</b> |
|-------------------------------|----------------------------------|------------------------------------------|----------------------------------------|---------------------------------------------|----------------------------------------|--------------------------------------------|
| \$45.6                        | \$38.0                           | 34.80%                                   | 48 days                                | 0.00%                                       | 0.18%                                  | \$7.78                                     |

### 2019

| <b>Share Price<br/>(NT\$)</b> | <b>Exercise<br/>Price (NT\$)</b> | <b>Expected<br/>Price<br/>Volatility</b> | <b>Expected<br/>Vesting<br/>Period</b> | <b>Expected<br/>Dividend<br/>Yield Rate</b> | <b>Risk-free<br/>Interest<br/>Rate</b> | <b>Fair Value<br/>Per Share<br/>(NT\$)</b> |
|-------------------------------|----------------------------------|------------------------------------------|----------------------------------------|---------------------------------------------|----------------------------------------|--------------------------------------------|
| \$50.8                        | \$45                             | 32.61%                                   | 46 days                                | 0.00%                                       | 0.43%                                  | \$6.24                                     |

## 26. EARNINGS PER SHARE

The numerators and denominators used in calculating basic and diluted earnings per share (“EPS”) were as follows:

|                                                | For the Year Ended December 31                                                                 |                                           |                                                                                                      |                                                                                                |                                           |                                                                                                      |
|------------------------------------------------|------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------------------------|
|                                                | 2020                                                                                           |                                           |                                                                                                      | 2019                                                                                           |                                           |                                                                                                      |
|                                                | Amounts<br>(Numerator)<br>After Income<br>Tax<br>(Attributable<br>to Owners of<br>the Company) | Shares<br>(Denominator)<br>(In Thousands) | Earnings Per<br>Share (NT\$)<br>After Income<br>Tax<br>(Attributable<br>to Owners of<br>the Company) | Amounts<br>(Numerator)<br>After Income<br>Tax<br>(Attributable<br>to Owners of<br>the Company) | Shares<br>(Denominator)<br>(In Thousands) | Earnings Per<br>Share (NT\$)<br>After Income<br>Tax<br>(Attributable<br>to Owners of<br>the Company) |
| Basic earnings per share                       |                                                                                                |                                           |                                                                                                      |                                                                                                |                                           |                                                                                                      |
| Net profit attributed to owners of the Company | \$ 532,785                                                                                     | 295,056                                   | <u>\$ 1.81</u>                                                                                       | \$ 558,459                                                                                     | 220,888                                   | <u>\$ 2.53</u>                                                                                       |
| Effect of potentially dilutive ordinary shares |                                                                                                |                                           |                                                                                                      |                                                                                                |                                           |                                                                                                      |
| Employees’ compensation                        | -                                                                                              | 993                                       |                                                                                                      | -                                                                                              | 1,080                                     |                                                                                                      |
| Convertible bonds                              | <u>10,966</u>                                                                                  | <u>19,344</u>                             |                                                                                                      | <u>-</u>                                                                                       | <u>-</u>                                  |                                                                                                      |
| Diluted earnings per share                     |                                                                                                |                                           |                                                                                                      |                                                                                                |                                           |                                                                                                      |
| Net profit attributed to owners of the Company | <u>\$ 543,751</u>                                                                              | <u>315,393</u>                            | <u>\$ 1.72</u>                                                                                       | <u>\$ 558,459</u>                                                                              | <u>221,968</u>                            | <u>\$ 2.52</u>                                                                                       |

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted EPS, as the effect is dilutive. The number of shares used in the computation of diluted EPS is estimated by the amount of compensation divided by the closing price of the potential common shares at the end of the reporting period. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the number of shares to be distributed to employees is resolved in the following year.

## 27. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

|                                  | Principal Activity     | Date of Acquisition | Proportion of Voting Equity Interests Acquired (%) | Consideration Transferred |
|----------------------------------|------------------------|---------------------|----------------------------------------------------|---------------------------|
| Panasonic Semiconductor business | Semiconductor business | September 1, 2020   | 100                                                | <u>\$ 7,936,496</u>       |

The Group’s acquired the semiconductor business of Panasonic Corporation on September 1, 2020, including the acquisition of 100% equity in NTHJ, NTCJ (formerly PSCS), AMTC (formerly PIDE) and METC (formerly PIDST), Panasonic Semiconductor (Suzhou) Co., Ltd. (referred to as PSCSZ) related semiconductor business equipment and inventory, and Panasonic Industrial Devices Semiconductor Asia (referred to as PIDSCA) assets and liabilities projects and contracts and other specific operating assets.

b. Consideration transferred

|                                          | <b>Panasonic<br/>semiconductor<br/>business</b> |
|------------------------------------------|-------------------------------------------------|
| Cash                                     | \$ 7,862,056                                    |
| Contingent consideration arrangement (1) | <u>74,440</u>                                   |
|                                          | <u>\$ 7,936,496</u>                             |

- 1) Under the contingent consideration arrangement, if the TPSCo. held by NTCJ Company (formerly PSCS) is a net profit after tax from the acquisition date to March 31, 2022, the net profit after tax must be returned to Panasonic based on the shareholding ratio (49%), and the estimated amount based on the price allocation report was JPY\$ 267,000 thousand (approximately NT\$ 74,440 thousand). Therefore, the contingent price of the consideration transferred is \$ 74,440 thousand.

c. Assets acquired and liabilities assumed at the date of acquisition

|                                               | <b>Panasonic<br/>semiconductor<br/>business</b> |
|-----------------------------------------------|-------------------------------------------------|
| <b>Current assets</b>                         |                                                 |
| Cash and cash equivalents                     | \$ 1,102,882                                    |
| Accounts receivable and other receivables     | 4,469,464                                       |
| Inventories                                   | 4,613,102                                       |
| Prepayments                                   | 216,082                                         |
| <b>Non-current assets</b>                     |                                                 |
| Financial asset at FVTOCI                     | 960,800                                         |
| Property, plant and equipment                 | 5,803,534                                       |
| Investment property                           | 2,503,591                                       |
| Right-of-use assets                           | 997,787                                         |
| Intangible assets                             | 83,046                                          |
| Deferred tax assets                           | 103,259                                         |
| Other assets                                  | <u>4,639</u>                                    |
| <b>Total assets</b>                           | <u>\$ 20,858,186</u>                            |
| <b>Current liabilities</b>                    |                                                 |
| Accounts payable and other payables           | \$ 5,999,366                                    |
| Current tax liabilities                       | 86,320                                          |
| Provisions - current                          | 617,821                                         |
| Lease liabilities - current                   | 176,138                                         |
| Other current liabilities                     | 57,635                                          |
| <b>Non-current liabilities</b>                |                                                 |
| Provisions - non-current                      | 2,539,589                                       |
| Net defined benefit liabilities - non-current | 1,473,458                                       |
| Deferred tax liabilities                      | 89,169                                          |
| Products guarantee based on commitment        | 506,301                                         |
| Lease liabilities - non-current               | <u>1,156,925</u>                                |
| <b>Total liabilities</b>                      | <u>\$ 12,702,722</u>                            |
| <b>Net assets</b>                             | <u>\$ 8,155,464</u>                             |

d. Gain on the bargain purchase

|                                                | <b>Panasonic<br/>semiconductor<br/>business</b> |
|------------------------------------------------|-------------------------------------------------|
| Fair value of identifiable net assets obtained | \$ 8,155,464                                    |
| Less: Consideration transferred                | <u>(7,936,496)</u>                              |
| Gain on the bargain purchase                   | <u>\$ 218,968</u>                               |

e. Net cash outflow on the acquisition of subsidiaries

|                                                  | <b>Panasonic<br/>semiconductor<br/>business</b> |
|--------------------------------------------------|-------------------------------------------------|
| Consideration paid in cash                       | \$ 7,936,496                                    |
| Less: Cash and cash equivalent balances acquired | <u>(1,102,882)</u>                              |
|                                                  | 6,833,614                                       |
| Acquisition price adjustment                     |                                                 |
| Investment receivable                            | 277,930                                         |
| Business tax refund receivable                   | 133,101                                         |
| Other payable for contract                       | <u>(316,438)</u>                                |
|                                                  | <u>\$ 6,928,207</u>                             |

f. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates, which are included in the consolidated statements of comprehensive income, are as follows:

|          | <b>Panasonic<br/>semiconductor<br/>business</b> |
|----------|-------------------------------------------------|
| Revenue  | <u>\$ 8,993,175</u>                             |
| Net Loss | <u>\$ (460,607)</u>                             |

Because of the acquisition includes equipment and inventory related to semiconductor business of PSCSZ and assets and liabilities of PIDSCA, rather than a stand-alone entity, it is impractical to disclose the pro-forma revenue and the pro-forma profit.

## 28. CAPITAL MANAGEMENT

The Group's capital management objective is to ensure it has the necessary financial resources and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures, research and development expenses, debt repayments and dividends payments.

## 29. FINANCIAL INSTRUMENT

### a. Categories of financial instruments

|                                                     | December 31        |               |                    |              |
|-----------------------------------------------------|--------------------|---------------|--------------------|--------------|
|                                                     | 2020               |               | 2019               |              |
|                                                     | Carrying<br>Amount | Fair Value    | Carrying<br>Amount | Fair Value   |
| <u>Financial assets</u>                             |                    |               |                    |              |
| Financial assets at amortized cost<br>(Note 1)      | \$ 12,489,674      | \$ 12,489,674 | \$ 6,521,099       | \$ 6,521,099 |
| Financial assets at FVTPL                           |                    |               |                    |              |
| Derivative financial assets                         | 13,223             | 13,223        | 6,037              | 6,037        |
| Financial assets at FVTOCI                          |                    |               |                    |              |
| Investment in equity<br>instruments                 | 1,806,580          | 1,806,580     | 1,117,410          | 1,117,410    |
| <u>Financial liabilities</u>                        |                    |               |                    |              |
| Financial liabilities at amortized<br>cost (Note 2) | \$ 12,257,989      | \$ 12,534,077 | \$ 2,618,441       | \$ 2,618,441 |
| Financial liabilities at FVTPL                      |                    |               |                    |              |
| Derivative financial liabilities                    | 3,191              | 3,191         | -                  | -            |

Note 1: Including cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and refundable deposits.

Note 2: Including notes and accounts payable (including related parties), other payables, convertible bonds, short-term loans, long-term loans and guarantee deposits.

### b. Fair value information

- 1) The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable and the significance in its entirety, which are described as follows:
  - a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
  - b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
  - c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- 2) Fair value measurements recognized in the consolidated balance sheets
  - a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed shares and emerging shares).
  - b) The fair value of the financial instruments at fair value through profit or loss is based on Level 2 inputs, either directly or indirectly. The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts are measured using individual maturity rate to calculate the fair value of each contract.

c) Domestic unlisted equity instruments at FVTOCI were all measured based on Level 3 fair value. Fair values of such equity instruments were determined using discounted cash flow of income approach and comparable listed company approach, by referring to strike price of similar business in active market, implied value multiple of the price and relevant information. Significant unobservable inputs included P/E ratio, value multiple and market liquidity discount. As the discounted cash flow method was used, the discount rate used for the lack of marketability was 29%; which increase by 1% while all the other variables are held constant fair value of investments will decrease by \$9,942 thousand and \$9,122 thousand for the years ended December 31, 2020 and 2019, respectively.

3) Fair value of financial instruments not measured at fair value

The Group recognized in the financial statements financial assets and financial liabilities that are not measured at fair value. Management believes the carrying amounts of such financial assets and liabilities approximate their fair values.

4) Fair value of financial instruments measured at fair value on a recurring basis

Fair value hierarchy

|                                                                | <b>December 31, 2020</b> |                |                |              |
|----------------------------------------------------------------|--------------------------|----------------|----------------|--------------|
|                                                                | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| <u>Financial assets at FVTPL</u>                               |                          |                |                |              |
| Derivative financial assets                                    | \$ -                     | \$ 13,223      | \$ -           | \$ 13,223    |
| <u>Financial assets at FVTOCI</u>                              |                          |                |                |              |
| Domestic and overseas listed shares and emerging market shares | \$ 313,689               | \$ -           | \$ -           | \$ 313,689   |
| Domestic and overseas unlisted shares                          | \$ -                     | \$ -           | \$ 1,492,891   | \$ 1,492,891 |
| <u>Financial liabilities at amortized cost</u>                 |                          |                |                |              |
| Bonds payable (unsecured)                                      | \$ 1,483,908             | \$ -           | \$ -           | \$ 1,483,908 |
| <u>Financial liabilities at FVTPL</u>                          |                          |                |                |              |
| Derivative financial liabilities                               | \$ -                     | \$ 3,191       | \$ -           | \$ 3,191     |
|                                                                | <b>December 31, 2019</b> |                |                |              |
|                                                                | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| <u>Financial assets at FVTPL</u>                               |                          |                |                |              |
| Derivative financial assets                                    | \$ -                     | \$ 6,037       | \$ -           | \$ 6,037     |
| <u>Financial assets at FVTOCI</u>                              |                          |                |                |              |
| Domestic listed shares and emerging market shares              | \$ 61,205                | \$ -           | \$ -           | \$ 61,205    |
| Domestic and overseas unlisted shares                          | \$ -                     | \$ -           | \$ 1,056,205   | \$ 1,056,205 |

5) Reconciliation of Level 3 fair value measurements of financial assets

The financial assets measured at Level 3 fair value were financial assets at FVTPL and equity investments classified as financial assets at FVTOCI. Reconciliations for the years ended December 31, 2020 and 2019 were as follows:

|                                                | <u>For the Year Ended December 31</u> |                     |
|------------------------------------------------|---------------------------------------|---------------------|
|                                                | <u>2020</u>                           | <u>2019</u>         |
| Balance at January 1                           | \$ 1,056,205                          | \$ 418,733          |
| Additions                                      | -                                     | 630,000             |
| Acquired through business combinations         | 456,117                               | -                   |
| Proceeds from capital reduction of investments | (2,250)                               | (4,000)             |
| Recognized in other comprehensive income       | <u>(17,181)</u>                       | <u>11,472</u>       |
| Balance at December 31                         | <u>\$ 1,492,891</u>                   | <u>\$ 1,056,205</u> |

c. Financial risk management objectives and policies

The Group seeks to minimize the effects of financial risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign currency risk, and the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into foreign exchange forward contracts to hedge the foreign currency arising on the export business.

a) Foreign currency risk

The Group has foreign currency denominated transactions, which expose the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 34.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and assuming an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be impact on net income in the amounts of NT\$3,140 thousand and NT\$3,882 thousand decrease for the years ended December 31, 2020 and 2019, respectively. The amounts used in the 1% weakening of New Taiwan dollars against the relevant currency did not consider the impact of hedge contracts and hedged item.

b) Interest rate risk

Interest rate risk refers to the risk that the change in market value will influence the fair value of financial instruments. The Group's interest rate risk arises primarily from floating rate deposits and long-term loans.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

|                              | <b>December 31</b> |             |
|------------------------------|--------------------|-------------|
|                              | <b>2020</b>        | <b>2019</b> |
| Cash flow interest rate risk |                    |             |
| Financial assets             | \$ 7,749           | \$ 284,413  |
| Financial liabilities        | 3,321,210          | 500,000     |

The sensitivity analysis of cash flows based on the Group's exposure to interest rates for fair value of variable-rate non-derivative instruments at the end of the reporting period. If interest rates increased by 1%, the Group's cash outflows for the years ended December 31, 2020 and 2019 would have increased by NT\$33,135 thousand and NT\$2,156 thousand, respectively.

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In this regard, the management of the Group consider that the Group's credit risk was significantly reduced.

## 3) Liquidity risk

The Group has enough operating capital to comply with loan covenants; liquidity risk is low.

The Group's non-derivative financial liabilities and their agreed repayment period are as follows:

|                                             | <b>December 31, 2020</b> |                   |                     |                      |
|---------------------------------------------|--------------------------|-------------------|---------------------|----------------------|
|                                             | <b>Within 1 Year</b>     | <b>1-2 Years</b>  | <b>Over 2 Years</b> | <b>Total</b>         |
| <u>Non-derivative financial liabilities</u> |                          |                   |                     |                      |
| Non-interest bearing Lease liabilities      | \$ 7,659,385             | \$ -              | \$ -                | \$ 7,659,385         |
| Variable interest rate liabilities          | 308,294                  | 264,121           | 1,231,072           | 1,803,487            |
| Fixed interest rate liabilities             | 1,821,210                | -                 | 1,500,000           | 3,321,210            |
|                                             | <u>-</u>                 | <u>-</u>          | <u>1,305,480</u>    | <u>1,305,480</u>     |
|                                             | <u>\$ 9,788,889</u>      | <u>\$ 264,121</u> | <u>\$ 4,036,552</u> | <u>\$ 14,089,562</u> |

Additional information about the maturity analysis of lease liabilities:

|                   | <b>Less than 2 Years</b>                    | <b>2-5 Years</b>  | <b>5-10 Years</b> | <b>10-15 Years</b> | <b>Total</b>        |
|-------------------|---------------------------------------------|-------------------|-------------------|--------------------|---------------------|
|                   | <u>Non-derivative financial liabilities</u> |                   |                   |                    |                     |
| Lease liabilities | <u>\$ 572,415</u>                           | <u>\$ 500,296</u> | <u>\$ 726,481</u> | <u>\$ 4,295</u>    | <u>\$ 1,803,487</u> |

|                                             | <b>December 31, 2019</b> |                   |                     |                     |
|---------------------------------------------|--------------------------|-------------------|---------------------|---------------------|
|                                             | <b>Within 1 Year</b>     | <b>1-2 Years</b>  | <b>Over 2 Years</b> | <b>Total</b>        |
| <u>Non-derivative financial liabilities</u> |                          |                   |                     |                     |
| Non-interest bearing                        | \$ 2,076,872             | \$ -              | \$ -                | \$ 2,076,872        |
| Lease liabilities                           | 126,438                  | 115,424           | 360,654             | 602,516             |
| Variable interest rate liabilities          | <u>-</u>                 | <u>-</u>          | <u>500,000</u>      | <u>500,000</u>      |
|                                             | <u>\$ 2,203,310</u>      | <u>\$ 115,424</u> | <u>\$ 860,654</u>   | <u>\$ 3,179,388</u> |

Additional information about the maturity analysis of lease liabilities:

|                                             | <b>Less than 2</b> |                   |                   |                 |                   |
|---------------------------------------------|--------------------|-------------------|-------------------|-----------------|-------------------|
|                                             | <b>Years</b>       |                   |                   |                 |                   |
| <u>Non-derivative financial liabilities</u> |                    |                   |                   |                 |                   |
| Lease liabilities                           | <u>\$ 241,862</u>  | <u>\$ 237,395</u> | <u>\$ 117,532</u> | <u>\$ 5,727</u> | <u>\$ 602,516</u> |

d. Transfers of financial assets

Factored accounts receivable that are not yet overdue at December 31, 2020 was as follows:

|                                     |                   |             |                   |  | <b>Annual</b>                         |
|-------------------------------------|-------------------|-------------|-------------------|--|---------------------------------------|
|                                     |                   |             |                   |  | <b>Receivables Factoring Proceeds</b> |
| Counterparty                        |                   |             |                   |  |                                       |
| Sumitomo Mitsui Banking Corporation | <u>\$ 230,449</u> | <u>\$ -</u> | <u>\$ 230,449</u> |  | <u>0.9%</u>                           |

Pursuant to the Group's factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Group, while losses from credit risk are borne by the banks.

### 30. RELATED PARTY TRANSACTIONS

a. The names and relationships of related parties are as follows:

| <u>Related Party Name</u>                        | <u>Related Party Categories</u> |
|--------------------------------------------------|---------------------------------|
| Winbond Electronics Corporation ("WEC")          | The Company's parent            |
| Winbond Electronics (HK) Limited ("WEHK")        | Associate                       |
| Winbond Electronics Corporation America ("WECA") | Associate                       |
| Winbond Electronics Corporation Japan ("WECJ")   | Associate                       |
| Techdesign Corporation                           | Associate                       |
| Callisto Holding Limited                         | Associate                       |
| Glorystones Corporation                          | Associate                       |

(Continued)

| <u>Related Party Name</u>                         | <u>Related Party Categories</u> |
|---------------------------------------------------|---------------------------------|
| Tower Partners Semiconductor Co., Ltd. (“TPSCo.”) | Related party in substance      |
| Nyquest Technology Co., Ltd. (“Nyquest”)          | Related party in substance      |
| Walton Advanced Engineering Inc.                  | Related party in substance      |
| Chin Cherng Construction Co., Ltd.                | Related party in substance      |
| United Industrial Gases Co., Ltd.                 | Related party in substance      |
|                                                   | (Concluded)                     |

b. Operating activities

|                                   | <u>For the Year Ended December 31</u> |                   |
|-----------------------------------|---------------------------------------|-------------------|
|                                   | <u>2020</u>                           | <u>2019</u>       |
| 1) Operating revenue              |                                       |                   |
| Related party in substance        | \$ 300,887                            | \$ 246,391        |
| Associate                         | <u>88,422</u>                         | <u>90,302</u>     |
|                                   | <u>\$ 389,309</u>                     | <u>\$ 336,693</u> |
| 2) Purchases of goods             |                                       |                   |
| Related party in substance        |                                       |                   |
| TPSCo.                            | \$2,101,947                           | \$ -              |
| Parent company                    | <u>209,957</u>                        | <u>131,874</u>    |
|                                   | <u>\$2,311,904</u>                    | <u>\$ 131,874</u> |
| 3) Manufacturing expenses         |                                       |                   |
| Related party in substance        |                                       |                   |
| TPSCo.                            | \$ 720,784                            | \$ -              |
| Others                            | 833                                   | -                 |
| Parent company                    | <u>369</u>                            | <u>33</u>         |
|                                   | <u>\$ 721,986</u>                     | <u>\$ 33</u>      |
| 4) Operating expenses             |                                       |                   |
| Related party in substance        | \$ 200,794                            | \$ 10,780         |
| Parent company                    | 21,037                                | 8,118             |
| Associate                         | <u>8,108</u>                          | <u>7,944</u>      |
|                                   | <u>\$ 229,939</u>                     | <u>\$ 26,842</u>  |
| 5) Dividend income                |                                       |                   |
| Related party in substance        |                                       |                   |
| United Industrial Gases Co., Ltd. | \$ 64,394                             | \$ 62,858         |
| Nyquest Technology Co., Ltd.      | <u>3,300</u>                          | <u>7,636</u>      |
|                                   | <u>\$ 67,694</u>                      | <u>\$ 70,494</u>  |
| 6) Other income                   |                                       |                   |
| Parent company                    | \$ 2                                  | \$ -              |
| Related party in substance        | <u>-</u>                              | <u>183</u>        |
|                                   | <u>\$ 2</u>                           | <u>\$ 183</u>     |

|                                                                                   | <b>December 31</b> |                  |
|-----------------------------------------------------------------------------------|--------------------|------------------|
|                                                                                   | <b>2020</b>        | <b>2019</b>      |
| 7) Accounts receivable from related parties                                       |                    |                  |
| Related party in substance                                                        | \$ 77,760          | \$ 45,903        |
| Associate                                                                         | <u>12,817</u>      | <u>21,491</u>    |
|                                                                                   | <u>\$ 90,577</u>   | <u>\$ 67,394</u> |
| 8) Other receivables                                                              |                    |                  |
| Related party in substance                                                        |                    |                  |
| TPSCo.                                                                            | \$ 278,957         | \$ -             |
| Associate                                                                         | <u>214</u>         | <u>94</u>        |
|                                                                                   | <u>\$ 279,171</u>  | <u>\$ 94</u>     |
| Other receivables-related parties were collection or payment on behalf of others. |                    |                  |
| 9) Refundable deposits                                                            |                    |                  |
| Parent company                                                                    | \$ 1,780           | \$ 1,780         |
| Related party in substance                                                        | <u>1,722</u>       | <u>1,722</u>     |
|                                                                                   | <u>\$ 3,502</u>    | <u>\$ 3,502</u>  |
| 10) Accounts payable to related parties                                           |                    |                  |
| Related party in substance                                                        |                    |                  |
| TPSCo.                                                                            | \$ 788,043         | \$ -             |
| Parent company                                                                    | <u>39,500</u>      | <u>24,535</u>    |
|                                                                                   | <u>\$ 827,543</u>  | <u>\$ 24,535</u> |
| 11) Other payables                                                                |                    |                  |
| Related party in substance                                                        | \$ 77,373          | \$ -             |
| Parent company                                                                    | <u>9,738</u>       | <u>2,740</u>     |
|                                                                                   | <u>\$ 87,111</u>   | <u>\$ 2,740</u>  |
| 12) Guarantee deposits                                                            |                    |                  |
| Parent company                                                                    | <u>\$ 545</u>      | <u>\$ 545</u>    |

The sales and purchase prices and collection and payment terms with related parties were not significantly different from those with third parties. For other related party transactions, price and terms were determined in accordance with mutual agreement.

c. Acquisition of property, plant and equipment

| <b>Purchase Price</b>                 |             |
|---------------------------------------|-------------|
| <b>For the Year Ended December 31</b> |             |
| <b>2020</b>                           | <b>2019</b> |

|                            |                 |             |
|----------------------------|-----------------|-------------|
| Related party in substance | \$ <u>8,352</u> | \$ <u>-</u> |
|----------------------------|-----------------|-------------|

d. Lease arrangements - Group is lessee

| <b>December 31</b> |             |
|--------------------|-------------|
| <b>2020</b>        | <b>2019</b> |

1) Lease liabilities

|                            |                  |                   |
|----------------------------|------------------|-------------------|
| Parent company             | \$ 47,969        | \$ 59,750         |
| Related party in substance | 22,451           | 32,869            |
| Associate                  | <u>7,566</u>     | <u>15,652</u>     |
|                            | <u>\$ 77,986</u> | <u>\$ 108,271</u> |

| <b>For the Year Ended December 31</b> |             |
|---------------------------------------|-------------|
| <b>2020</b>                           | <b>2019</b> |

2) Interest expense

|                            |                 |                 |
|----------------------------|-----------------|-----------------|
| Parent company             | \$ 569          | \$ 53           |
| Related party in substance | 438             | 604             |
| Associate                  | <u>404</u>      | <u>696</u>      |
|                            | <u>\$ 1,411</u> | <u>\$ 1,353</u> |

e. Lease arrangements - Group is lessor/Sublease arrangements

Sublease arrangements under operating leases

For the year ended December 31, 2020 and 2019 and from September 1, 2020 to December 31, 2020, the Group subleases its right-of-use assets to its associate companies WEC, WEHK and TPSCo. under operating leases with lease terms between 1 and 12 years, and the rental is based on similar asset's market rental rates and fixed lease payments are received monthly.

1) The balance of operating lease receivables were as follows:

| <b>Related Party Category</b> | <b>December 31</b> |               |
|-------------------------------|--------------------|---------------|
|                               | <b>2020</b>        | <b>2019</b>   |
| Parent company                | \$ -               | \$ 434        |
| Associate                     | <u>245</u>         | <u>269</u>    |
|                               | <u>\$ 245</u>      | <u>\$ 703</u> |

2) Future lease payment receivables was as follows:

| <b>Related Party Category</b> | <b>December 31</b> |                  |
|-------------------------------|--------------------|------------------|
|                               | <b>2020</b>        | <b>2019</b>      |
| Related party in substance    | \$1,635,005        | \$ -             |
| Parent company                | 11,133             | 11,430           |
| Associate                     | <u>1,948</u>       | <u>535</u>       |
|                               | <u>\$1,648,086</u> | <u>\$ 11,965</u> |

3) Lease income were as follows:

| <b>Related Party Category</b> | <b>For the Year Ended December 31</b> |                 |
|-------------------------------|---------------------------------------|-----------------|
|                               | <b>2020</b>                           | <b>2019</b>     |
| Related party in substance    | \$ 85,353                             | \$ -            |
| Parent company                | 3,838                                 | 4,003           |
| Associate                     | <u>1,524</u>                          | <u>1,655</u>    |
|                               | <u>\$ 90,715</u>                      | <u>\$ 5,658</u> |

f. Endorsements and guarantees

Endorsements and guarantees provided by the Group

The chairman of the Company is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Refer to Note 13.

Endorsements and guarantees given by related parties

| <b>Related Party Category</b>                    | <b>For the Year Ended December 31</b> |             |
|--------------------------------------------------|---------------------------------------|-------------|
|                                                  | <b>2020</b>                           | <b>2019</b> |
| Parent company                                   |                                       |             |
| Amount endorsed                                  | <u>\$4,440,417</u>                    | <u>\$ -</u> |
| Amount utilized (reported as secured bank loans) | <u>\$ 276,300</u>                     | <u>\$ -</u> |

According to the contract, the endorsements and guarantees given by the related party above mentioned shall maintain a specific financial ratio (current ratio, debt ratio) and net tangible value shall not be less than a specific amount during the every half year. The calculation of the foregoing financial standards is based on the consolidated financial report verified by public accountants.

f. Compensation of key management personnel

|                                              | <b>For the Year Ended December 31</b> |                  |
|----------------------------------------------|---------------------------------------|------------------|
|                                              | <b>2020</b>                           | <b>2019</b>      |
| Short-term employee benefits                 | \$ 102,977                            | \$ 78,687        |
| Post-employment benefits                     | 2,976                                 | 3,066            |
| Compensation costs of employee share options | <u>2,956</u>                          | <u>2,072</u>     |
|                                              | <u>\$ 108,909</u>                     | <u>\$ 83,825</u> |

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

### **31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

Please refer to Note 6.

### **32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

The Company and NTCA received a complaint served by the court on June 29, 2020. The plaintiff charged in the California High Court that the gasoline generator produced by HD POWER SYSTEMS INC.

exploded during use and caused damage to it. At the same time, the Company, NTCA and other related companies shall bear the relevant compensation. The court stipulated that the defendant must submit a defense within 30 days. The Company continues to evaluate the possible impact on business operation and financial position, and will conduct related litigation matters in accordance with the procedures established by the court.

### 33. OTHER ITEMS

In the year 2020, the novel coronavirus (Covid-19) spreads all over the world, causing subsidiaries, customers and suppliers in some regions to implement quarantine and travel restrictions. The Group evaluated that there is no significant impact on the overall business operation and financial position of the Group. There are no doubts about the ability of the Group to going concern, assets impairment and financing risks.

### 34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currency of the entities in the Group and the related exchange rates between foreign currencies and respective functional currency were as follows:

|                              | December 31                   |                      |                               |                               |                      |                               |
|------------------------------|-------------------------------|----------------------|-------------------------------|-------------------------------|----------------------|-------------------------------|
|                              | 2020                          |                      |                               | 2019                          |                      |                               |
|                              | Foreign Currencies (Thousand) | Exchange Rate (Note) | New Taiwan Dollars (Thousand) | Foreign Currencies (Thousand) | Exchange Rate (Note) | New Taiwan Dollars (Thousand) |
| <u>Financial assets</u>      |                               |                      |                               |                               |                      |                               |
| Monetary items               |                               |                      |                               |                               |                      |                               |
| USD                          | \$ 57,028                     | 28.48                | \$ 1,624,156                  | \$ 40,291                     | 29.98                | \$ 1,207,919                  |
| ILS                          | 20,800                        | 8.8712               | 184,522                       | 14,128                        | 8.6652               | 122,421                       |
| RMB                          | 8,724                         | 4.377                | 38,186                        | 952                           | 4.305                | 4,101                         |
| JPY                          | 48,824                        | 0.276                | 13,490                        | 15,093                        | 0.276                | 4,166                         |
| <u>Financial liabilities</u> |                               |                      |                               |                               |                      |                               |
| Monetary items               |                               |                      |                               |                               |                      |                               |
| USD                          | 46,275                        | 28.48                | 1,317,309                     | 26,123                        | 29.98                | 783,180                       |
| ILS                          | 18,706                        | 8.8712               | 165,943                       | 17,812                        | 8.6652               | 154,348                       |
| RMB                          | 7,098                         | 4.377                | 31,067                        | 1,053                         | 4.305                | 4,532                         |
| JPY                          | 68,971                        | 0.276                | 19,057                        | 62,389                        | 0.276                | 17,219                        |

Note: The rate foreign currencies are exchanged to New Taiwan dollars and displayed as a rate.

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange losses were NT\$6,417 thousand and NT\$2,791 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currency of the entities in the Group.

### 35. SEGMENT INFORMATION

#### a. Basic information about operating segment

##### 1) Classification of operating segments

The Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

a) General IC product segment

The general IC product segment engages mainly in research, design, manufacturing, sale and after-sales service.

b) Foundry service segment

The foundry service segment engages mainly in research, design, manufacturing and sale.

2) Principles of measuring reportable segments profit, assets and liabilities

The significant accounting principles of each operating segment are the same as those stated in Note 4 to the consolidated financial statements. The Group's operating segment profit or loss represents the profit or loss earned by each segment. The profit or loss is controllable by segment managers and is the basis for assessment of segment performance. The Group does not provide information on assets regularly to the Group's chief operating decision maker; thus, the measure of assets is zero. Major liabilities are arranged based on the capital cost and deployment of the whole company, which are not controlled by individual segment managers.

b. Segment revenues and operating results

The following is an analysis of the Group's revenue from continuing operations by reportable segments.

|                                                                              | Segment Revenue                |                      | Segment Profit and Loss        |                   |
|------------------------------------------------------------------------------|--------------------------------|----------------------|--------------------------------|-------------------|
|                                                                              | For the Year Ended December 31 |                      | For the Year Ended December 31 |                   |
|                                                                              | 2020                           | 2019                 | 2020                           | 2019              |
| General IC products                                                          | \$ 17,955,892                  | \$ 8,426,460         | \$ 1,018,873                   | \$ 933,470        |
| Foundry service                                                              | 2,047,394                      | 1,924,876            | 696,660                        | 565,576           |
| Total of segment revenue                                                     | 20,003,286                     | 10,351,336           | 1,715,533                      | 1,499,046         |
| Other revenue                                                                | 664,770                        | 15,933               | 656,845                        | 8,683             |
| Operating revenue                                                            | <u>\$ 20,668,056</u>           | <u>\$ 10,367,269</u> | 2,372,378                      | 1,507,729         |
| Unallocated expenditure                                                      |                                |                      |                                |                   |
| Administrative and supporting expense                                        |                                |                      | (1,358,393)                    | (468,518)         |
| Sales and other common expenses                                              |                                |                      | (691,703)                      | (454,890)         |
| Total operating profit                                                       |                                |                      | 322,282                        | 584,321           |
| Interest expense                                                             |                                |                      | (70,228)                       | (14,279)          |
| Interest income                                                              |                                |                      | 22,330                         | 17,777            |
| Dividend income                                                              |                                |                      | 67,746                         | 70,529            |
| Gain on the bargain purchase                                                 |                                |                      | 218,968                        | -                 |
| Other gains and losses                                                       |                                |                      | 114,345                        | 12,203            |
| Gains (losses) on disposal of property, plant and equipment                  |                                |                      | 40,433                         | 62                |
| Foreign exchange gains (losses)                                              |                                |                      | (6,417)                        | (2,791)           |
| Gains (losses) on financial instruments at fair value through profit or loss |                                |                      | 33,966                         | (253)             |
| Profit before income tax                                                     |                                |                      | <u>\$ 743,425</u>              | <u>\$ 667,569</u> |

c. Geographical information

The Group operates in three principal geographical area - Asia, the United States and Europe.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets (non-current assets exclude financial instruments and deferred income tax assets) by location are detailed below.

| Revenue from External Customers | Non-current Assets |
|---------------------------------|--------------------|
| For the Year Ended              |                    |

|               | <b>December 31</b>   |                      | <b>December 31</b>   |                     |
|---------------|----------------------|----------------------|----------------------|---------------------|
|               | <b>2020</b>          | <b>2019</b>          | <b>2020</b>          | <b>2019</b>         |
| Asia          | \$ 20,259,853        | \$ 9,950,563         | \$ 11,255,049        | \$ 1,626,019        |
| United States | 199,776              | 267,851              | 60,632               | 40,645              |
| Europe        | 203,569              | 146,703              | -                    | -                   |
| Others        | 4,858                | 2,152                | -                    | -                   |
|               | <u>\$ 20,668,056</u> | <u>\$ 10,367,269</u> | <u>\$ 11,315,681</u> | <u>\$ 1,666,664</u> |

d. Information about major customer

Single customers contributing 10% or more to the Group's operating revenue for the years ended December 31, 2020 and 2019 were as follows:

|            | <b>For the Year Ended December 31</b> |           |                     |           |
|------------|---------------------------------------|-----------|---------------------|-----------|
|            | <b>2020</b>                           |           | <b>2019</b>         |           |
|            | <b>Amount</b>                         | <b>%</b>  | <b>Amount</b>       | <b>%</b>  |
| Customer S | \$ 4,793,626                          | 23        | \$ -                | -         |
| Customer V | 3,853,466                             | 19        | 2,942,505           | 28        |
| Customer C | <u>1,291,476</u>                      | <u>6</u>  | <u>1,094,889</u>    | <u>11</u> |
|            | <u>\$ 9,938,568</u>                   | <u>48</u> | <u>\$ 4,037,394</u> | <u>39</u> |

V. Individual financial statements of the most recent year

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Nuvoton Technology Corporation

### **Opinion**

We have audited the accompanying financial statements of Nuvoton Technology Corporation (the Company), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Occurrence of Sales Revenues

Revenue from the sale of goods is recognized when the customer received the goods and bear the risk. There is a significant risk on revenue recognition, and customers' line of credit and delivery of products are highly correlated to recognition of sales revenue. We therefore considered that the occurrence of sales revenue from the ten largest customers with changes in credit limits and temporary increase in credit limits in 2020 as a key audit matter for the year ended December 31, 2020. Refer to Note 4 to the financial statements for the Company's revenue recognition policies.

Our audit procedures in response to the occurrence of sales revenue included understanding the design and the implementation of internal control of sales revenue and selecting samples of revenue

items to verify that revenue transactions have indeed occurred.

#### Investments Accounted for Using Equity Method

As mentioned in Note 11, the balance of investments accounted for using equity method amounted to NT\$ 8,012,519 thousand, representing 44% of the total assets. The amount is deemed to be significant to the financial statements, if the financial statements of the subsidiaries do not properly present the operating results of the current year or the investment gains and losses are not correctly recognized, deviations will occur in the amount of investments and share of the profit or loss using the equity method, and then have a significant impact to the financial statements. Thus we considered the aforementioned as key audit matters for the year ended December 31, 2020.

Our audit procedures included obtaining audited financial statements of subsidiaries as of and for the year ended December 31, 2020 to verify and recalculate the accuracy of the balance of investments and the share of comprehensive income and loss of subsidiaries and associates accounted for using the equity method.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the audit committee) are responsible for overseeing the Company's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Lin Liu and Hung-Bin Yu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 18, 2021

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

# NUVOTON TECHNOLOGY CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

| ASSETS                                                                                                          | 2020                 |            | 2019                 |            |
|-----------------------------------------------------------------------------------------------------------------|----------------------|------------|----------------------|------------|
|                                                                                                                 | Amount               | %          | Amount               | %          |
| <b>CURRENT ASSETS</b>                                                                                           |                      |            |                      |            |
| Cash and cash equivalents (Notes 4 and 6)                                                                       | \$ 3,677,602         | 20         | \$ 4,451,201         | 41         |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7)                                 | 13,223               | -          | 6,037                | -          |
| Notes and accounts receivable, net (Notes 4 and 8)                                                              | 800,031              | 4          | 717,356              | 7          |
| Accounts receivable from related parties, net (Notes 4, 8 and 28)                                               | 106,317              | 1          | 144,686              | 1          |
| Other receivables (Notes 6 and 28)                                                                              | 547,185              | 3          | 288,980              | 3          |
| Inventories (Notes 4 and 9)                                                                                     | 1,892,675            | 10         | 1,600,433            | 15         |
| Other current assets (Note 13)                                                                                  | 103,300              | 1          | 133,420              | 1          |
| Total current assets                                                                                            | 7,140,333            | 39         | 7,342,113            | 68         |
| <b>NON-CURRENT ASSETS</b>                                                                                       |                      |            |                      |            |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 10)                | 980,973              | 5          | 1,056,690            | 10         |
| Investments accounted for using equity method (Notes 4 and 11)                                                  | 8,012,519            | 44         | 1,102,658            | 10         |
| Property, plant and equipment (Notes 4 and 12)                                                                  | 669,361              | 4          | 673,029              | 6          |
| Right-of-use assets (Notes 4 and 13)                                                                            | 293,107              | 2          | 351,336              | 3          |
| Intangible assets (Notes 4 and 14)                                                                              | 561,859              | 3          | 192,005              | 2          |
| Deferred tax assets (Notes 4 and 21)                                                                            | 73,000               | -          | 73,000               | -          |
| Refundable deposits (Note 6)                                                                                    | 641,151              | 3          | 81,289               | 1          |
| Total non-current assets                                                                                        | 11,231,970           | 61         | 3,530,007            | 32         |
| <b>TOTAL</b>                                                                                                    | <b>\$ 18,372,303</b> | <b>100</b> | <b>\$ 10,872,120</b> | <b>100</b> |
| <b>LIABILITIES AND EQUITY</b>                                                                                   |                      |            |                      |            |
| <b>CURRENT LIABILITIES</b>                                                                                      |                      |            |                      |            |
| Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)                            | \$ 3,191             | -          | \$ -                 | -          |
| Accounts payable                                                                                                | 1,336,225            | 7          | 1,103,863            | 10         |
| Accounts payable to related parties (Note 28)                                                                   | 39,500               | -          | 24,535               | -          |
| Other payables (Notes 17 and 28)                                                                                | 1,401,058            | 8          | 1,028,249            | 9          |
| Current tax liabilities (Notes 4 and 21)                                                                        | 169,350              | 1          | 68,556               | 1          |
| Provisions - current (Note 18)                                                                                  | 316,438              | 2          | -                    | -          |
| Lease liabilities - current (Notes 4 and 13)                                                                    | 56,247               | -          | 53,885               | -          |
| Other current liabilities                                                                                       | 200,358              | 1          | 55,249               | 1          |
| Total current liabilities                                                                                       | 3,522,367            | 19         | 2,334,337            | 21         |
| <b>NON-CURRENT LIABILITIES</b>                                                                                  |                      |            |                      |            |
| Bonds payable (Note 15)                                                                                         | 1,207,820            | 7          | -                    | -          |
| Long-term borrowings (Note 16)                                                                                  | 1,500,000            | 8          | 500,000              | 5          |
| Products guarantee based on commitment (Notes 4 and 18)                                                         | 101,891              | 1          | 101,891              | 1          |
| Lease liabilities - non-current (Notes 4 and 13)                                                                | 205,902              | 1          | 262,054              | 2          |
| Net defined benefit liabilities - non-current (Notes 4 and 19)                                                  | 284,985              | 1          | 266,795              | 3          |
| Other non-current liabilities                                                                                   | 27,970               | -          | 15,012               | -          |
| Total non-current liabilities                                                                                   | 3,328,568            | 18         | 1,145,752            | 11         |
| Total liabilities                                                                                               | 6,850,935            | 37         | 3,480,089            | 32         |
| <b>EQUITY</b>                                                                                                   |                      |            |                      |            |
| Share capital (Note 20)                                                                                         | 3,759,616            | 20         | 2,875,544            | 26         |
| Certificates of bond-to-stock conversion (Note 20)                                                              | 124,320              | 1          | -                    | -          |
| Capital surplus (Note 20)                                                                                       | 5,796,731            | 32         | 2,906,976            | 27         |
| Retained earnings (Note 20)                                                                                     |                      |            |                      |            |
| Legal reserve                                                                                                   | 596,905              | 3          | 541,722              | 5          |
| Unappropriated earnings                                                                                         | 1,103,083            | 6          | 917,229              | 8          |
| Exchange differences on translation of foreign financial statements of foreign operations (Notes 4 and 20)      | (128,352)            | (1)        | (18,984)             | -          |
| Unrealized gains (losses) on financial assets at fair value through other comprehensive income (Notes 4 and 20) | 269,065              | 2          | 169,544              | 2          |
| Total equity                                                                                                    | 11,521,368           | 63         | 7,392,031            | 68         |
| <b>TOTAL</b>                                                                                                    | <b>\$ 18,372,303</b> | <b>100</b> | <b>\$ 10,872,120</b> | <b>100</b> |

The accompanying notes are an integral part of the financial statements.

# NUVOTON TECHNOLOGY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|                                                                                         | 2020             |            | 2019             |            |
|-----------------------------------------------------------------------------------------|------------------|------------|------------------|------------|
|                                                                                         | Amount           | %          | Amount           | %          |
| OPERATING REVENUE (Notes 4 and 28)                                                      | \$ 11,433,163    | 100        | \$ 10,123,801    | 100        |
| OPERATING COST (Notes 9 and 28)                                                         | <u>6,967,572</u> | <u>61</u>  | <u>6,232,121</u> | <u>61</u>  |
| GROSS PROFIT                                                                            | <u>4,465,591</u> | <u>39</u>  | <u>3,891,680</u> | <u>39</u>  |
| OPERATING EXPENSES (Notes 22 and 28)                                                    |                  |            |                  |            |
| Selling expenses                                                                        | 153,732          | 1          | 162,030          | 2          |
| General and administrative expenses                                                     | 792,476          | 7          | 442,135          | 4          |
| Research and development expenses                                                       | 2,870,345        | 25         | 2,790,622        | 28         |
| Expected credit loss (gain)                                                             | <u>1,464</u>     | <u>-</u>   | <u>2,876</u>     | <u>-</u>   |
| Total operating expenses                                                                | <u>3,818,017</u> | <u>33</u>  | <u>3,397,663</u> | <u>34</u>  |
| PROFIT FROM OPERATIONS                                                                  | <u>647,574</u>   | <u>6</u>   | <u>494,017</u>   | <u>5</u>   |
| NON-OPERATING INCOME AND EXPENSES (Note 28)                                             |                  |            |                  |            |
| Interest expense                                                                        | (35,205)         | -          | (7,327)          | -          |
| Share of (loss) profit of subsidiaries and associates accounted for using equity method | (290,819)        | (3)        | 65,476           | -          |
| Interest income                                                                         | 15,248           | -          | 10,864           | -          |
| Dividend income                                                                         | 64,446           | 1          | 66,899           | 1          |
| Gain on the bargain purchase (Note 26)                                                  | 218,968          | 2          | -                | -          |
| Other gains and losses                                                                  | 5,753            | -          | 5,433            | -          |
| Gains (losses) on disposal of property, plant and equipment                             | 178              | -          | 225              | -          |
| Foreign exchange gains (losses)                                                         | (2,569)          | -          | (1,875)          | -          |
| Gains (losses) on financial instruments at fair value through profit or loss            | <u>33,966</u>    | <u>-</u>   | <u>(253)</u>     | <u>-</u>   |
| Total non-operating income and expenses                                                 | <u>9,966</u>     | <u>-</u>   | <u>139,442</u>   | <u>1</u>   |
| PROFIT BEFORE INCOME TAX                                                                | 657,540          | 6          | 633,459          | 6          |
| INCOME TAX EXPENSE (Notes 4 and 21)                                                     | <u>(124,755)</u> | <u>(1)</u> | <u>(75,000)</u>  | <u>(1)</u> |
| NET PROFIT FOR THE YEAR                                                                 | <u>532,785</u>   | <u>5</u>   | <u>558,459</u>   | <u>5</u>   |
| OTHER COMPREHENSIVE INCOME (LOSSES)                                                     |                  |            |                  |            |

(Continued)

# NUVOTON TECHNOLOGY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|                                                                                                                 | 2020                     |                 | 2019                     |                 |
|-----------------------------------------------------------------------------------------------------------------|--------------------------|-----------------|--------------------------|-----------------|
|                                                                                                                 | Amount                   | %               | Amount                   | %               |
| Items that will not be reclassified subsequently to profit or loss:                                             |                          |                 |                          |                 |
| Remeasurement of defined benefit plans (Notes 4 and 19)                                                         | \$ (19,446)              | -               | \$ (46,150)              | -               |
| Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income | (73,467)                 | (1)             | 24,790                   | -               |
| Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method     | 245,751                  | 2               | 4,423                    | -               |
| Items that may be reclassified subsequently to profit or loss:                                                  |                          |                 |                          |                 |
| Exchange differences on translation of the financial statements of foreign operations                           | <u>(109,368)</u>         | <u>(1)</u>      | <u>(8,449)</u>           | <u>-</u>        |
| Other comprehensive income (loss)                                                                               | <u>43,470</u>            | <u>-</u>        | <u>(25,386)</u>          | <u>-</u>        |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                                                                  | <u><u>\$ 576,255</u></u> | <u><u>5</u></u> | <u><u>\$ 533,073</u></u> | <u><u>5</u></u> |
| <b>EARNINGS PER SHARE (Notes 4 and 24)</b>                                                                      |                          |                 |                          |                 |
| From continuing operations                                                                                      |                          |                 |                          |                 |
| Basic                                                                                                           | <u>\$ 1.81</u>           |                 | <u>\$ 2.53</u>           |                 |
| Diluted                                                                                                         | <u>\$ 1.72</u>           |                 | <u>\$ 2.52</u>           |                 |

(Concluded)

The accompanying notes are an integral part of the financial statements.

# NUVOTON TECHNOLOGY CORPORATION

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

|                                                                                                                                | Ordinary Share      | Certificates of<br>Bond-to-Stock<br>Conversion | Capital Surplus     | Retained Earnings |                            | Other Equity                                                                                             |                                                                                                                  | Total Equity         |
|--------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------------------------------------|---------------------|-------------------|----------------------------|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|----------------------|
|                                                                                                                                |                     |                                                |                     | Legal Reserve     | Unappropriated<br>Earnings | Exchange<br>Differences on<br>Translation of<br>Foreign Financial<br>Statements of<br>Foreign Operations | Unrealized Gains<br>(Losses) on<br>Financial Assets at<br>Fair Value Through<br>Other<br>Comprehensive<br>Income |                      |
| BALANCE AT JANUARY 1, 2019                                                                                                     | \$ 2,075,544        | \$ -                                           | \$ 63,498           | \$ 470,659        | \$ 955,346                 | \$ (10,535)                                                                                              | \$ 179,854                                                                                                       | \$ 3,734,366         |
| Appropriation of 2018 earnings (Note 20)                                                                                       |                     |                                                |                     |                   |                            |                                                                                                          |                                                                                                                  |                      |
| Legal reserve                                                                                                                  | -                   | -                                              | -                   | 71,063            | (71,063)                   | -                                                                                                        | -                                                                                                                | -                    |
| Cash dividends                                                                                                                 | -                   | -                                              | -                   | -                 | (518,886)                  | -                                                                                                        | -                                                                                                                | (518,886)            |
| Net profit for the year ended December 31, 2019                                                                                | -                   | -                                              | -                   | -                 | 558,459                    | -                                                                                                        | -                                                                                                                | 558,459              |
| Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax                                      | -                   | -                                              | -                   | -                 | (56,330)                   | (8,449)                                                                                                  | 39,393                                                                                                           | (25,386)             |
| Total comprehensive income (loss) for the year ended December 31, 2019                                                         | -                   | -                                              | -                   | -                 | 502,129                    | (8,449)                                                                                                  | 39,393                                                                                                           | 533,073              |
| Compensation cost of employee share options (Notes 20 and 23)                                                                  | -                   | -                                              | 49,920              | -                 | -                          | -                                                                                                        | -                                                                                                                | 49,920               |
| Unclaimed dividends extinguished by prescriptions                                                                              | -                   | -                                              | 52                  | -                 | -                          | -                                                                                                        | -                                                                                                                | 52                   |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 10 and 20) | -                   | -                                              | -                   | -                 | 49,703                     | -                                                                                                        | (49,703)                                                                                                         | -                    |
| Issuance of ordinary shares for cash (Note 20)                                                                                 | 800,000             | -                                              | 2,793,506           | -                 | -                          | -                                                                                                        | -                                                                                                                | 3,593,506            |
| BALANCE AT DECEMBER 31, 2019                                                                                                   | <u>2,875,544</u>    | <u>-</u>                                       | <u>2,906,976</u>    | <u>541,722</u>    | <u>917,229</u>             | <u>(18,984)</u>                                                                                          | <u>169,544</u>                                                                                                   | <u>7,392,031</u>     |
| Appropriation of 2019 earnings (Note 20)                                                                                       |                     |                                                |                     |                   |                            |                                                                                                          |                                                                                                                  |                      |
| Legal reserve                                                                                                                  | -                   | -                                              | -                   | 55,183            | (55,183)                   | -                                                                                                        | -                                                                                                                | -                    |
| Cash dividends                                                                                                                 | -                   | -                                              | -                   | -                 | (345,065)                  | -                                                                                                        | -                                                                                                                | (345,065)            |
| Net profit for the year ended December 31, 2020                                                                                | -                   | -                                              | -                   | -                 | 532,785                    | -                                                                                                        | -                                                                                                                | 532,785              |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax                                      | -                   | -                                              | -                   | -                 | (29,082)                   | (109,368)                                                                                                | 181,920                                                                                                          | 43,470               |
| Total comprehensive income (loss) for the year ended December 31, 2020                                                         | -                   | -                                              | -                   | -                 | 503,703                    | (109,368)                                                                                                | 181,920                                                                                                          | 576,255              |
| Compensation cost of employee share options (Notes 20 and 23)                                                                  | -                   | -                                              | 62,240              | -                 | -                          | -                                                                                                        | -                                                                                                                | 62,240               |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 10 and 20) | -                   | -                                              | -                   | -                 | 82,399                     | -                                                                                                        | (82,399)                                                                                                         | -                    |
| Convertible bonds converted to ordinary shares (Note 15)                                                                       | 84,072              | 124,320                                        | 596,347             | -                 | -                          | -                                                                                                        | -                                                                                                                | 804,739              |
| Issuance of ordinary shares for cash (Note 20)                                                                                 | 800,000             | -                                              | 2,231,168           | -                 | -                          | -                                                                                                        | -                                                                                                                | 3,031,168            |
| BALANCE AT DECEMBER 31, 2020                                                                                                   | <u>\$ 3,759,616</u> | <u>\$ 124,320</u>                              | <u>\$ 5,796,731</u> | <u>\$ 596,905</u> | <u>\$ 1,103,083</u>        | <u>\$ (128,352)</u>                                                                                      | <u>\$ 269,065</u>                                                                                                | <u>\$ 11,521,368</u> |

The accompanying notes are an integral part of the financial statements.

# NUVOTON TECHNOLOGY CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

|                                                                                             | 2020             | 2019             |
|---------------------------------------------------------------------------------------------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                 |                  |                  |
| Profit before income tax                                                                    | \$ 657,540       | \$ 633,459       |
| Adjustments for:                                                                            |                  |                  |
| Depreciation expense                                                                        | 228,131          | 200,994          |
| Amortization expense                                                                        | 153,528          | 75,706           |
| Interest expense                                                                            | 35,205           | 7,327            |
| Expected credit loss (gain) recognized on accounts receivable                               | 1,464            | 2,876            |
| Interest income                                                                             | (15,248)         | (10,864)         |
| Dividend income                                                                             | (64,446)         | (66,899)         |
| Compensation cost of employee share options                                                 | 62,240           | 49,920           |
| Share of loss (profit) of subsidiaries and associates accounted for using equity method     | 290,819          | (65,476)         |
| Unrealized gain or loss                                                                     | (132)            | 268              |
| Gain on the bargain purchase                                                                | (218,968)        | -                |
| (Gains) losses on disposal of property, plant and equipment                                 | (178)            | (225)            |
| Other income                                                                                | (5)              | -                |
| Changes in operating assets and liabilities                                                 |                  |                  |
| (Increase) decrease in financial assets at fair value through profit or loss                | (3,570)          | (5,274)          |
| (Increase) decrease in notes and accounts receivable                                        | (84,139)         | (118,232)        |
| (Increase) decrease in accounts receivable from related parties                             | 38,369           | 187,342          |
| (Increase) decrease in other receivables                                                    | (148)            | (7,995)          |
| (Increase) decrease in inventories                                                          | (292,242)        | (42,923)         |
| (Increase) decrease in other current assets                                                 | 30,120           | 25,450           |
| Increase (decrease) in accounts payable                                                     | 247,327          | 240,149          |
| Increase (decrease) in other payables                                                       | 129,401          | 54,136           |
| Increase (decrease) in other current liabilities                                            | 145,109          | 3,156            |
| Increase (decrease) in net defined benefit liabilities                                      | (1,256)          | (72,217)         |
| Increase (decrease) in other non-current liabilities                                        | 12,958           | 13               |
| Cash flows from (used in) operations                                                        | 1,351,879        | 1,090,691        |
| Income tax paid                                                                             | (23,961)         | (83,192)         |
| Interest paid                                                                               | (21,343)         | (6,688)          |
| Interest received                                                                           | 18,611           | 7,795            |
| Dividend received                                                                           | 64,446           | 66,999           |
| Net cash flows generated from (used in) operating activities                                | <u>1,389,632</u> | <u>1,075,605</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                 |                  |                  |
| Acquisition of intangible assets                                                            | (317,727)        | (113,184)        |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | -                | 87,266           |
| Acquisition of financial assets at fair value through other comprehensive income            | -                | (630,000)        |
|                                                                                             |                  | (Continued)      |

# NUVOTON TECHNOLOGY CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

|                                                                                                      | 2020                       | 2019                                      |
|------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------------------|
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | \$ 2,250                   | \$ 4,000                                  |
| Acquisition of investments accounted for using equity method                                         | (6,968,331)                | (18,277)                                  |
| Proceeds from capital reduction of investments accounted for using equity method                     | 2,695                      | -                                         |
| Acquisition of property, plant and equipment                                                         | (202,301)                  | (191,465)                                 |
| Proceeds from disposal of property, plant and equipment                                              | 184                        | 225                                       |
| (Increase) decrease in refundable deposits paid                                                      | (559,862)                  | (5,582)                                   |
| (Increase) decrease in other receivables - time deposits                                             | <u>249,900</u>             | <u>(249,900)</u>                          |
| Net cash flows generated from (used in) investing activities                                         | <u>(7,793,192)</u>         | <u>(1,116,917)</u>                        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                          |                            |                                           |
| Proceeds from long-term borrowings                                                                   | 1,000,000                  | 500,000                                   |
| Proceeds from issuance of bonds                                                                      | 1,998,428                  | -                                         |
| Repayments of the principal portion of lease liabilities                                             | (54,570)                   | (42,452)                                  |
| Dividends paid to owners of the Company                                                              | (345,065)                  | (518,886)                                 |
| Proceeds from issuance of ordinary shares for cash                                                   | 3,031,168                  | 3,593,506                                 |
| Other financing activities                                                                           | <u>-</u>                   | <u>52</u>                                 |
| Net cash flows generated from (used in) financing activities                                         | <u>5,629,961</u>           | <u>3,532,220</u>                          |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                          | <b>(773,599)</b>           | <b>3,490,908</b>                          |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                                                  | <u><b>4,451,201</b></u>    | <u><b>960,293</b></u>                     |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                                                        | <u><b>\$ 3,677,602</b></u> | <u><b>\$ 4,451,201</b></u><br>(Concluded) |

The accompanying notes are an integral part of the financial statements.

# NUVOTON TECHNOLOGY CORPORATION

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Nuvoton Technology Corporation (the “Company”) was incorporated in the Republic of China (“ROC”) in April 2008 and commenced business in July 2008. The Company is engaged mainly in the research, design, development, manufacture, and sale of logic integrated circuits (“ICs”) and the manufacturing, testing and OEM of 6-inch wafers.

For the specialization and division of labor and the reinforcement of core competitive ability, the Company’s parent company, Winbond Electronics Corporation (“WEC”), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act and the Company commenced business in July 2008. WEC held approximately 55% and 62% of the ownership interest in the Company as of December 31, 2020 and 2019, respectively.

The Company’s shares have been listed on the Taiwan Stock Exchange since September 27, 2010.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issue on February 18, 2021.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies:

#### Amendments to IAS 1 and IAS 8 “Definition of Material”

The Company adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to “could reasonably be expected to influence” and, therefore, the disclosures in the financial report have been adjusted and immaterial information that may obscure material information has been deleted.

#### Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Company elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Company shall determine whether or not the abovementioned rent concessions are lease modifications and thus have to be accounted for as lease modifications.

The Company applied the amendment from January 1, 2020. Retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

- b. The IFRSs endorsed by the FSC for application starting from 2021

| <b>New IFRSs</b>                                                                                    | <b>Effective Date<br/>Announced by IASB</b>         |
|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”                    | Effective immediately upon promulgation by the IASB |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2” | January 1, 2021                                     |

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

| <b>New IFRSs</b>                                                                                                         | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| “Annual Improvements to IFRS Standards 2018-2020”                                                                        | January 1, 2022 (Note 2)                             |
| Amendments to IFRS 3 “Reference to the Conceptual Framework”                                                             | January 1, 2022 (Note 3)                             |
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined by IASB                             |
| IFRS 17 “Insurance Contracts”                                                                                            | January 1, 2023                                      |
| Amendments to IFRS 17                                                                                                    | January 1, 2023                                      |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”                                            | January 1, 2023                                      |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”                                      | January 1, 2022 (Note 4)                             |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”                                                 | January 1, 2022 (Note 5)                             |

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## **Basis of Preparation**

The financial statements have been prepared on the historical cost basis except for financial instruments and defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Company uses equity method to account for its investment in subsidiaries for the stand-alone financial statements. The amounts of the net profit, other comprehensive income and total equity in stand-alone financial statements are same with the amounts attributable to the owner of the Company in its consolidated financial statements since there is no difference in accounting treatment between stand-alone basis and consolidated basis.

## **Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

## **Foreign Currencies**

The financial statements are presented in the Company's functional currency, New Taiwan dollars.

In preparing the financial statements, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement are recognized in profit or loss in the period they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the

reporting currency as originally translated from the foreign currency.

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, and exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

### **Cash Equivalents**

Cash equivalents include time deposits and investments, highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

### **Financial Instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities other than financial assets and financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

#### **a. Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis, except derivative financial assets which are recognized and derecognized on settlement date basis.

#### Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

#### **1) Financial asset at FVTPL**

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 27.

#### **2) Financial assets at amortized cost**

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are

solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and
- b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

### 3) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

### b. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivable).

The Company always recognizes lifetime Expected Credit Loss (ECL) on accounts receivable. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

d. Financial liabilities

a) Subsequent measurement

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL. Financial liabilities at fair value through profit or loss are stated at fair value, with any interest paid on such financial liabilities is recognized in finance costs, and any gains or losses arising on remeasurement recognized in profit or loss.

Other financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

e. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and cross-currency swaps.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

f. Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the

conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

## **Inventories**

Inventories consist of raw materials, supplies, finished goods and work-in-process. The cost of raw materials and supplies are recognized using moving-average method and finished goods and work-in-process are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Inventories are stated at the lower of cost or net realizable value; evaluation and recognition of appropriate allowance for value decline are based on the amount of inventories and sales situation. Inventory write-downs are made by item, except where it may be appropriate to Company similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

## **Investments Accounted for Using Equity Method**

### Investment in subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

### **Property, Plant and Equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method over the following estimated useful life after considering residual values: Buildings 8-20 years, machinery and equipment 3-5 years and other equipment 5 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

### **Intangible Assets**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line method over the following estimated useful life of the assets: Deferred technical assets - economic life or contract period and other intangible assets 3-5 years. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

### **Impairment of Tangible and Intangible Assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the reversed carrying amount should not exceed the carrying amount (after amortization or depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

### **Products Guarantee Based on Commitment**

The Company will estimate guarantee provision by using appropriate ratio at the time the related product is sold.

## Revenue Recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods is mainly recognized when a customer obtains control of promised goods, at which time the goods are delivered to the customer's specific location and performance obligation is satisfied.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience and on the consideration of varying contractual terms affecting the recognition of a provision, which is classified under other non-current liabilities.

## Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

### a. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Company subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs, and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Company's net investment outstanding in respect of leases.

Under operating lease, lease payments (less any lease incentives payable) are recognized as income on a straight-line basis over the terms of the relevant lease. Initial direct costs incurred in obtaining operating lease are added to the carrying amount of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

### b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct

costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease substantially less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

## **Employee Benefits**

### **a. Short-term employee benefits**

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### **b. Retirement benefits**

Payments to defined contribution retirement benefit plans are recognized as expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets excluding interest, is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

### **Share-based Payment Arrangements**

Cash-settled share-based payment is a liability in which the entity receives goods or services and the fair value of the amount payable is initially measured at cost. The amount is remeasured at each reporting date and at settlement based on the fair value. Any changes in the liabilities are recognized in profit or loss, with a corresponding adjustment to capital surplus - employee share options.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and it is remeasured at the end of each reporting period and recognized to the extent that it has become probable that there will be future taxable profit.

Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate are revised if the revision affect only that period or in the period of the revisions and future periods if the revision affect both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

|                                               | <u>December 31</u>  |                     |
|-----------------------------------------------|---------------------|---------------------|
|                                               | <u>2020</u>         | <u>2019</u>         |
| Cash and cash in bank                         | \$ 2,694,602        | \$ 4,242,201        |
| Repurchase agreements collateralized by bonds | <u>983,000</u>      | <u>209,000</u>      |
|                                               | <u>\$ 3,677,602</u> | <u>\$ 4,451,201</u> |

- a. The Company has time deposits pledged to secure land leases, customs tariff obligations and borrowings which are reclassified as “refundable deposits” as follows:

|               | <u>December 31</u> |                  |
|---------------|--------------------|------------------|
|               | <u>2020</u>        | <u>2019</u>      |
| Time deposits | <u>\$636,102</u>   | <u>\$ 75,988</u> |

- b. The Company has time deposits which are not held for the purpose of meeting short-term cash commitments and are reclassified to “other receivables” as follows:

|               | <u>December 31</u> |                   |
|---------------|--------------------|-------------------|
|               | <u>2020</u>        | <u>2019</u>       |
| Time deposits | <u>\$ -</u>        | <u>\$ 249,900</u> |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|                                                 | <u>December 31</u> |                 |
|-------------------------------------------------|--------------------|-----------------|
|                                                 | <u>2020</u>        | <u>2019</u>     |
| <u>Financial assets at FVTPL - current</u>      |                    |                 |
| Foreign exchange forward contracts              | \$ -               | \$ 6,037        |
| Cross-currency swap contracts                   | 4,128              | -               |
| Right of redemption of convertible bonds        | <u>9,095</u>       | <u>-</u>        |
|                                                 | <u>\$ 13,223</u>   | <u>\$ 6,037</u> |
| <u>Financial liabilities at FVTPL - current</u> |                    |                 |
| Foreign exchange forward contracts              | <u>\$ 3,191</u>    | <u>\$ -</u>     |

At the end of the year, the outstanding foreign exchange forward contracts not under hedge accounting were as follows:

|                                 | <u>Currencies</u> | <u>Maturity Date</u>  | <u>Contract Amount<br/>(In Thousands)</u> |
|---------------------------------|-------------------|-----------------------|-------------------------------------------|
| <u>December 31, 2020</u>        |                   |                       |                                           |
| Sell forward exchange contracts | USD/NTD           | 2021.01.21-2021.02.25 | USD21,000/NTD594,889                      |
| Cross-currency swap contracts   | USD/NTD           | 2021.01.22            | USD16,000/NTD459,808                      |
| <u>December 31, 2019</u>        |                   |                       |                                           |
| Sell forward exchange contracts | USD/NTD           | 2020.01.03-2020.03.05 | USD20,000/NTD604,050                      |

The Company entered into foreign exchange forward and cross-currency swap contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. These

forward exchange and cross-currency swap contracts did not meet the criteria for hedge accounting, therefore, the Company did not apply hedge accounting treatment.

## 8. NOTES AND ACCOUNTS RECEIVABLE

|                                                        | <b>December 31</b> |                   |
|--------------------------------------------------------|--------------------|-------------------|
|                                                        | <b>2020</b>        | <b>2019</b>       |
| <u>Notes receivable</u>                                | \$ -               | \$ 21             |
| <u>Accounts receivable (including related parties)</u> |                    |                   |
| At amortized cost                                      |                    |                   |
| Gross carrying amount                                  | 924,376            | 878,585           |
| Less: Allowance for impairment loss                    | <u>(18,028)</u>    | <u>(16,564)</u>   |
|                                                        | <u>\$ 906,348</u>  | <u>\$ 862,042</u> |

The average credit period of sales of goods was 30-60 days. No interest was charged on trade receivables. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the customer and the customer's current financial position, adjusted for economic conditions of the industry in which the customer operates, as well as the GDP forecast and industry outlooks. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2020

|                                  | <b>Not<br/>Overdue</b> | <b>Overdue<br/>under 30<br/>Days</b> | <b>Overdue<br/>31-90 Days</b> | <b>Overdue<br/>91-180 Days</b> | <b>Over 180<br/>Days</b> | <b>Total</b>      |
|----------------------------------|------------------------|--------------------------------------|-------------------------------|--------------------------------|--------------------------|-------------------|
| Expected credit loss rate        | 2%                     | 2%                                   | 10%                           | 20%                            | 50%                      |                   |
| Gross carrying amount            | \$ 921,399             | \$ 2,977                             | \$ -                          | \$ -                           | \$ -                     | \$ 924,376        |
| Loss allowance<br>(lifetime ECL) | <u>(17,968)</u>        | <u>(60)</u>                          | <u>-</u>                      | <u>-</u>                       | <u>-</u>                 | <u>(18,028)</u>   |
| Amortized cost                   | <u>\$ 903,431</u>      | <u>\$ 2,917</u>                      | <u>\$ -</u>                   | <u>\$ -</u>                    | <u>\$ -</u>              | <u>\$ 906,348</u> |

December 31, 2019

|                                  | <b>Not<br/>Overdue</b> | <b>Overdue<br/>under 30<br/>Days</b> | <b>Overdue<br/>31-90 Days</b> | <b>Overdue<br/>91-180 Days</b> | <b>Over 180<br/>Days</b> | <b>Total</b>      |
|----------------------------------|------------------------|--------------------------------------|-------------------------------|--------------------------------|--------------------------|-------------------|
| Expected credit loss rate        | 2%                     | 2%                                   | 10%                           | 20%                            | 50%                      |                   |
| Gross carrying amount            | \$ 872,950             | \$ 5,656                             | \$ -                          | \$ -                           | \$ -                     | \$ 878,606        |
| Loss allowance<br>(lifetime ECL) | <u>(16,451)</u>        | <u>(113)</u>                         | <u>-</u>                      | <u>-</u>                       | <u>-</u>                 | <u>(16,564)</u>   |
| Amortized cost                   | <u>\$ 856,499</u>      | <u>\$ 5,543</u>                      | <u>\$ -</u>                   | <u>\$ -</u>                    | <u>\$ -</u>              | <u>\$ 862,042</u> |

The movements of the loss allowance of notes and trade receivables were as follows:

|                                          | <b>For the Year Ended December 31</b> |                  |
|------------------------------------------|---------------------------------------|------------------|
|                                          | <b>2020</b>                           | <b>2019</b>      |
| Balance at January 1                     | \$ 16,564                             | \$ 13,688        |
| Add: Net remeasurement of loss allowance | <u>1,464</u>                          | <u>2,876</u>     |
| Balance at December 31                   | <u>\$ 18,028</u>                      | <u>\$ 16,564</u> |

The Company's provision for losses on accounts receivable was recognized on a collective basis.

**9. INVENTORIES**

|                            | <b>December 31</b>  |                     |
|----------------------------|---------------------|---------------------|
|                            | <b>2020</b>         | <b>2019</b>         |
| Raw materials and supplies | \$ 128,893          | \$ 105,937          |
| Work-in-process            | 1,368,594           | 1,178,694           |
| Finished goods             | 390,062             | 307,603             |
| Inventories in transit     | <u>5,126</u>        | <u>8,199</u>        |
|                            | <u>\$ 1,892,675</u> | <u>\$ 1,600,433</u> |

- As of December 31, 2020 and 2019, the allowance for inventory value decline was \$406,996 thousand and \$361,228 thousand, respectively.
- The operating cost for the years ended December 31, 2020 and 2019 was \$6,967,572 thousand and \$6,232,121 thousand, respectively. The inventory write-downs, obsolescence and abandonment of inventories for the years ended December 31, 2020 and 2019 were \$72,715 thousand and \$58,931 thousand, respectively.

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI:

|                                          | <u>December 31</u> |                     |
|------------------------------------------|--------------------|---------------------|
|                                          | <u>2020</u>        | <u>2019</u>         |
| Listed shares and emerging market shares |                    |                     |
| Brightek Optoelectronic Co., Ltd.        | \$ 894             | \$ 485              |
| Unlisted shares                          |                    |                     |
| United Industrial Gases Co., Ltd.        | 396,000            | 440,000             |
| Yu-Ji Venture Capital Co., Ltd.          | 14,479             | 16,605              |
| Autotalks Ltd. - Preferred E. Share      | <u>569,600</u>     | <u>599,600</u>      |
|                                          | <u>\$ 980,973</u>  | <u>\$ 1,056,690</u> |

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

In 2019, the Company sold out its shares in Nyquest Technology Co., Ltd. in order to manage credit concentration risk. The shares sold had a fair value of \$87,266 thousand and its related unrealized valuation gain of \$49,703 thousand was transferred from other equity to retained earnings. Refer to Note 20 for related information.

Dividends of NT\$64,446 thousand and NT\$66,899 thousand were recognized during 2020 and 2019, respectively. The dividends related to investments derecognized during 2020 and 2019 were NT\$0 and NT\$4,006 thousand, respectively. And those related to investments held at December 31, 2020 and 2019 were NT\$64,446 thousand and NT\$62,893 thousand, respectively.

In August 2019, the Company resolved to invest in the Preferred E Share of the non-related party communication chip maker in Israel, Autotalks Ltd. The entitled rights of the Preferred E Share were as follows:

- a. Each Preferred E Share grants its holder a number of votes equal to the number of votes per Ordinary Share.
- b. In the event of liquidation, the Preferred E Shares shall be prior to all other equity securities of Autotalks Ltd.
- c. The holders of the Preferred E Share shall be entitled to receive non-cumulative cash dividends at the rate of eight percent.
- d. The investors shall have the right to appoint one non-voting observer ("Observer") to attend Autotalks Ltd.'s board meetings.
- e. The holders of the Preferred E Shares shall be entitled to preemptive right with respect to future issuance of new securities of Autotalks Ltd.
- f. The investors have the rights to obtain the annual financial statements, quarterly financial statements and etc.

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

|                                                        | <b>December 31</b>    |                             |                       |                             |
|--------------------------------------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|
|                                                        | <b>2020</b>           |                             | <b>2019</b>           |                             |
| Investments in subsidiaries                            | <u>\$ 8,012,519</u>   |                             | <u>\$ 1,102,658</u>   |                             |
|                                                        | <b>December 31</b>    |                             |                       |                             |
|                                                        | <b>2020</b>           |                             | <b>2019</b>           |                             |
|                                                        | <b>Carrying Value</b> | <b>Ownership Percentage</b> | <b>Carrying Value</b> | <b>Ownership Percentage</b> |
| <u>Non-listed companies</u>                            |                       |                             |                       |                             |
| Marketplace Management Ltd. (“MML”)                    | \$ 120,740            | 100                         | \$ 77,837             | 100                         |
| Nuvoton Technology Corporation America (“NTCA”)        | 181,972               | 100                         | 186,060               | 100                         |
| Nuvoton Investment Holding Ltd. (“NIH”)                | 319,938               | 100                         | 277,739               | 100                         |
| Nuvoton Electronics Technology (H.K.) Limited (“NTHK”) | 481,285               | 100                         | 459,960               | 100                         |
| Song Yong Investment Corporation (“SYI”)               | 99,346                | 100                         | 78,834                | 100                         |
| Nuvoton Technology India Private Ltd. (“NTIPL”)        | 21,389                | 100                         | 22,228                | 100                         |
| Nuvoton Technology Holding Japan (“NTHJ”)              | 5,675,964             | 100                         | -                     | -                           |
| Nuvoton Technology Singapore Pte. Ltd. (“NTSPL”)       | 1,083,105             | 100                         | -                     | -                           |
| Nuvoton Technology Korea Limited (“NTKR”)              | <u>28,780</u>         | 100                         | <u>-</u>              | -                           |
|                                                        | <u>\$ 8,012,519</u>   |                             | <u>\$ 1,102,658</u>   |                             |

In March and June 2020, the Company established NTSPL and NTKR with the capital amounted \$1,094,134 thousand and \$30,828 thousand, respectively, and were all held by the Company with 100% ownership.

The Company acquired the semiconductor business of Panasonic Corporation on September 1, 2020 and held NTHJ with 100% ownership, please refer to the 2020 consolidated financial statements note 27.

In 2019, the Company increased its investments in MML and NIH by \$1,620 thousand and \$16,657 thousand, respectively.

To simplify investment structure, PCH completed the liquidation and legal procedures in January 2019; NTCA, the subsidiary of PCH, is held directly by the Company.

## 12. PROPERTY, PLANT AND EQUIPMENT

|                                                                    | <b>December 31</b> |                   |
|--------------------------------------------------------------------|--------------------|-------------------|
|                                                                    | <b>2020</b>        | <b>2019</b>       |
| Buildings                                                          | \$ 203,545         | \$ 189,755        |
| Machinery and equipment                                            | 432,696            | 440,414           |
| Other equipment                                                    | 32,593             | 41,444            |
| Construction in progress and prepayments for purchase of equipment | <u>527</u>         | <u>1,416</u>      |
|                                                                    | <u>\$ 669,361</u>  | <u>\$ 673,029</u> |

|                                                    | Buildings         | Machinery and<br>Equipment | Other<br>Equipment | Construction in<br>Progress and<br>Prepayments for<br>Purchase of<br>Equipment | Total             |
|----------------------------------------------------|-------------------|----------------------------|--------------------|--------------------------------------------------------------------------------|-------------------|
| <u>Cost</u>                                        |                   |                            |                    |                                                                                |                   |
| Balance at January 1, 2020                         | \$ 3,662,144      | \$ 11,461,357              | \$ 197,817         | \$ 1,416                                                                       | \$ 15,322,734     |
| Additions                                          | 39,826            | 119,856                    | 5,182              | 527                                                                            | 165,391           |
| Disposals                                          | (3,639)           | (137,371)                  | (340)              | -                                                                              | (141,350)         |
| Reclassified                                       | <u>549</u>        | <u>867</u>                 | <u>-</u>           | <u>(1,416)</u>                                                                 | <u>-</u>          |
| Balance at December 31, 2020                       | <u>3,698,880</u>  | <u>11,444,709</u>          | <u>202,659</u>     | <u>527</u>                                                                     | <u>15,346,775</u> |
| <u>Accumulated depreciation and<br/>impairment</u> |                   |                            |                    |                                                                                |                   |
| Balance at January 1, 2020                         | 3,472,389         | 11,020,943                 | 156,373            | -                                                                              | 14,649,705        |
| Disposals                                          | (3,639)           | (137,367)                  | (338)              | -                                                                              | (141,344)         |
| Depreciation expense                               | 26,585            | 128,437                    | 14,031             | -                                                                              | 169,053           |
| Reclassified                                       | <u>-</u>          | <u>-</u>                   | <u>-</u>           | <u>-</u>                                                                       | <u>-</u>          |
| Balance at December 31, 2020                       | <u>3,495,335</u>  | <u>11,012,013</u>          | <u>170,066</u>     | <u>-</u>                                                                       | <u>14,677,414</u> |
| Carrying amount at December 31, 2020               | <u>\$ 203,545</u> | <u>\$ 432,696</u>          | <u>\$ 32,593</u>   | <u>\$ 527</u>                                                                  | <u>\$ 669,361</u> |
| <u>Cost</u>                                        |                   |                            |                    |                                                                                |                   |
| Balance at January 1, 2019                         | \$ 3,649,662      | \$ 11,316,907              | \$ 187,265         | \$ -                                                                           | \$ 15,153,834     |
| Additions                                          | 16,446            | 187,551                    | 11,197             | 1,416                                                                          | 216,610           |
| Disposals                                          | (3,964)           | (43,101)                   | (645)              | -                                                                              | (47,710)          |
| Reclassified                                       | <u>-</u>          | <u>-</u>                   | <u>-</u>           | <u>-</u>                                                                       | <u>-</u>          |
| Balance at December 31, 2019                       | <u>3,662,144</u>  | <u>11,461,357</u>          | <u>197,817</u>     | <u>1,416</u>                                                                   | <u>15,322,734</u> |
| <u>Accumulated depreciation and<br/>impairment</u> |                   |                            |                    |                                                                                |                   |
| Balance at January 1, 2019                         | 3,450,849         | 10,948,180                 | 142,557            | -                                                                              | 14,541,586        |
| Disposals                                          | (3,964)           | (43,101)                   | (645)              | -                                                                              | (47,710)          |
| Depreciation expense                               | 25,504            | 115,864                    | 14,461             | -                                                                              | 155,829           |
| Reclassified                                       | <u>-</u>          | <u>-</u>                   | <u>-</u>           | <u>-</u>                                                                       | <u>-</u>          |
| Balance at December 31, 2019                       | <u>3,472,389</u>  | <u>11,020,943</u>          | <u>156,373</u>     | <u>-</u>                                                                       | <u>14,649,705</u> |
| Carrying amount at December 31, 2019               | <u>\$ 187,755</u> | <u>\$ 440,414</u>          | <u>\$ 41,444</u>   | <u>\$ 1,416</u>                                                                | <u>\$ 673,029</u> |

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

|                                  | <u>December 31</u>                    |                   |
|----------------------------------|---------------------------------------|-------------------|
|                                  | <u>2020</u>                           | <u>2019</u>       |
| <u>Carrying amounts</u>          |                                       |                   |
| Land                             | \$ 198,547                            | \$ 226,581        |
| Buildings                        | 80,789                                | 105,153           |
| Other equipment                  | <u>13,771</u>                         | <u>19,602</u>     |
|                                  | <u>\$ 293,107</u>                     | <u>\$ 351,336</u> |
|                                  | <u>For the Year Ended December 31</u> |                   |
|                                  | <u>2020</u>                           | <u>2019</u>       |
| Additions to right-of-use assets | <u>\$ 6,402</u>                       | <u>\$ 69,707</u>  |

|                                                                               | <b>For the Year Ended December 31</b> |                   |
|-------------------------------------------------------------------------------|---------------------------------------|-------------------|
|                                                                               | <b>2020</b>                           | <b>2019</b>       |
| Depreciation for right-of-use assets                                          |                                       |                   |
| Land                                                                          | \$ 25,211                             | \$ 25,408         |
| Buildings                                                                     | 28,254                                | 18,543            |
| Other equipment                                                               | <u>5,613</u>                          | <u>1,214</u>      |
|                                                                               | <u>\$ 59,078</u>                      | <u>\$ 45,165</u>  |
| Income from the subleasing of right-of-use assets (presented in other income) | <u>\$ (5,660)</u>                     | <u>\$ (6,005)</u> |

b. Lease liabilities

|                         | <b>December 31</b> |                   |
|-------------------------|--------------------|-------------------|
|                         | <b>2020</b>        | <b>2019</b>       |
| <u>Carrying amounts</u> |                    |                   |
| Current                 | <u>\$ 56,247</u>   | <u>\$ 53,885</u>  |
| Non-current             | <u>\$ 205,902</u>  | <u>\$ 262,054</u> |

Range of discount rate for lease liabilities was as follows:

|                 | <b>December 31</b> |             |
|-----------------|--------------------|-------------|
|                 | <b>2020</b>        | <b>2019</b> |
| Land            | 1.76%-2.06%        | 1.76%-2.06% |
| Buildings       | 0.84%-2.06%        | 1.09%-1.61% |
| Other equipment | 1.07%-2.06%        | 1.09%-2.06% |

For the year ended December 31, 2020 and 2019, the interest expense under lease liabilities amounted to \$4,605 thousand and \$4,409 thousand, respectively.

c. Material lease-in activities and terms

The Company leased parcels of land from Science Park Administration, and the lease term will expire in December 2027, which can be extended after the expiration of the lease periods.

The Company leased parcel of land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which is allowed to extend after the expiration of the lease. The chairman of the Company, is a joint guarantor of such lease (refer to Note 28).

The Company leased some of the offices part in Taiwan, and the lease terms will expire between 2022 and 2024 which can be extended after the expiration of the lease periods.

d. Subleases

The Company subleases its right-of-use assets for buildings under operating leases with lease terms between 3 to 5 years.

The maturity analysis of lease payments receivable under operating subleases was as follows:

|                | <b>December 31</b> |                  |
|----------------|--------------------|------------------|
|                | <b>2020</b>        | <b>2019</b>      |
| Year 1         | \$ 5,545           | \$ 5,769         |
| Year 2         | 5,718              | 5,855            |
| Year 3         | 1,762              | 5,911            |
| Year 4         | -                  | 1,985            |
| Year 5         | -                  | -                |
| Year 6 onwards | <u>-</u>           | <u>-</u>         |
|                | <u>\$ 13,025</u>   | <u>\$ 19,520</u> |

To reduce the residual asset risk related to the subleased asset at the end of the relevant sublease, the lease contract between the Company and the lessee includes the receipt of the deposits and the compensation for damage due to the lack of management and maintenance.

e. Other lease information

|                                        | <b>For the Year Ended December 31</b> |                    |
|----------------------------------------|---------------------------------------|--------------------|
|                                        | <b>2020</b>                           | <b>2019</b>        |
| Expenses relating to short-term leases | <u>\$ 3,623</u>                       | <u>\$ 2,247</u>    |
| Total cash outflow for leases          | <u>\$ (62,862)</u>                    | <u>\$ (48,627)</u> |

The Company leases certain buildings and transportation equipment which qualify as short-term leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

#### 14. INTANGIBLE ASSETS

|                              | <b>December 31</b>      |                   |                  |
|------------------------------|-------------------------|-------------------|------------------|
|                              | <b>2020</b>             | <b>2019</b>       |                  |
| Deferred technical assets    | \$ 476,752              | \$ 192,005        |                  |
| Other intangible assets      | <u>85,107</u>           | <u>-</u>          |                  |
|                              | <u>\$ 561,859</u>       | <u>\$ 192,005</u> |                  |
|                              | <b>Deferred</b>         | <b>Other</b>      | <b>Total</b>     |
|                              | <b>Technical Assets</b> | <b>Intangible</b> |                  |
|                              |                         | <b>Assets</b>     |                  |
| <u>Cost</u>                  |                         |                   |                  |
| Balance at January 1, 2020   | \$ 1,049,608            | \$ -              | \$ 1,049,608     |
| Additions                    | <u>427,110</u>          | <u>96,272</u>     | <u>523,382</u>   |
| Balance at December 31, 2020 | <u>1,476,718</u>        | <u>96,272</u>     | <u>1,572,990</u> |

(Continued)

|                                                | <b>Deferred<br/>Technical Assets</b> | <b>Other<br/>Intangible<br/>Assets</b> | <b>Total</b>                     |
|------------------------------------------------|--------------------------------------|----------------------------------------|----------------------------------|
| <u>Accumulated amortization and impairment</u> |                                      |                                        |                                  |
| Balance at January 1, 2020                     | \$ 857,603                           | \$ -                                   | \$ 857,603                       |
| Amortization expense                           | <u>142,363</u>                       | <u>11,165</u>                          | <u>153,528</u>                   |
| Balance at December 31, 2020                   | <u>999,966</u>                       | <u>11,165</u>                          | <u>1,011,131</u>                 |
| Carrying amount at December 31, 2020           | <u>\$ 476,752</u>                    | <u>\$ 85,107</u>                       | <u>\$ 561,859</u>                |
| <u>Cost</u>                                    |                                      |                                        |                                  |
| Balance at January 1, 2019                     | \$ 904,864                           | \$ -                                   | \$ 904,864                       |
| Additions                                      | <u>144,744</u>                       | <u>-</u>                               | <u>144,744</u>                   |
| Balance at December 31, 2019                   | <u>1,049,608</u>                     | <u>-</u>                               | <u>1,049,608</u>                 |
| <u>Accumulated amortization and impairment</u> |                                      |                                        |                                  |
| Balance at January 1, 2019                     | 781,897                              | -                                      | 781,897                          |
| Amortization expense                           | <u>75,706</u>                        | <u>-</u>                               | <u>75,706</u>                    |
| Balance at December 31, 2019                   | <u>857,603</u>                       | <u>-</u>                               | <u>857,603</u>                   |
| Carrying amount at December 31, 2019           | <u>\$ 192,005</u>                    | <u>\$ -</u>                            | <u>\$ 192,005</u><br>(Concluded) |

## 15. BONDS PAYABLE

|                                      | <u>December 31</u>  |             |
|--------------------------------------|---------------------|-------------|
|                                      | <u>2020</u>         | <u>2019</u> |
| Unsecured domestic convertible bonds | <u>\$ 1,207,820</u> | <u>\$ -</u> |

In May 2020, the Company issued 20 thousand units, \$100,000 per unit, 0% NTD-denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of \$2,000,000 thousand. The terms of issuance, amounts and interest rate as follows:

- a. The conversion price was set at \$39.9 per share at the time of issuance. When meeting certain criteria, adjustments on the conversion price are made in accordance with the terms and conditions. Since the Company issued ordinary shares in December 2020, the conversion price should be adjusted according to issuance and conversion measures, the conversion price was adjusted to \$38.2 since December 10, 2020.
- b. After the first three months of the issuance and forty days before the maturity date, if the closing price of the Company's common shares listed on the Taiwan Stock Exchange exceeds or equals 30% of the conversion price or the outstanding balance of the bonds is less than 10% in principal amount of the bonds originally outstanding for thirty consecutive business days, the Company may redeem the bonds in cash at the principal amount.
- c. After the bonds has been issued for over five years, the bondholders may request the Company to redeem the bonds at 106.41% of the principal amount (annual rate of return 1.25%). The right of the

redemption was recognized as financial instruments at fair value through profit or loss - current. The fair value was \$9,095 thousand on December 31, 2020.

- d. Except for the bonds that have been redeemed, sold back, converted or bought back by the Company in the market, the principal will be repaid in cash upon maturity at a rate of 109.09% (annual rate of return 1.25% upon maturity).

The effective interest rate of the convertible bonds liability component was 1.22% per annum on initial recognition.

|                                                                     |                     |
|---------------------------------------------------------------------|---------------------|
| Proceeds from issuance (less transaction costs of \$6,426 thousand) | \$ 1,998,428        |
| The right of redemption                                             | <u>5,200</u>        |
| Liability component at the date of issue                            | 2,003,628           |
| Convertible bonds converted into ordinary shares                    | (809,516)           |
| Interest charged at an effective interest rate of 1.22%             | <u>13,708</u>       |
| Liability component at December 31, 2020                            | <u>\$ 1,207,820</u> |

## 16. BORROWINGS

### Long-term Borrowings

|                               | Period                | Interest Rate | December 31        |                   |
|-------------------------------|-----------------------|---------------|--------------------|-------------------|
|                               |                       |               | 2020               | 2019              |
| <u>Unsecured borrowings</u>   |                       |               |                    |                   |
| The Export-Import Bank of ROC | 2019.09.20-2026.09.21 | 0.92%         | \$ 500,000         | \$ 500,000        |
| The Export-Import Bank of ROC | 2020.08.25-2027.08.25 | 0.92%         | <u>1,000,000</u>   | <u>-</u>          |
|                               |                       |               | <u>\$1,500,000</u> | <u>\$ 500,000</u> |

The proceeds of the Company's unsecured loan was invested in Autotalks Ltd and acquired Panasonic's semiconductor business in Japan.

## 17. OTHER PAYABLES

|                                                 | December 31         |                     |
|-------------------------------------------------|---------------------|---------------------|
|                                                 | 2020                | 2019                |
| Payable for salaries or employee benefits       | \$ 405,166          | \$ 338,420          |
| Payable for royalties                           | 350,023             | 129,494             |
| Payable for subsidiaries service fees (Note 28) | 183,160             | 159,485             |
| Payable for purchase of equipment               | 56,257              | 93,167              |
| Payable for software                            | 40,869              | 58,540              |
| Others                                          | <u>365,583</u>      | <u>249,143</u>      |
|                                                 | <u>\$ 1,401,058</u> | <u>\$ 1,028,249</u> |

## 18. PROVISIONS

|                    | <u>December 31</u> |             |
|--------------------|--------------------|-------------|
|                    | <u>2020</u>        | <u>2019</u> |
| <u>Current</u>     |                    |             |
| Employee benefits  | \$ 316,438         | \$ -        |
| <u>Non-current</u> |                    |             |
| Warranties         | \$ 101,891         | \$ 101,891  |

The Company acquired Panasonic's semiconductor business in September 2020. Some fabs will be closed due to low capacity utilization. The labor costs were accounted separately for employee benefits provision.

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average of monthly salaries of the 6 months before retirement. In 2020 and 2019, the Company contributed amounts equal to 2% and 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee of the Company, respectively. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans are as follows:

|                                             | <u>December 31</u> |                   |
|---------------------------------------------|--------------------|-------------------|
|                                             | <u>2020</u>        | <u>2019</u>       |
| Present value of defined benefit obligation | \$ 985,752         | \$ 963,380        |
| Fair value of plan assets                   | <u>(700,767)</u>   | <u>(696,585)</u>  |
| Net defined benefit liabilities             | <u>\$ 284,985</u>  | <u>\$ 266,795</u> |

Movements in net defined benefit liabilities (assets) were as follows:

|                                                                                                 | <b>Present Value of<br/>the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities<br/>(Asset)</b> |
|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------|------------------------------------------------------------|
| Balance at January 1, 2019                                                                      | <u>\$ 923,106</u>                                                  | <u>\$ (630,244)</u>                      | <u>\$ 292,862</u>                                          |
| Service cost                                                                                    |                                                                    |                                          |                                                            |
| Current service cost                                                                            | 8,394                                                              | -                                        | 8,394                                                      |
| Net interest expense (income)                                                                   | <u>11,235</u>                                                      | <u>(8,114)</u>                           | <u>3,121</u>                                               |
| Recognized in profit or loss                                                                    | <u>19,629</u>                                                      | <u>(8,114)</u>                           | <u>11,515</u>                                              |
| Remeasurement                                                                                   |                                                                    |                                          |                                                            |
| Actuarial (gain) loss - the discount rate<br>greater (less) than the realized rate of<br>return | -                                                                  | (19,854)                                 | (19,854)                                                   |
| Actuarial (gain) loss - changes in financial<br>assumptions                                     | 42,080                                                             | -                                        | 42,080                                                     |
| Actuarial (gain) loss - experience<br>adjustments                                               | <u>23,924</u>                                                      | <u>-</u>                                 | <u>23,924</u>                                              |
| Recognized in other comprehensive income                                                        | <u>66,004</u>                                                      | <u>(19,854)</u>                          | <u>46,150</u>                                              |
| Contributions from the employer                                                                 | -                                                                  | (83,732)                                 | (83,732)                                                   |
| Benefits paid                                                                                   | <u>(45,359)</u>                                                    | <u>45,359</u>                            | <u>-</u>                                                   |
| Balance at December 31, 2019                                                                    | <u>963,380</u>                                                     | <u>(696,585)</u>                         | <u>266,795</u>                                             |
| Service cost                                                                                    |                                                                    |                                          |                                                            |
| Current service cost                                                                            | 7,787                                                              | -                                        | 7,787                                                      |
| Net interest expense (income)                                                                   | <u>7,034</u>                                                       | <u>(5,074)</u>                           | <u>1,960</u>                                               |
| Recognized in profit or loss                                                                    | <u>14,821</u>                                                      | <u>(5,074)</u>                           | <u>9,747</u>                                               |
| Remeasurement                                                                                   |                                                                    |                                          |                                                            |
| Actuarial (gain) loss - the discount rate<br>greater (less) than the realized rate of<br>return | -                                                                  | (22,052)                                 | (22,052)                                                   |
| Actuarial (gain) loss - changes in financial<br>assumptions                                     | 29,040                                                             | -                                        | 29,040                                                     |
| Actuarial (gain) loss - experience<br>adjustments                                               | <u>12,458</u>                                                      | <u>-</u>                                 | <u>12,458</u>                                              |
| Recognized in other comprehensive income                                                        | <u>41,498</u>                                                      | <u>(22,052)</u>                          | <u>19,446</u>                                              |
| Contributions from the employer                                                                 | -                                                                  | (11,003)                                 | (11,003)                                                   |
| Benefits paid                                                                                   | <u>(33,947)</u>                                                    | <u>33,947</u>                            | <u>-</u>                                                   |
| Balance at December 31, 2020                                                                    | <u>\$ 985,752</u>                                                  | <u>\$ (700,767)</u>                      | <u>\$ 284,985</u>                                          |

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans were as follows:

|                                     | <b>For the Year Ended December 31</b> |                  |
|-------------------------------------|---------------------------------------|------------------|
|                                     | <b>2020</b>                           | <b>2019</b>      |
| Analysis by function                |                                       |                  |
| Operating cost                      | \$ 5,113                              | \$ 6,253         |
| Selling expenses                    | 98                                    | 103              |
| General and administrative expenses | 900                                   | 988              |
| Research and development expenses   | <u>3,636</u>                          | <u>4,171</u>     |
|                                     | <u>\$ 9,747</u>                       | <u>\$ 11,515</u> |

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

|                                     | <b>December 31</b> |             |
|-------------------------------------|--------------------|-------------|
|                                     | <b>2020</b>        | <b>2019</b> |
| Discount rate(s)                    | 0.4%               | 0.75%       |
| Expected rate(s) of salary increase | 1%-2%              | 1%-2%       |

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

|                                     | <b>December 31</b> |                    |
|-------------------------------------|--------------------|--------------------|
|                                     | <b>2020</b>        | <b>2019</b>        |
| Discount rate(s)                    |                    |                    |
| 0.25% increase                      | <u>\$ (20,875)</u> | <u>\$ (21,183)</u> |
| 0.25% decrease                      | <u>\$ 21,556</u>   | <u>\$ 21,896</u>   |
| Expected rate(s) of salary increase |                    |                    |
| 0.25% increase                      | <u>\$ 21,232</u>   | <u>\$ 21,637</u>   |
| 0.25% decrease                      | <u>\$ (20,670)</u> | <u>\$ (21,042)</u> |

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

|                                                       | <b>December 31</b> |                  |
|-------------------------------------------------------|--------------------|------------------|
|                                                       | <b>2020</b>        | <b>2019</b>      |
| Expected contributions to the plans for the next year | <u>\$ 11,386</u>   | <u>\$ 11,064</u> |
| Average duration of the defined benefit obligation    | 8.6 years          | 9 years          |

## 20. EQUITY

### a. Share capital

#### Ordinary Shares

|                                                       | <u>December 31</u>  |                     |
|-------------------------------------------------------|---------------------|---------------------|
|                                                       | <u>2020</u>         | <u>2019</u>         |
| Shares authorized (in thousands of shares)            | <u>500,000</u>      | <u>500,000</u>      |
| Shares authorized                                     | <u>\$ 5,000,000</u> | <u>\$ 5,000,000</u> |
| Shares issued and fully paid (in thousands of shares) | <u>375,962</u>      | <u>287,554</u>      |
| Shares issued and fully paid                          | <u>\$ 3,759,616</u> | <u>\$ 2,875,544</u> |
| Par value (in New Taiwan dollars)                     | <u>\$ 10</u>        | <u>\$ 10</u>        |

On August 21, 2020 and July 25, 2019, the Company's board of directors resolved to issue 80,000 thousand ordinary shares and 80,000 thousand ordinary shares with a par value of NT\$10 to repay bank loans and enhance working capital, respectively. On September 25, 2020 and August 26, 2019, the resolution was approved by the FSC, respectively. The consideration of NT\$38 and NT\$45 per share was determined by the chairman which was authorized by the board of directors of the Company, the subscription base date is December 10, 2020 and October 23, 2019, respectively. The associated issuance cost of \$8,832 thousand and \$6,494 thousand was deducted from capital surplus - additional paid-in capital, respectively.

In 2020, the Company's issued 20,839 thousand ordinary shares due to the conversion of unsecured convertible bonds, the registration of the 12,432 thousand ordinary shares issuance has not been completed as of December 31, 2020.

On December 6, 2019, the extraordinary general shareholders' meeting of the Company resolved to increase its capital by issuing ordinary shares between 60,000 thousand shares and 90,000 thousand shares through the offering of the Global Depository Shares (GDSs) to raise fund for the acquisition of the related business of Panasonic Semiconductor. The offering price for the GDSs was NT\$45 per share. According to the laws, the actual offering price should not be lower than the closing share price of the Company, one of the simple arithmetic averages of the Company's ordinary share closing price for one, three or five business days prior to the pricing data adjusted for any distribution of stock dividends, cash dividends or capital reduction, and 90% of the average price ex-dividends. The total proposed fund amounted to US\$132,787 thousand (at the exchange rate of US\$1:NT\$30.5); the total amount of the actual offering was based on the outstanding unit and price of the GDSs. The chairman was authorized by the board of the Company to set the pricing date and subscription base date after the approval by the FSC. On July 14, 2020, the FSC approved the termination of the offering of the GDSs.

As of December 31, 2020 and 2019, the balance of the Company's capital account amounted to NT\$3,759,616 thousand and NT\$2,875,544 thousand, divided into 375,962 thousand ordinary shares and 287,554 thousand ordinary shares with a par value of NT\$10.

### b. Capital surplus

|                                                                                                         | <u>December 31</u> |              |
|---------------------------------------------------------------------------------------------------------|--------------------|--------------|
|                                                                                                         | <u>2020</u>        | <u>2019</u>  |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u> |                    |              |
| Additional paid-in capital                                                                              | \$ 5,088,159       | \$ 2,856,991 |
| Conversion of bonds                                                                                     | 596,347            | -            |

(Continued)

|                                                           | <b>December 31</b>  |                     |
|-----------------------------------------------------------|---------------------|---------------------|
|                                                           | <b>2020</b>         | <b>2019</b>         |
| <u>May only be used to offset a deficit</u>               |                     |                     |
| Cash capital increase reserved for employee share options | \$ 112,160          | \$ 49,920           |
| Overdue dividends unclaimed                               | 52                  | 52                  |
| <u>May not be used for any purpose</u>                    |                     |                     |
| Employee share options                                    | <u>13</u>           | <u>13</u>           |
|                                                           | <u>\$ 5,796,731</u> | <u>\$ 2,906,976</u> |
|                                                           |                     | (Concluded)         |

\* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividend policy

The shareholders held their regular meeting on May 29, 2020 and resolved the amendments to the Company's dividend distribution policy in the Company's Articles of Incorporation (the "Articles"). Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The board of directors shall be authorized to distribute the profit, the legal reserve, and the capital plus in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting. In principle, not less than 10% of the total shareholders' bonus shall be distributed in the form of cash. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 22.

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2019 and 2018 approved in the shareholders' meetings on May 29, 2020 and June 24, 2019, respectively, were as follows:

|                | <u>Appropriation of Earnings</u> |                      | <u>Dividends Per Share (NT\$)</u> |                      |
|----------------|----------------------------------|----------------------|-----------------------------------|----------------------|
|                | <u>For Year 2019</u>             | <u>For Year 2018</u> | <u>For Year 2019</u>              | <u>For Year 2018</u> |
| Legal reserve  | \$ 55,183                        | \$ 71,063            |                                   |                      |
| Cash dividends | <u>345,065</u>                   | <u>518,886</u>       | \$ 1.20                           | \$ 2.50              |
|                | <u>\$ 400,248</u>                | <u>\$ 589,949</u>    |                                   |                      |

As of the date of the Company's board meeting, February 18, 2021, the appropriation of earnings for 2020 are not subjected.

d. Other equity items

- 1) The exchange differences arising on translation of foreign operations' net assets from its functional currency to the Company's presentation currency (New Taiwan dollar) are recognized directly in other comprehensive income. For the years ended December 31, 2020 and 2019, other comprehensive loss was NT\$109,368 thousand and NT\$8,449 thousand, respectively.
- 2) Unrealized valuation gains (losses) on financial assets at FVTOCI

|                                                                                                             | <b>For the Year Ended December 31</b> |                   |
|-------------------------------------------------------------------------------------------------------------|---------------------------------------|-------------------|
|                                                                                                             | <b>2020</b>                           | <b>2019</b>       |
| Balance at January 1                                                                                        | \$ 169,544                            | \$ 179,854        |
| Recognized for the year                                                                                     | 181,920                               | 39,393            |
| Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal | <u>(82,399)</u>                       | <u>(49,703)</u>   |
| Balance at December 31                                                                                      | <u>\$ 269,065</u>                     | <u>\$ 169,544</u> |

Unrealized gains (losses) on financial assets at FVTOCI represents the cumulative gains or losses arising from the fair value measurement on financial assets at FVTOCI that are recognized in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

## 21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

|                                                                     | <b>For the Year Ended December 31</b> |                  |
|---------------------------------------------------------------------|---------------------------------------|------------------|
|                                                                     | <b>2020</b>                           | <b>2019</b>      |
| Current tax                                                         |                                       |                  |
| In respect of the current year                                      | \$ 136,000                            | \$ 68,000        |
| Adjustment for prior years' tax and effects of estimated difference | (11,245)                              | -                |
| Deferred tax                                                        |                                       |                  |
| In respect of the current year                                      | <u>-</u>                              | <u>7,000</u>     |
| Income tax expense recognized in profit or loss                     | <u>\$ 124,755</u>                     | <u>\$ 75,000</u> |

b. Reconciliation of accounting profit and income tax expense were as follows:

|                                                                     | <b>For the Year Ended December 31</b> |             |
|---------------------------------------------------------------------|---------------------------------------|-------------|
|                                                                     | <b>2020</b>                           | <b>2019</b> |
| Income tax expense from continuing operations at the statutory rate | \$ 132,000                            | \$ 127,000  |
| Tax effect of adjustment item                                       |                                       |             |
| Permanent differences                                               | 32,000                                | (22,000)    |
| Others                                                              | <u>30,000</u>                         | <u>-</u>    |
|                                                                     |                                       | (Continued) |

|                                                 | <b>For the Year Ended December 31</b> |                                 |
|-------------------------------------------------|---------------------------------------|---------------------------------|
|                                                 | <b>2020</b>                           | <b>2019</b>                     |
| Current income tax                              | \$ 194,000                            | \$ 105,000                      |
| Unused investment credits                       | (58,000)                              | (30,000)                        |
| Adjustment for prior year's income tax          | <u>(11,245)</u>                       | <u>-</u>                        |
| Income tax expense recognized in profit or loss | <u>\$ 124,755</u>                     | <u>\$ 75,000</u><br>(Concluded) |

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

As the shareholders have not yet resolved the appropriation of earnings for 2020, the potential income tax consequences of the 2020 unappropriated earnings are not reliably determinable.

c. Current tax liabilities

|                    | <b>December 31</b> |                  |
|--------------------|--------------------|------------------|
|                    | <b>2020</b>        | <b>2019</b>      |
| Income tax payable | <u>\$ 169,350</u>  | <u>\$ 68,556</u> |

d. Deferred tax assets

|                                                                    | <b>December 31</b> |                  |
|--------------------------------------------------------------------|--------------------|------------------|
|                                                                    | <b>2020</b>        | <b>2019</b>      |
| Deferred tax assets                                                |                    |                  |
| Allowance for inventory valuation and obsolescence loss and others | <u>\$ 73,000</u>   | <u>\$ 73,000</u> |

e. Income tax assessments

The Company's tax returns through 2018 have been assessed by the tax authorities.

f. Information about investment credits

The Company applies the Statute for Industrial Innovation Article 10, and up to 10% of its R&D expenses may be credited against the profit-seeking enterprise income tax payable in each of the three years following the then current year.

## 22. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

|                                             | For the Year Ended December 31      |                                        |              |                                     |                                        |              |
|---------------------------------------------|-------------------------------------|----------------------------------------|--------------|-------------------------------------|----------------------------------------|--------------|
|                                             | 2020                                |                                        |              | 2019                                |                                        |              |
|                                             | Classified as<br>Operating<br>Costs | Classified as<br>Operating<br>Expenses | Total        | Classified as<br>Operating<br>Costs | Classified as<br>Operating<br>Expenses | Total        |
| Employee benefits expense                   |                                     |                                        |              |                                     |                                        |              |
| Short-term employment benefits              | \$ 747,289                          | \$ 1,262,040                           | \$ 2,009,329 | \$ 711,338                          | \$ 1,160,186                           | \$ 1,871,524 |
| Post-employment benefits                    | 30,097                              | 52,121                                 | 82,218       | 30,792                              | 50,678                                 | 81,470       |
| Remuneration to directors                   | -                                   | 8,990                                  | 8,990        | -                                   | 8,731                                  | 8,731        |
| Compensation cost of employee share options | 16,945                              | 45,295                                 | 62,240       | 16,667                              | 33,253                                 | 49,920       |
| Depreciation                                | 129,316                             | 98,815                                 | 228,131      | 123,216                             | 77,778                                 | 200,994      |
| Amortization                                | 33,362                              | 120,166                                | 153,528      | 33,506                              | 42,200                                 | 75,706       |

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of director.

The employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on February 18, 2021 and February 6, 2020, respectively, were as follows:

|                              | For the Year Ended December 31 |   |           |   |
|------------------------------|--------------------------------|---|-----------|---|
|                              | 2020                           |   | 2019      |   |
|                              | Amount                         | % | Amount    | % |
| Employees' cash compensation | \$ 42,422                      | 6 | \$ 40,868 | 6 |
| Remuneration of directors    | 7,070                          | 1 | 6,811     | 1 |

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate. There was no difference between the actual amounts of employees' compensation and remuneration to directors and the amounts recognized in the financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration to directors resolved by the Company's Board of Directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 23. SHARE-BASED PAYMENT ARRANGEMENTS

The Company's board of directors resolved to reserve 10% of the shares from the issuance of both 80,000 thousand shares approved by the FSC on September 25, 2020 and August 26, 2019 to be subscribed for by its employees, respectively. The number of shares subscribed for by the employees was affirmed on October 21 2020 and September 3, 2019, respectively. The fair value of such share options subscribed for by the Company's employees on the grant date was measured using the Black-Scholes Option Pricing Model and amounted to NT\$62,240 thousand and NT\$49,920 thousand which was recorded as compensation costs with a corresponding increase in capital surplus, respectively.

a. As of December 31, 2020 and 2019, the Company's Share-based payments agreements were as follows:

2020

| <b>Agreement</b>                                          | <b>Grant Date</b> | <b>Number of Shares Grant</b> | <b>Vesting Conditions</b> |
|-----------------------------------------------------------|-------------------|-------------------------------|---------------------------|
| Cash capital increase reserved for employee share options | 2020.10.21        | 8,000 thousand shares         | Vested immediately        |

2019

| <b>Agreement</b>                                          | <b>Grant Date</b> | <b>Number of Shares Grant</b> | <b>Vesting Conditions</b> |
|-----------------------------------------------------------|-------------------|-------------------------------|---------------------------|
| Cash capital increase reserved for employee share options | 2019.9.3          | 8,000 thousand shares         | Vested immediately        |

- b. The fair value of share options acquired by employees on grant day, October 21 2020 and September 3, 2019, respectively, were measured by using Black-Scholes Option Pricing Model. Relevant information were as follows:

2020

| <b>Share Price (NT\$)</b> | <b>Exercise Price (NT\$)</b> | <b>Expected Price Volatility</b> | <b>Expected Vesting Period</b> | <b>Expected Dividend Yield Rate</b> | <b>Risk-free Interest Rate</b> | <b>Fair Value Per Share (NT\$)</b> |
|---------------------------|------------------------------|----------------------------------|--------------------------------|-------------------------------------|--------------------------------|------------------------------------|
| \$45.6                    | \$38.0                       | 34.80%                           | 48 days                        | 0.00%                               | 0.18%                          | \$7.78                             |

2019

| <b>Share Price (NT\$)</b> | <b>Exercise Price (NT\$)</b> | <b>Expected Price Volatility</b> | <b>Expected Vesting Period</b> | <b>Expected Dividend Yield Rate</b> | <b>Risk-free Interest Rate</b> | <b>Fair Value Per Share (NT\$)</b> |
|---------------------------|------------------------------|----------------------------------|--------------------------------|-------------------------------------|--------------------------------|------------------------------------|
| \$50.8                    | \$45.0                       | 32.61%                           | 46 days                        | 0.00%                               | 0.43%                          | \$6.24                             |

**24. EARNINGS PER SHARE**

The numerators and denominators used in calculating basic and diluted earnings per share (“EPS”) were as follows:

|                                                | <b>For the Year Ended December 31</b>                                               |                                            |                                                                                           |                                                                                     |                                            |                                                                                           |
|------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------|-------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------|-------------------------------------------------------------------------------------------|
|                                                | <b>2020</b>                                                                         |                                            |                                                                                           | <b>2019</b>                                                                         |                                            |                                                                                           |
|                                                | <b>Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)</b> | <b>Shares (Denominator) (In Thousands)</b> | <b>Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Company)</b> | <b>Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)</b> | <b>Shares (Denominator) (In Thousands)</b> | <b>Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Company)</b> |
| Basic earnings per share                       |                                                                                     |                                            |                                                                                           |                                                                                     |                                            |                                                                                           |
| Net profit attributed to owners of the Company | \$ 532,785                                                                          | 295,056                                    | <u>\$ 1.81</u>                                                                            | \$ 558,459                                                                          | 220,888                                    | <u>\$ 2.53</u>                                                                            |
| Effect of potentially dilutive ordinary shares |                                                                                     |                                            |                                                                                           |                                                                                     |                                            |                                                                                           |
| Employees’ compensation                        | -                                                                                   | 993                                        |                                                                                           | -                                                                                   | 1,080                                      |                                                                                           |
| Convertible bonds                              | <u>10,966</u>                                                                       | <u>19,344</u>                              |                                                                                           | <u>-</u>                                                                            | <u>-</u>                                   |                                                                                           |
| Diluted earnings per share                     |                                                                                     |                                            |                                                                                           |                                                                                     |                                            |                                                                                           |
| Net profit attributed to owners of the Company | <u>\$ 543,751</u>                                                                   | <u>315,393</u>                             | <u>\$ 1.72</u>                                                                            | <u>\$ 558,459</u>                                                                   | <u>221,968</u>                             | <u>\$ 2.52</u>                                                                            |

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted EPS, as the effect is dilutive. The number of shares used in the computation of diluted EPS is estimated by the amount of compensation divided by the closing price of the potential common shares at the end of the reporting period. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the number of shares to be distributed to employees is resolved in the following year.

## 25. CAPITAL MANAGEMENT

The Company's manages its capital to ensure it has the necessary financial resources and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures, research and development expenses, debt repayments and dividends payments.

## 26. BUSINESS COMBINATIONS

The Company's acquired the semiconductor business of Panasonic Corporation on September 1, 2020, please refer to the 2020 consolidated financial statements note 27.

## 27. FINANCIAL INSTRUMENT

### a. Categories of financial instruments

|                                                     | <b>December 31</b>         |                   |                            |                   |
|-----------------------------------------------------|----------------------------|-------------------|----------------------------|-------------------|
|                                                     | <b>2020</b>                |                   | <b>2019</b>                |                   |
|                                                     | <b>Carrying<br/>Amount</b> | <b>Fair Value</b> | <b>Carrying<br/>Amount</b> | <b>Fair Value</b> |
| <u>Financial assets</u>                             |                            |                   |                            |                   |
| Financial assets at amortized cost<br>(Note 1)      | \$ 5,772,286               | \$ 5,772,286      | \$ 5,683,512               | \$ 5,683,512      |
| Financial assets at FVTPL                           |                            |                   |                            |                   |
| Derivative financial assets                         | 13,223                     | 13,223            | 6,037                      | 6,037             |
| Financial assets at FVTOCI                          |                            |                   |                            |                   |
| Investment in equity<br>instruments                 | 980,973                    | 980,973           | 1,056,690                  | 1,056,690         |
| <u>Financial liabilities</u>                        |                            |                   |                            |                   |
| Financial liabilities at amortized<br>cost (Note 2) | 5,495,452                  | 5,771,540         | 2,655,087                  | 2,655,087         |
| Financial liabilities at FVTPL                      |                            |                   |                            |                   |
| Derivative financial liabilities                    | 3,191                      | 3,191             | -                          | -                 |

Note 1: The balance includes financial assets at amortized cost, which includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and refundable deposits.

Note 2: The balance includes financial liabilities at amortized cost, which includes accounts payable (including related parties), other payables, convertible bonds, long-term loans and guarantee deposits.

### b. Fair value information

1) The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair

value is observable and the significance in its entirety, which are described as follows:

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2) Fair value measurements recognized in the balance sheets

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed shares and emerging shares).
- b) The fair value of the financial instruments at fair value through profit or loss is based on Level 2 inputs, either directly or indirectly. The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts are measured using individual maturity rate to calculate the fair value of each contract.
- c) Domestic unlisted equity instruments at FVTOCI were all measured based on Level 3 fair value. Fair values of such equity instruments were determined using discounted cash flow of income approach and comparable listed company approach, by referring to strike price of similar business in active market, implied value multiple of the price and relevant information. Significant unobservable inputs included P/E ratio, value multiple and market liquidity discount. As the discounted cash flow method was used, the discount rate used for the lack of marketability was 29%; which increase by 1% while all the other variables are held constant fair value of investments will decrease by \$9,942 thousand and \$9,122 thousand for the years ended December 31, 2020 and 2019, respectively.

3) Fair value of financial instruments not measured at fair value

The Company recognized in the financial statements financial assets and financial liabilities that are not measured at fair value. Management believes the carrying amounts of such financial assets and liabilities approximate their fair values.

4) Fair value of financial instruments measured at fair value on a recurring basis

Fair value hierarchy

|                                                   | <b>December 31, 2020</b> |                |                | <b>Total</b> |
|---------------------------------------------------|--------------------------|----------------|----------------|--------------|
|                                                   | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> |              |
| <u>Financial assets at FVTPL</u>                  |                          |                |                |              |
| Derivative financial assets                       | \$ -                     | \$ 13,223      | \$ -           | \$ 13,223    |
| <u>Financial assets at FVTOCI</u>                 |                          |                |                |              |
| Domestic listed shares and emerging market shares | \$ 894                   | \$ -           | \$ -           | \$ 894       |
| Domestic and overseas unlisted shares             | \$ -                     | \$ -           | \$ 980,079     | \$ 980,079   |

(Continued)

|                                                   | <b>December 31, 2020</b> |                 |                     |                     |
|---------------------------------------------------|--------------------------|-----------------|---------------------|---------------------|
|                                                   | <b>Level 1</b>           | <b>Level 2</b>  | <b>Level 3</b>      | <b>Total</b>        |
| <u>Financial liabilities at amortized cost</u>    |                          |                 |                     |                     |
| Bonds payable (unsecured)                         | <u>\$ 1,483,908</u>      | <u>\$ -</u>     | <u>\$ -</u>         | <u>\$ 1,483,908</u> |
| <u>Financial liabilities at FVTPL</u>             |                          |                 |                     |                     |
| Derivative financial liabilities                  | <u>\$ -</u>              | <u>\$ 3,191</u> | <u>\$ -</u>         | <u>\$ 3,191</u>     |
|                                                   | <b>December 31, 2019</b> |                 |                     |                     |
|                                                   | <b>Level 1</b>           | <b>Level 2</b>  | <b>Level 3</b>      | <b>Total</b>        |
| <u>Financial assets at FVTPL</u>                  |                          |                 |                     |                     |
| Derivative financial assets                       | <u>\$ -</u>              | <u>\$ 6,037</u> | <u>\$ -</u>         | <u>\$ 6,037</u>     |
| <u>Financial assets at FVTOCI</u>                 |                          |                 |                     |                     |
| Domestic listed shares and emerging market shares | <u>\$ 485</u>            | <u>\$ -</u>     | <u>\$ -</u>         | <u>\$ 485</u>       |
| Domestic and overseas unlisted shares             | <u>\$ -</u>              | <u>\$ -</u>     | <u>\$ 1,056,205</u> | <u>\$ 1,056,205</u> |

(Concluded)

5) Reconciliation of Level 3 fair value measurements of financial assets

The financial assets measured at Level 3 fair value were financial assets at FVTPL and equity investments classified as financial assets at FVTOCI. Reconciliations for the years ended December 31, 2020 and 2019 were as follows:

|                                                | <b>For the Year Ended December 31</b> |                     |
|------------------------------------------------|---------------------------------------|---------------------|
|                                                | <b>2020</b>                           | <b>2019</b>         |
| Balance at January 1                           | \$ 1,056,205                          | \$ 418,733          |
| Additions                                      | -                                     | 630,000             |
| Proceeds from capital reduction of investments | (2,250)                               | (4,000)             |
| Recognized in other comprehensive income       | <u>(73,876)</u>                       | <u>11,472</u>       |
| Balance at December 31                         | <u>\$ 980,079</u>                     | <u>\$ 1,056,205</u> |

c. Financial risk management objectives and policies

The Company seeks to minimize the effects of financial risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on foreign currency risk, and the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company entered into foreign exchange forward contracts to hedge the exchange rate risk arising on the export business.

a) Foreign currency risk

The Company has foreign currency denominated transactions, which expose the Company to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 32.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and assuming an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be impact on net income in the amounts of \$3,886 thousand and \$3,770 thousand decrease for the years ended December 31, 2020 and 2019, respectively. The amounts used in the 1% weakening of New Taiwan dollars against the relevant currency did not consider the impact of hedge contracts and hedged item.

b) Interest rate risk

Interest rate risk refers to the risk that the change in market value will influence the fair value of financial instruments. The Company's interest rate risk arises primarily from floating rate deposits and long-term loans.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

|                              | <b>December 31</b> |             |
|------------------------------|--------------------|-------------|
|                              | <b>2020</b>        | <b>2019</b> |
| Cash flow interest rate risk |                    |             |
| Financial assets             | \$ 5,049           | \$ 281,713  |
| Financial liabilities        | 1,500,000          | 500,000     |

The sensitivity analysis of cash flows based on the Company's exposure to interest rates of variable-rate non-derivative instruments at the end of the year showed that if market interest rates increased by 1%, the Company's cash outflows for the years ended December 31, 2020 and 2019 would have increased by \$14,950 thousand and \$2,183 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In this regard, the management of the Company consider that the Company's credit risk was significantly reduced.

3) Liquidity risk

The Company has enough operating capital to comply with loan covenants; liquidity risk is low.

The Company's non-derivative financial liabilities and their agreed repayment period are as follows:

|                                             | <b>December 31, 2020</b> |                  |                     |                     |
|---------------------------------------------|--------------------------|------------------|---------------------|---------------------|
|                                             | <b>Within 1 Year</b>     | <b>1-2 Years</b> | <b>Over 2 Years</b> | <b>Total</b>        |
| <u>Non-derivative financial liabilities</u> |                          |                  |                     |                     |
| Non-interest bearing                        | \$ 2,773,088             | \$ -             | \$ -                | \$ 2,773,088        |
| Lease liabilities                           | 60,000                   | 56,465           | 159,007             | 275,472             |
| Variable interest rate liabilities          | -                        | -                | 1,500,000           | 1,500,000           |
| Fixed interest rate liabilities             | -                        | -                | <u>1,305,480</u>    | <u>1,305,480</u>    |
|                                             | <u>\$ 2,833,088</u>      | <u>\$ 56,465</u> | <u>\$ 2,964,487</u> | <u>\$ 5,854,040</u> |

Additional information about the maturity analysis for lease liabilities:

|                   | <b>Less than<br/>2 Years</b>                | <b>2-5 Years</b>  | <b>5-10 Years</b> | <b>10-15 Years</b> | <b>Total</b>      |
|-------------------|---------------------------------------------|-------------------|-------------------|--------------------|-------------------|
|                   | <u>Non-derivative financial liabilities</u> |                   |                   |                    |                   |
| Lease liabilities | <u>\$ 116,465</u>                           | <u>\$ 102,640</u> | <u>\$ 52,760</u>  | <u>\$ 3,607</u>    | <u>\$ 275,472</u> |

|                                             | <b>December 31, 2019</b> |                  |                     |                     |
|---------------------------------------------|--------------------------|------------------|---------------------|---------------------|
|                                             | <b>Within 1 Year</b>     | <b>1-2 Years</b> | <b>Over 2 Years</b> | <b>Total</b>        |
| <u>Non-derivative financial liabilities</u> |                          |                  |                     |                     |
| Non-interest bearing                        | \$ 2,153,501             | \$ -             | \$ -                | \$ 2,153,501        |
| Lease liabilities                           | 59,362                   | 58,874           | 215,919             | 334,155             |
| Variable interest rate liabilities          | -                        | -                | 500,000             | 500,000             |
|                                             | <u>\$ 2,212,863</u>      | <u>\$ 58,874</u> | <u>\$ 715,919</u>   | <u>\$ 2,987,656</u> |

## 28. RELATED PARTY TRANSACTIONS

- a. The names and relationships of related parties are as follows:

| <u>Related Party</u>                                       | <u>Relationship with the Company</u> |
|------------------------------------------------------------|--------------------------------------|
| Winbond Electronics Corporation (“WEC”)                    | Parent company                       |
| Nuvoton Electronics Technology (H.K.) Limited (“NTHK”)     | Subsidiary                           |
| Nuvoton Electronics Technology (Shenzhen) Limited (“NTSZ”) | Subsidiary                           |
| Nuvoton Electronics Technology (Shanghai) Limited (“NTSH”) | Subsidiary                           |
| Nuvoton Technology Corporation America (“NTCA”)            | Subsidiary                           |
| Nuvoton Technology Israel Ltd. (“NTIL”)                    | Subsidiary                           |
| Song Yong Investment Corporation (“SYI”)                   | Subsidiary                           |
| Nuvoton Technology India Private Limited (“NTIPL”)         | Subsidiary                           |
| Nuvoton Technology Corporation Japan (“NTCJ”)              | Subsidiary                           |

(Continued)

| <u>Related Party</u>                           | <u>Relationship with the Company</u> |
|------------------------------------------------|--------------------------------------|
| Techdesign Corporation (“Techdesign”)          | Associate                            |
| Winbond Electronics Corporation Japan (“WECJ”) | Associate                            |
| Callisto Holding Limited                       | Associate                            |
| Glorystone Inc.                                | Associate                            |
| Nyquest Technology Co., Ltd. (“Nyquest”)       | Related party in substance           |
| Walton Advanced Engineering Inc.               | Related party in substance           |
| Chin Cherng Construction Co., Ltd.             | Related party in substance           |
| United Industrial Gases Co., Ltd.              | Related party in substance           |
|                                                | (Concluded)                          |

b. Operating activities

|                                   | <u>For the Year Ended December 31</u> |                     |
|-----------------------------------|---------------------------------------|---------------------|
|                                   | <u>2020</u>                           | <u>2019</u>         |
| 1) Operating revenue              |                                       |                     |
| Subsidiary                        |                                       |                     |
| NTHK                              | \$ 4,084,959                          | \$ 3,792,364        |
| Others                            | 81,850                                | 126,467             |
| Related party in substance        | 200,281                               | 246,391             |
| Associate                         | <u>88,422</u>                         | <u>90,302</u>       |
|                                   | <u>\$ 4,455,512</u>                   | <u>\$ 4,255,524</u> |
| 2) Purchases of goods             |                                       |                     |
| Parent company                    | <u>\$ 209,957</u>                     | <u>\$ 131,874</u>   |
| 3) Manufacturing expenses         |                                       |                     |
| Parent company                    | \$ 369                                | \$ 33               |
| Walton Advanced Engineering Inc.  | <u>833</u>                            | <u>-</u>            |
|                                   | <u>\$ 1,202</u>                       | <u>\$ 33</u>        |
| 4) Operating expenses             |                                       |                     |
| Subsidiary                        |                                       |                     |
| NTIL                              | \$ 857,575                            | \$ 798,432          |
| NTCA                              | 310,515                               | 313,272             |
| Others                            | 3,776                                 | 5,078               |
| Parent company                    | 21,037                                | 8,118               |
| Related party in substance        | 10,780                                | 10,780              |
| Associate                         | <u>125</u>                            | <u>15</u>           |
|                                   | <u>\$ 1,203,808</u>                   | <u>\$ 1,135,695</u> |
| 5) Dividend income                |                                       |                     |
| Related party in substance        |                                       |                     |
| United Industrial Gases Co., Ltd. | \$ 64,394                             | \$ 62,858           |
| Nyquest Technology Co., Ltd.      | <u>-</u>                              | <u>4,006</u>        |
|                                   | <u>\$ 64,394</u>                      | <u>\$ 66,864</u>    |

|                                             | <b>For the Year Ended December 31</b> |                   |
|---------------------------------------------|---------------------------------------|-------------------|
|                                             | <b>2020</b>                           | <b>2019</b>       |
| 6) Other income                             |                                       |                   |
| Parent company                              | \$ 2                                  | \$ -              |
| Related party in substance                  | <u>-</u>                              | <u>183</u>        |
|                                             | <u>\$ 2</u>                           | <u>\$ 183</u>     |
|                                             | <b>December 31</b>                    |                   |
|                                             | <b>2020</b>                           | <b>2019</b>       |
| 7) Accounts receivable from related parties |                                       |                   |
| Subsidiary                                  |                                       |                   |
| NTHK                                        | \$ 17,518                             | \$ 56,121         |
| Others                                      | 25,182                                | 21,171            |
| Related party in substance                  | 50,800                                | 45,903            |
| Associate                                   | <u>12,817</u>                         | <u>21,491</u>     |
|                                             | <u>\$ 106,317</u>                     | <u>\$ 144,686</u> |
| 8) Other receivables                        |                                       |                   |
| Associate                                   | \$ 214                                | \$ 41             |
| Subsidiary                                  | <u>98</u>                             | <u>-</u>          |
|                                             | <u>\$ 312</u>                         | <u>\$ 41</u>      |
| 9) Refundable deposits                      |                                       |                   |
| Parent company                              | \$ 1,780                              | \$ 1,780          |
| Related party in substance                  | <u>1,722</u>                          | <u>1,722</u>      |
|                                             | <u>\$ 3,502</u>                       | <u>\$ 3,502</u>   |
| 10) Accounts payable to related parties     |                                       |                   |
| Parent company                              | <u>\$ 39,500</u>                      | <u>\$ 24,535</u>  |
| 11) Other payables                          |                                       |                   |
| Subsidiary                                  |                                       |                   |
| NTIL                                        | \$ 174,487                            | \$ 154,348        |
| Others                                      | 8,673                                 | 5,137             |
| Parent company                              | 9,738                                 | 2,740             |
| Related party in substance                  | <u>11,395</u>                         | <u>-</u>          |
|                                             | <u>\$ 204,293</u>                     | <u>\$ 162,225</u> |
| 12) Guarantee deposits                      |                                       |                   |
| Parent company                              | <u>\$ 545</u>                         | <u>\$ 545</u>     |

The sales and purchase prices and collection and payment terms with related parties were not significantly different from those with third parties. For other related party transactions, price and terms were determined in accordance with mutual agreement.

c. Acquisition of property, plant and equipment

|                            | <b>Purchase Price</b>                 |             |
|----------------------------|---------------------------------------|-------------|
|                            | <b>For the Year Ended December 31</b> |             |
|                            | <b>2020</b>                           | <b>2019</b> |
| Related party in substance | \$ <u>8,352</u>                       | \$ <u>-</u> |

d. Lease arrangements

|                            | <b>December 31</b> |                  |
|----------------------------|--------------------|------------------|
|                            | <b>2020</b>        | <b>2019</b>      |
| 1) Lease liabilities       |                    |                  |
| Parent company             | \$ 47,969          | \$ 59,750        |
| Related party in substance | <u>22,451</u>      | <u>32,869</u>    |
|                            | <u>\$ 70,420</u>   | <u>\$ 92,619</u> |

|  | <b>For the Year Ended December 31</b> |             |
|--|---------------------------------------|-------------|
|  | <b>2020</b>                           | <b>2019</b> |

2) Finance costs

|                            |                 |               |
|----------------------------|-----------------|---------------|
| Parent company             | \$ 569          | \$ 53         |
| Related party in substance | <u>438</u>      | <u>604</u>    |
|                            | <u>\$ 1,007</u> | <u>\$ 657</u> |

e. Lease arrangements - Company is lessor/Sublease arrangements

Sublease arrangements under operating leases

For the year ended December 31, 2020, the Company subleases its assets under operating leases to WEC and SYI with lease terms 3 years.

1) The balance of operating lease receivables was as follows:

|                | <b>December 31</b> |               |
|----------------|--------------------|---------------|
|                | <b>2020</b>        | <b>2019</b>   |
| Parent company | \$ -               | \$ 434        |
| Subsidiary     | <u>-</u>           | <u>5</u>      |
|                | <u>\$ -</u>        | <u>\$ 439</u> |

2) Future lease payment receivables was as follows:

|                | <u>December 31</u> |                  |
|----------------|--------------------|------------------|
|                | <b>2020</b>        | <b>2019</b>      |
| Parent company | \$ 11,133          | \$ 11,430        |
| Subsidiary     | <u>90</u>          | <u>150</u>       |
|                | <u>\$ 11,223</u>   | <u>\$ 11,580</u> |

3) Lease income was as follows:

|                | <u>For the Year Ended December 31</u> |                 |
|----------------|---------------------------------------|-----------------|
|                | <b>2020</b>                           | <b>2019</b>     |
| Parent company | \$ 3,838                              | \$ 4,003        |
| Subsidiary     | <u>60</u>                             | <u>60</u>       |
|                | <u>\$ 3,898</u>                       | <u>\$ 4,063</u> |

f. Endorsements and guarantees

Endorsements and guarantees provided by the Company

As of December 31, 2020, the chairman of the Company is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Refer to Note 13.

Endorsements and guarantees provided for subsidiaries

As of December 31, 2020, the Company endorsed and guaranteed NTSJ and NTCJ's bank loan with the amount of \$541,120 thousand as collateral for \$2,319,810 thousand and \$1,146,645 thousand, respectively.

g. Compensation of key management personnel

|                                              | <u>For the Year Ended December 31</u> |                  |
|----------------------------------------------|---------------------------------------|------------------|
|                                              | <b>2020</b>                           | <b>2019</b>      |
| Short-term employee benefits                 | \$ 64,569                             | \$ 56,364        |
| Compensation costs of employee share options | 2,956                                 | 1,916            |
| Post-employment benefits                     | <u>822</u>                            | <u>1,354</u>     |
|                                              | <u>\$ 68,347</u>                      | <u>\$ 59,634</u> |

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

Refer to Note 6.

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2019, the amounts available under unused letters of credit was approximately JPY13,200 thousand. There's no such incident as of December 31, 2020.

- b. The Company and NTCA received a complaint served by the court on June 29, 2020. The plaintiff charged in the California High Court that the gasoline generator produced by HD POWER SYSTEMS INC. exploded during use and caused damage to it. At the same time, the Company, NTCA and other related companies shall bear the relevant compensation. The court stipulated that the defendant must submit a defense within 30 days. The Company continues to evaluate the possible impact on business operation and financial position, and will conduct related litigation matters in accordance with the procedures established by the court.

### 31. OTHER ITEMS

In 2020, the novel viral pneumonia (Covid-19 pandemic) spread all over the world, causing subsidiaries, customers and suppliers in some regions to implement quarantine and travel restrictions. The Company evaluated that there is no significant impact on the overall business operation and financial position of the Company. There are no doubts about the ability of the Company to going concern, assets impairment and financing risks.

### 32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currency of the Company and the related exchange rates between foreign currencies and respective functional currency were as follows:

|                                               | December 31                      |               |                                  |                                  |               |                                  |
|-----------------------------------------------|----------------------------------|---------------|----------------------------------|----------------------------------|---------------|----------------------------------|
|                                               | 2020                             |               |                                  | 2019                             |               |                                  |
|                                               | Foreign Currencies<br>(Thousand) | Exchange Rate | New Taiwan Dollars<br>(Thousand) | Foreign Currencies<br>(Thousand) | Exchange Rate | New Taiwan Dollars<br>(Thousand) |
| <u>Financial assets</u>                       |                                  |               |                                  |                                  |               |                                  |
| Monetary items                                |                                  |               |                                  |                                  |               |                                  |
| USD                                           | \$ 54,023                        | 28.48         | \$ 1,538,568                     | \$ 40,234                        | 29.98         | \$ 1,206,220                     |
| ILS                                           | 20,730                           | 8.8712        | 183,900                          | 14,058                           | 8.6652        | 121,813                          |
| JPY                                           | 48,824                           | 0.2763        | 13,490                           | 15,093                           | 0.276         | 4,166                            |
| EUR                                           | 75                               | 35.02         | 2,639                            | 27                               | 33.59         | 891                              |
| CNY                                           | 4,369                            | 4.377         | 19,122                           | 908                              | 4.305         | 3,909                            |
| Investments accounted for using equity method |                                  |               |                                  |                                  |               |                                  |
| USD                                           | 61,419                           | 28.48         | 1,749,220                        | 21,648                           | 29.98         | 649,011                          |
| INR                                           | 54,858                           | 0.3899        | 21,389                           | 52,861                           | 0.4205        | 22,228                           |
| KRW                                           | 1,098,477                        | 0.0262        | 28,780                           | -                                | -             | -                                |
| JPY                                           | 24,542,758                       | 0.2763        | 5,675,964                        | -                                | -             | -                                |
| <u>Financial liabilities</u>                  |                                  |               |                                  |                                  |               |                                  |
| Monetary items                                |                                  |               |                                  |                                  |               |                                  |
| USD                                           | 41,439                           | 28.48         | 1,180,183                        | 26,123                           | 29.98         | 783,180                          |
| ILS                                           | 18,706                           | 8.8712        | 165,943                          | 17,812                           | 8.6652        | 154,348                          |
| JPY                                           | 68,971                           | 0.2763        | 19,057                           | 62,389                           | 0.276         | 17,219                           |
| EUR                                           | 114                              | 35.02         | 3,981                            | 157                              | 33.59         | 5,281                            |

For the year ended December 31, 2020 and 2019, realized and unrealized net foreign exchange losses were NT\$2,569 thousand and NT\$1,875 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Company.

### 33. SEGMENT INFORMATION

The Company has provided the financial information of the operating segments in the consolidated financial statements. Therefore, these financial statements do not provide such information.

VI. Financial difficulties and corporate events encountered by the Company and affiliates for the most recent year and up to the date of report that have material impact on the financial status of the Company:

N/A

## Chapter 5 Financial Position, Financial Performance and Risk Analysis

### I. Analysis of financial status (consolidated)

Unit: NT\$1,000

| Item\Year                                                                                                                                                                                          | 2020       | 2019       | difference      |            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|-----------------|------------|
|                                                                                                                                                                                                    |            |            | Change (amount) | Change (%) |
| Current assets                                                                                                                                                                                     | 18,360,546 | 8,187,357  | 10,173,189      | 124        |
| Property, plant and equipment                                                                                                                                                                      | 6,547,107  | 760,321    | 5,786,786       | 761        |
| Intangible assets                                                                                                                                                                                  | 802,691    | 261,230    | 541,461         | 207        |
| Other assets                                                                                                                                                                                       | 6,612,357  | 1,947,321  | 4,665,036       | 240        |
| Total assets                                                                                                                                                                                       | 32,322,701 | 11,156,229 | 21,166,472      | 190        |
| Current liabilities                                                                                                                                                                                | 11,550,328 | 2,341,884  | 9,208,444       | 393        |
| Non-current liabilities                                                                                                                                                                            | 9,251,005  | 1,422,314  | 7,828,691       | 550        |
| Total liabilities                                                                                                                                                                                  | 20,801,333 | 3,764,198  | 17,037,135      | 453        |
| Capital Stock                                                                                                                                                                                      | 3,883,936  | 2,875,544  | 1,008,392       | 35         |
| Capital surplus                                                                                                                                                                                    | 5,796,731  | 2,906,976  | 2,889,755       | 99         |
| Retained earnings                                                                                                                                                                                  | 1,699,988  | 1,458,951  | 241,037         | 17         |
| Other interests                                                                                                                                                                                    | 140,713    | 150,560    | (9,847)         | (7)        |
| Total equity                                                                                                                                                                                       | 11,521,368 | 7,392,031  | 4,129,337       | 56         |
| Reasons for changes exceeding 20%:                                                                                                                                                                 |            |            |                 |            |
| 1. Assets and Liabilities: The increases of over 20% were mainly due to the Company's completion of the merger of semiconductor businesses of Panasonic Corporation in Japan on September 1, 2020. |            |            |                 |            |
| 2. Capital Stock and Capital surplus: Mainly due to the issuance of 80,000,000 new shares at a premium of NT\$38 per share in 109.                                                                 |            |            |                 |            |

II. Analysis of financial performance (consolidated)

Unit: NT\$1,000

| Item\Year                                                                                                                                                                                                                   | 2020                  | 2019                  | Change<br>(amount)   | Percentage of<br>change (%) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|----------------------|-----------------------------|
| Operating revenue                                                                                                                                                                                                           | 20,668,056            | 10,367,269            | 10,300,787           | 99                          |
| Operating cost                                                                                                                                                                                                              | <u>12,961,144</u>     | <u>6,239,380</u>      | <u>6,721,764</u>     | 108                         |
| Gross profit                                                                                                                                                                                                                | 7,706,912             | 4,127,889             | 3,579,023            | 87                          |
| Operating expenses                                                                                                                                                                                                          | <u>7,384,630</u>      | <u>3,543,568</u>      | <u>3,841,062</u>     | 108                         |
| Operating profits                                                                                                                                                                                                           | 322,282               | 584,321               | ( 262,039)           | (45)                        |
| Non-operating income and expenses                                                                                                                                                                                           | <u>421,143</u>        | <u>83,248</u>         | <u>337,895</u>       | 406                         |
| Pre-tax profit                                                                                                                                                                                                              | 743,425               | 667,569               | 75,856               | 11                          |
| Income tax expense                                                                                                                                                                                                          | <u>210,640</u>        | <u>109,110</u>        | <u>101,530</u>       | 93                          |
| Net profit of the term                                                                                                                                                                                                      | 532,785               | 558,459               | ( 25,674)            | (5)                         |
| Other comprehensive income of the term                                                                                                                                                                                      | <u>43,470</u>         | ( <u>25,386</u> )     | <u>68,856</u>        | 271                         |
| Total comprehensive income of the term                                                                                                                                                                                      | <u><u>576,255</u></u> | <u><u>533,073</u></u> | <u><u>43,182</u></u> | 8                           |
| Reasons for changes exceeding 20%:<br>The increases and decreases of over 20% were mainly due to the Company's completion of the merger of semiconductor businesses of Panasonic Corporation in Japan on September 1, 2020. |                       |                       |                      |                             |

III. Cash flow analysis

Unit: NT\$1,000

| Cash balance,<br>beginning                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Annual net cash<br>flow from<br>operating<br>activities | Cash outflow<br>due to investing<br>and financing<br>activities | Cash surplus<br>(deficit) | Remedial measures for<br>cash deficit |                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------|---------------------------|---------------------------------------|--------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                         |                                                                 |                           | Investment<br>plans                   | Financing<br>plans |
| 4,859,223                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 1,396,376                                               | (373,866)                                                       | 5,881,733                 | -                                     | -                  |
| <p>1. Analysis on the cash flow changes of the current year:</p> <p>(1) Operating activities: Mainly due to operating profits in 2020.</p> <p>(2) Investing activities: Mainly due to the Company's merger of semiconductor businesses of Panasonic Corporation in Japan in 2020.</p> <p>(3) Financing activities: Mainly due to the issuance of 80,000,000 new shares at a premium of NT\$38 per share and long-term and short-term borrowings in 2020.</p> <p>2. Remedial action for cash deficit and liquidity analysis: Not applicable.</p> <p>3. Cash flow analysis for the coming year (note):<br/>In the coming year, the company and our subsidiaries are expected to have a net cash outflow of NT\$2.76 billion from operating activities and a total net cash inflow of NT\$760 million from investing and financing activities; mainly used for capital expenditure and financing.</p> |                                                         |                                                                 |                           |                                       |                    |

Note: Unaudited figures.

IV. The effects that significant capital expenditures have on financial operations in the recent year:

1. Major capital spending and its implementation status: N/A.
2. Anticipated benefit: N/A.

V. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year:

The Company's reinvestment projects are divided into strategic investments and non-strategic investments. The objective of strategic investments is to produce comprehensive results for the operation of the Company, and non-strategic investments are financial in nature. The Company will formulate plans in the future as required by company operations.

## VI. Risk management and evaluation

### (I) Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:

#### 1. Effects of changes in interest rates:

The Company mainly uses its own capital to fund operations. The Company obtained a loan from a bank for the acquisition of the semiconductor business of Panasonic in Japan in the second half of 2020. As the Company maintains good relations with financial institutions, we obtained suitable loan interest rates and interest rate fluctuations will not cause material impact on the Company's operations. In addition, the Company continues to pay close attention to the impact of interest rates on the Company's operations.

#### 2. Effects of changes in exchange rates:

Nuvoton's exchange rate risks are mainly derived from operating activities. Regarding the exchange rate risks associated with purchases or sales in currency valuation, the Company offsets foreign currency assets and liabilities to achieve balance and maintains close communication with financial institutions to continue to observe changes in exchange rates and lower exchange rate variation risks. The Company will continue to adopt the following response actions for exchange rate risks:

- A. Engage in financial derivatives transactions for the main purpose of hedging risks derived from business operations and choose financial derivative products to primarily hedge the risks associated with the Company's business operations. In the selection of trading counterparty, give primary consideration to credit risk to avoid loss arising from counterparty's failure to perform its contractual obligation. In addition, the Company shall choose as its partners the financial institutions with low credit risk, good relationship with the Company, and the capability to provide the Company with professional information.
- B. The Company keeps abreast of financial market information, predicts market trends, gets familiar with financial products and related regulations and trading techniques, and provides full and timely information to the management and relevant departments for reference.
- C. The Company sets the limit of unrealized loss on all financial derivatives contracts to 20% of the contract values or 3% of owners' equity, whichever is lower. The Company's finance unit evaluates the Company's position on financial derivatives every month and produces a report therefor, which is submitted to the head of finance

and senior management authorized by the Board of Directors for review in the hope to predict the risk of each transaction and potential loss.

### 3. Inflation:

The Company shall continue to actively manage and control cost and operating expenditures to reduce the impact of inflation on operations. There has been no severe inflation in Taiwan or across the world and therefore there has been no significant impact on the Company.

#### (II) Policies, main causes of gain or loss and future response measures with respect to high-risk, high-leveraged investments, lending or endorsement guarantees, and derivatives transactions:

The Company has not engaged in any high-risk, high-leverage investment, or loans to other parties. The Company merged the semiconductor business of Panasonic in Japan in 2020. As the subsidiary required financing for business activities, the Company provided endorsement and guarantee for financing loans from financial institutions for its wholly-owned subsidiary. The Company's derivatives trading policy aims to hedge against the risks derived from business operations and reduce the risk of fair value fluctuation for assets and liabilities actually owned by the Company under the objective of economic hedge and the resulting loss or income in exchange rates are entirely manageable. The Company has established "Regulations Governing the Acquisition or Disposal of Assets Procedures," "Procedures for Lending Funds to Other Parties," "Regulations Governing Endorsements and Guarantees", and "Procedures for Engaging in Derivatives Transactions" as the basis for related transactions to control and manage financial transaction risks.

#### (III) Future R&D Programs and Expected R&D Investment

The Company's future R&D undertaking will continue to focus on the research of low-power, information security, high-speed CPU core platforms, and innovative IP technology. We shall strengthen compliance with high standards and high reliability in international standards and introduce advanced process platforms. We shall enhance capabilities in IoT, energy-efficient consumer electronics, industrial control, and automotive electronics and continue to expand the customer base and applications to adapt to future changes in the industry. The Company will also carry out R&D for cloud computing and PC devices, and focus on security management, user experience, and energy conservation to expand production lines and applications based on the solid foundation of existing operations. The total 2021 R&D expenditure for the preceding application products is estimated at NT\$3.3 billion.

#### (IV) Major changes in government policies and laws at home and broad, the impact on Company finance and business, and response measures:

The Company's operation policies must follow laws and regulations and the Company must also watch closely the important shifts in policies and laws at home and abroad and consult related experts for their opinion when necessary to take appropriate response measures. As of

the date of report, the Company finance and business have not been affected by major changes in government policies and laws at home and abroad.

- (V) Impact of recent technological and market changes on the Company's finance and business, and response measures:

The Company watches closely technological and market changes, and will, in view of the circumstances, assign staff or a project team to study and evaluate the impact of those changes on the Company's development, finance and business in the future as well as response measures. As of the date of report, there have not been significant technological changes that may produce material impact on the Company's finance and business.

- (VI) Impact of corporate image change on risk management and response measures:

The Company is focused on the operation of its main business and internal auditing to comply with related laws and regulations. As of the date of report, the Company has been free of events that affect corporate image.

- (VII) The expected benefits and possible risks of mergers and acquisitions as well as the responding measures:

The Company paid cash to the Panasonic Group of Japan for the purchase of 100% of the shares of its subsidiary Panasonic Semiconductor Solutions Co. Ltd., specific operation assets including equipment and inventories of semiconductor operations of Panasonic Semiconductor (Suzhou) Co., Ltd., and specific operation assets including assets, liabilities, and contracts of Panasonic Industrial Devices Semiconductor Asia. The delivery was completed in September 2020 and the approval of the government and competent authorities of the two parties' respective countries and regions was obtained. This transaction is expected to expand the scale of its semiconductor business, expand global sales channels and customers, obtain core technical patents for related applications and R&D talents, increase the Company's influence in the global semiconductor industry, and enhance long-term competitiveness.

- (VIII) Expected benefits and possible risks of factory expansions as well as the response measures:  
Not applicable.

- (IX) Risks associated with over-concentration in purchase or sale and response measures:

The Company's purchasing is concentrated due to concerns in product quality and preferred purchasing price, though the Company maintains at least two suppliers for its main materials avoid risks resulting from over-concentration in purchasing. There is no over-concentration of sales for the Company and we continue to develop new products as well as long-term strategic cooperation with customers of excellent financial background to lower the risks of over-concentration of sales.

- (X) Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding more than 10% interest on the Company, associated risks and response measures: N/A.

- (XI) The effects that change in management has on the Company as well as risk and responding

measures: Not applicable.

(XII) Litigation or non-litigation events:

1. The Company's Concluded or pending litigious, non-litigious or administrative litigation event as of the date of report:

The Company and its subsidiary in the United States received a statement of claim delivered by the court on June 29, 2020. The plaintiff claimed in the California Superior Court that the gasoline generator produced by HD Power Systems Inc. exploded during use and caused damage to the plaintiff. The plaintiff requested the Company, its subsidiary in the United States, and other related companies to bear liabilities of compensation. As the case is in its preliminary stages, there is no way to determine whether it has an impact on the Company's finance or business. The Company shall continue to evaluate the potential impact of the case on its business and finance, and proceed with related legal matters based on the procedures set by the court. With the exception of the aforementioned legal case, there were no major legal cases in which the Company is a principal as of the publication date of the Annual Report.

2. The outcome of concluded or pending litigious, non-litigious, or administrative litigation events involving the director, supervisor, president, de facto responsible person, major shareholders holding more than 10% interest, or subsidiary of the Company:

The Company and its subsidiary in the United States received a statement of claim delivered by the court on June 29, 2020. The plaintiff claimed in the California Superior Court that the gasoline generator produced by HD Power Systems Inc. exploded during use and caused damage to the plaintiff. The plaintiff requested the Company, its subsidiary in the United States, and other related companies to bear liabilities of compensation. As the case is in its preliminary stages, there is no way to determine whether it has an impact on the Company's finance or business. The Company shall continue to evaluate the potential impact of the case on its business and finance, and proceed with related legal matters based on the procedures set by the court. With the exception of the aforementioned legal case, there were no other major legal cases that involved the Company's Directors, Supervisors, President, de facto responsible person, or major shareholders holding more than 10% interest as of the publication date of the Annual Report.

(XIII) Risk management organization framework:

The Company's risk management tasks are dispersed among different functions inside the Company. The Company has established sound internal management guidelines and operating procedures and has developed comprehensive plans and processes for risk aversion, loss prevention and crisis management. In addition, the Company's management keeps continuous watch over changes in the macroeconomic environment that might affect the Company business and operations and has assigned staff to make planning and formulate

response actions against all kinds of contingencies to reduce operational uncertainties to the minimum.

(XIV) Other significant risks and response measures:

1. Information Security Policy

Nuvoton has established the "Nuvoton Security Policy" and "Information Security Management Regulations" which are used as the basis for the establishment of management and control measures and continuous maintenance of a secure information environment for protecting Nuvoton and customers' information from theft, computer crimes, industrial espionage, or other forms of harm or damage. The Company signs confidentiality agreements with suppliers and customers to protect each other's confidential information and avoid inappropriate disclosure of sensitive information. In addition, the Company conducts annual internal audits each year in accordance with the internal control system for information security.

2. Information security management

The Company establishes an information security organization and convenes regular information security management meetings in accordance with requirements in ISO/IEC 15408 Information technology - Security techniques - Evaluation criteria for IT security and the Joint Interpretation Library - Minimum Site Security Requirements. The Company adopted the Cybersecurity Framework proposed by the National Institute of Standards and Technology (NIST) and the security control measures established by the Center for Internet Security (CIS). We analyze and evaluate information security risks and establish management plans for potential risks for regular follow-up.

We continue to strengthen access control and monitoring, information system access management, and access record retention and review to meet the Company's R&D information security requirements. We strictly control personnel entry and data access to prevent inappropriate access to and alteration of company information and prevent theft or leakage of trade secrets and intellectual property.

3. Information security and network risk assessment

The Company has established network and computer security protection systems to ensure the normal operations of the Company's information system. The systems include firewall/intrusion detection/intrusion prevention system, and the Security Information and Event Management system to strengthen defenses against information security incidents.

Due to the impact of the COVID-19 epidemic in 2020, we implemented separation of personnel groups and areas and established a work-from-home model. To facilitate the work-from-home model, we enhanced remote connections, device management, and identity verification mechanisms and use drills to help employees and information units understand actual conditions and implement improvements to reduce the potential information security

risks when working from home.

Numerous types of cyberattacks have emerged in recent years. They include encryption ransomware and malicious acts involving data theft or destruction through social engineering. The Company has established defense systems for common forms attack such as malicious websites and malicious emails. The Company introduced vulnerability scanning tools and terminal data protection tools in 2020 to reduce the risks of intrusions and protect sensitive information. We also use social engineering exercises to enhance employees' security awareness. In addition, we also use system audits, backup recovery, remote backup, and emergency response drills to reduce information security risks and protect the Company's information assets.

#### 4. Impact of material information security incidents and response measures

The Company has found no material information security incidents that have caused or may cause material negative impact on the Company's business and operations in 2020 and this year as of the publication date of the Annual Report.

#### VII. Other important matters:

N/A.

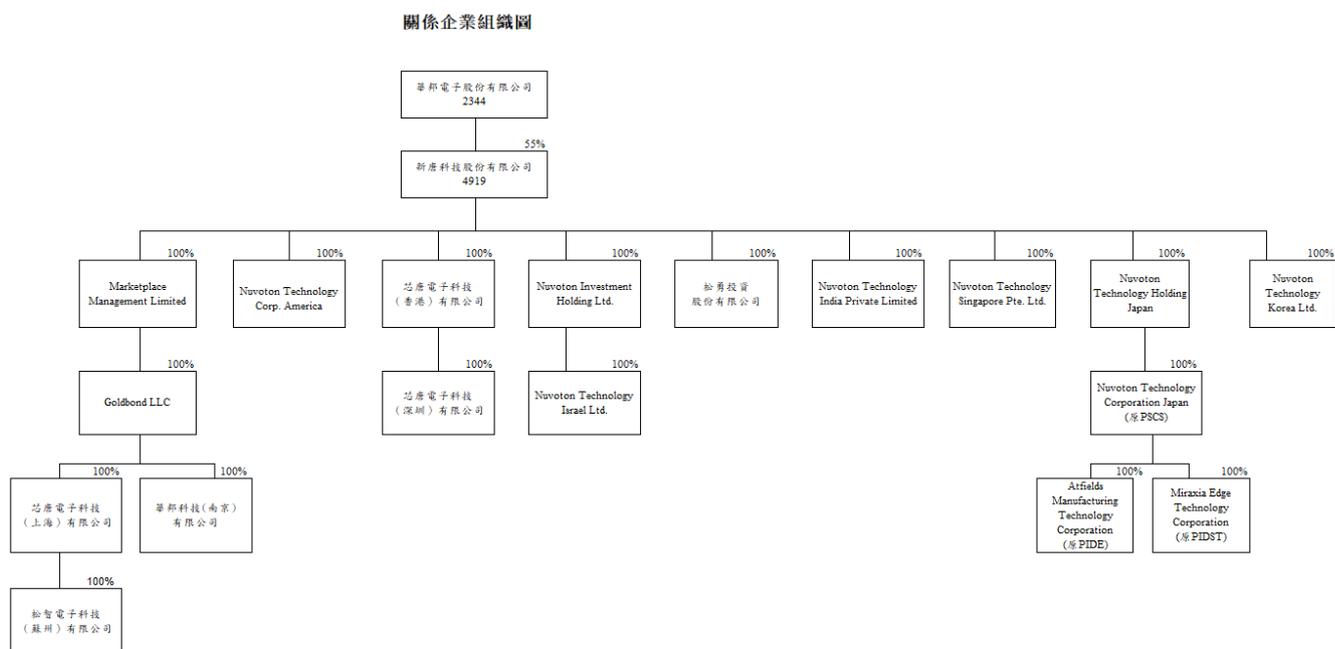
## Chapter 6 Special disclosures

### I. Profiles of affiliates and subsidiaries

#### (I) Consolidated Affiliate Business Report

##### 1. Affiliate organization chart

December 31, 2020



##### 2. Basic information of the various affiliated enterprises

December 31, 2020; Unit: thousand NT\$/thousand foreign currency

| Enterprise name                                   | Date of establishment | Address                                                                                            | Paid-in capital | Main businesses/products                                                                                                                                  |
|---------------------------------------------------|-----------------------|----------------------------------------------------------------------------------------------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Winbond Electronics Corp.                         | 1987.09.29            | No. 8, Keya 1st Road, Daya District, Taichung City, Taiwan                                         | 39,800,002      | Research & development, production, and sale of all types of semiconductor parts and components used in integrated circuits and other system products.    |
| Nuvoton Technology Corp.                          | 2008.04.09            | No. 4, Yanxin 3rd Road, Hsinchu Science Park, Taiwan                                               | 3,883,936       | Research, design, development manufacture and sales of logic IC products, 6-inch wafer manufacture, testing and foundry services                          |
| Marketplace Management Limited                    | 2000.07.28            | P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands            | USD\$8,843      | Investment business                                                                                                                                       |
| Goldbond LLC                                      | 2000.09.22            | 1912 Capitol Ave, Cheyenne, WY 82001                                                               | USD\$44,752     | Investment business                                                                                                                                       |
| Nuvoton Electronics Technology (Shanghai) Limited | 2001.03.30            | Room 2701, 27F, 2299 Yan An Road (West), Shanghai, P.R. China                                      | RMB16,555       | Provide maintenance, test and related technical consulting services for products and solutions sold in Mainland China, and semiconductor equipment leases |
| Winbond Technology (Nanjing) Co., Ltd.            | 2005.09.21            | Suite 413-40, Gao Xing Technology Industrial Development Zone Office Building, Nanjing, P.R. China | RMB4,046        | Provides computer software services (excluding IC design)                                                                                                 |
| Nuvoton Technology Corporation America            | 2008.05.01            | 251 Little Falls Drive, Wilmington, DE 19808, Delaware                                             | USD\$6,050      | Design, sales and service of semiconductor components                                                                                                     |
| Nuvoton Electronics Technology (H.K.) Limited     | 1989.04.04            | Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong                       | HKD107,400      | Sales services for semiconductor components                                                                                                               |

| Enterprise name                                   | Date of establishment | Address                                                                                                                | Paid-in capital          | Main businesses/products                                                                                             |
|---------------------------------------------------|-----------------------|------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------|
| Nuvoton Electronics Technology (Shenzhen) Limited | 2007.02.16            | Room 801, 8F Microprofit Building, Gaoxinan 6 Road, High-Tech Industrial Park, Nanshan District, Shenzhen, P.R. China  | RMB46,434                | Provides computer software services (excluding IC design), computer and peripheral equipment and software wholesales |
| Nuvoton Investment Holding Ltd.                   | 2005.03.21            | 3rd Floor, Omar Hodge Building, Wickhams Cay I, P.O. Box 362, Road Town, Tortola, British Virgin Islands               | USD\$17,960              | Investment business                                                                                                  |
| Nuvoton Technology Israel Ltd.                    | 2005.03.22            | 8 Hasadnaot Street, Herzliya B, 4672835 Israel                                                                         | ILS1                     | Design and service of semiconductor parts and components                                                             |
| Song Yong Investment Corporation                  | 2014.04.09            | 3F, No. 192, Jingye 1st Road, Zhongshan District, Taipei City, Taiwan                                                  | 38,500                   | Investment business                                                                                                  |
| Nuvoton Technology India Private Limited          | 2014.09.26            | PS22-23, Bridge+, Unit No. 02-02 to 15, 2nd Floor, Ascendas Park Square Mall, Whitefield Road, ITPB, Bengaluru, 560066 | INR60,000                | Design, sales and service of semiconductor components                                                                |
| Nuvoton Technology Singapore Pte. Ltd.            | 2020.03.25            | 3 Bedok South Road, Singapore, 469269                                                                                  | USD37,100                | Design, sales and service of semiconductor components                                                                |
| Nuvoton Technology Korea Ltd.                     | 2020.06.05            | 2507 Room, Trade Tower, Yeongdong-daero 511, Gangnam-Gu, Seoul, Korea, 06164                                           | KRW1,250,000             | Design, sales and service of semiconductor components                                                                |
| Nuvoton Technology Holdings Japan                 | 2020.04.01            | 1 Kotari-yakemachi, Nagaokakyo City, Kyoto 617-8520, Japan                                                             | JPY5,000                 | Investment business                                                                                                  |
| Nuvoton Technology Corporation Japan              | 2014.03.10            | 1 Kotari-yakemachi, Nagaokakyo City, Kyoto 617-8520, Japan                                                             | JPY400,000               | Design, sales and service of semiconductor components                                                                |
| Atfields Manufacturing Technology Corporation     | 2000.03.01            | 800 Higashiyama, Uozu City, Toyama 937-8585, Japan                                                                     | JPY200,000               | Design and service of semiconductor parts and components                                                             |
| Miraxia Edge Technology Corporation               | 1997.01.10            | 1 Kotari-yakemachi, Nagaokakyo City, Kyoto 617-8520, Japan                                                             | JPY200,000               | Design and service of semiconductor parts and components                                                             |
| Nuvoton Electronics Technology (Suzhou) Limited   | 2020.12.04            | 4F, Building 1, No. 379, Tayuan Road, Suzhou New District, Suzhou, P.R. China                                          | Capital not yet invested | Supply of semiconductor technology development, consulting services, and machinery and equipment leases              |

3. Information of common shareholders who are presumed to have a relationship of control and subordination: N/A

4. Basic information of Directors, Supervisors, and Presidents of affiliates

December 31, 2020; Unit: shares

| Enterprise name           | Title                | Name or representative                                                  | Shares held   |                    |
|---------------------------|----------------------|-------------------------------------------------------------------------|---------------|--------------------|
|                           |                      |                                                                         | No. of shares | Shareholding ratio |
| Winbond Electronics Corp. | Chairman             | Arthur Yu-Cheng Chiao                                                   | 63,472,995    | 2%                 |
|                           | Vice Chairman        | Tung-Yi Chan                                                            | 838,000       | 0%                 |
|                           | Director             | Yung Chin                                                               | 11,778,797    | 0%                 |
|                           | Independent Director | Francis Tsai                                                            | -             | -                  |
|                           | Independent Director | Shan-Kio Hsu                                                            | -             | -                  |
|                           | Independent Director | Jie-Li Hsu                                                              | -             | -                  |
|                           | Independent Director | Ta-Chuan Cho                                                            | -             | -                  |
|                           | Director             | Wei-Hsin Ma                                                             | -             | -                  |
|                           | Director             | Chih-Chen Lin                                                           | -             | -                  |
|                           | Director             | Walsin Lihwa Corporation Institutional Representative - Wen-Hu Pan      | 883,848,423   | 22%                |
|                           | Director             | Gin Hsin Investment Co., Ltd. institutional representative: Yuan-Mou Su | 239,003,072   | 6%                 |
|                           | President            | Pei-Ming Chen                                                           | 378,176       | 0%                 |
| Nuvoton Technology Corp.  | Chairman             | Winbond Electronics Corp. Representative - Yuan-Mou Su                  | 214,954,635   | 55%                |
|                           | Director             | Arthur Yu-Cheng Chiao                                                   | -             | -                  |
|                           | Director             | Gin Hsin Investment Co., Ltd. institutional representative - Yung Chin  | 5,100,747     | 1%                 |
|                           | Director             | Keh-Shew Lu                                                             | -             | -                  |
|                           | Director             | Chi-Lin Wea                                                             | -             | -                  |
|                           | Independent Director | Shan-Kio Hsu                                                            | -             | -                  |
|                           | Independent Director | Royce Yu-Chun Hong                                                      | -             | -                  |

| Enterprise name                                   | Title                       | Name or representative                                                              | Shares held   |                    |
|---------------------------------------------------|-----------------------------|-------------------------------------------------------------------------------------|---------------|--------------------|
|                                                   |                             |                                                                                     | No. of shares | Shareholding ratio |
|                                                   | Independent Director        | David Shu-Chyuan Tu                                                                 | -             | -                  |
|                                                   | Independent Director        | Jie-Li Hsu                                                                          | -             | -                  |
|                                                   | President                   | Sean Tai                                                                            | 170,000       | -                  |
| Marketplace Management Limited                    | Director                    | Nuvoton Technology Corp. Institutional Representative - Arthur Yu-Cheng Chiao       | 8,842,789     | 100%               |
|                                                   | Director                    | Nuvoton Technology Corp. Institutional Representative - Hung-Wen Huang              |               |                    |
|                                                   | Director                    | Nuvoton Technology Corp. Institutional Representative - Tung-Yi Chan                |               |                    |
| Goldbond LLC                                      | Managerial officer (Note 1) | Marketplace Management Limited institutional appointee: Yu-Cheng Chiao              | Note 2        | 100%               |
|                                                   | Managerial officer (Note 1) | Marketplace Management Limited institutional appointee: Jessica Huang               |               |                    |
|                                                   | Managerial officer (Note 1) | Marketplace Management Limited institutional appointee - Hung-Wen Huang             |               |                    |
| Nuvoton Electronics Technology (Shanghai) Limited | Chairman                    | Goldbond LLC institutional representative: Sean Tai                                 | Note 2        | 100%               |
|                                                   | Director                    | Goldbond LLC institutional representative: Ren-Lie Lin                              |               |                    |
|                                                   | Director                    | Goldbond LLC institutional representative: Hsiu-Fen Lai                             |               |                    |
|                                                   | Director                    | Goldbond LLC Institutional Representative - Patrick Wang                            |               |                    |
|                                                   | Director                    | Goldbond LLC Institutional Representative - Hung-Wen Huang                          |               |                    |
|                                                   | Supervisor                  | Goldbond LLC institutional representative: Yung Chin                                |               |                    |
|                                                   | President                   | Jo-Wei Fu                                                                           | Note 2        | -                  |
| Winbond Technology (Nanjing) Co., Ltd.            | Chairman                    | Goldbond LLC institutional representative: Ren-Lie Lin                              | Note 2        | 100%               |
|                                                   | Director                    | Goldbond LLC institutional representative: Sean Tai                                 |               |                    |
|                                                   | Director                    | Goldbond LLC institutional representative: James Wen                                |               |                    |
|                                                   | President                   | Bosco Law                                                                           |               |                    |
| Nuvoton Technology Corporation America            | Chairman                    | Nuvoton Technology Corp. Institutional Representative - Wei-Chan Hsu                | 60,500        | 100%               |
|                                                   | Director                    | Nuvoton Technology Corporation institutional representative - Vivian Yeh            |               |                    |
|                                                   | Director                    | Nuvoton Technology Corporation Institutional Representative - Sean Tai              |               |                    |
|                                                   | Director                    | Nuvoton Technology Corp. Institutional Representative - Ren-Lie Lin                 |               |                    |
|                                                   | Director                    | Nuvoton Technology Corp. Institutional Representative - Patrick Wang                |               |                    |
|                                                   | Director                    | Nuvoton Technology Corp. Institutional Representative - Hung-Wen Huang              |               |                    |
|                                                   | President                   | Aditya Raina                                                                        |               |                    |
| Nuvoton Electronics Technology (H.K.) Limited     | Chairman                    | Nuvoton Technology Corporation Institutional Representative - Sean Tai              | 107,400,000   | 100%               |
|                                                   | Director                    | Nuvoton Technology Corp. Institutional Representative - Yung Chin                   |               |                    |
|                                                   | Director                    | Nuvoton Technology Corp. Institutional Representative - Hsiu-Fen Lai                |               |                    |
|                                                   | Director                    | Nuvoton Technology Corp. Institutional Representative - Patrick Wang                |               |                    |
|                                                   | Director                    | Nuvoton Technology Corp. Institutional Representative - Hung-Wen Huang              |               |                    |
|                                                   | President                   | Patrick Wang                                                                        |               |                    |
| Nuvoton Electronics Technology (Shenzhen) Limited | Chairman                    | Nuvoton Electronics Tech. (H.K.) Ltd. Institutional Representative - Sean Tai       | Note 2        | 100%               |
|                                                   | Director                    | Nuvoton Electronics Tech. (H.K.) Ltd. Institutional Representative - Patrick Wang   |               |                    |
|                                                   | Director                    | Nuvoton Electronics Tech. (H.K.) Ltd. Institutional Representative - Hung-Wen Huang |               |                    |
|                                                   | Supervisor                  | Nuvoton Electronics Tech. (H.K.) Ltd. Institutional Representative - Ren-Lie Lin    |               |                    |
|                                                   | President                   | Jo-Wei Fu                                                                           |               |                    |
| Nuvoton Investment Holding Ltd.                   | Director                    | Nuvoton Technology Corp. Institutional Representative - Arthur Yu-Cheng Chiao       | 17,960,000    | 100%               |

| Enterprise name                          | Title          | Name or representative                                                          | Shares held   |                    |
|------------------------------------------|----------------|---------------------------------------------------------------------------------|---------------|--------------------|
|                                          |                |                                                                                 | No. of shares | Shareholding ratio |
|                                          | Director       | Nuvoton Technology Corp. Institutional Representative - Jessica Huang           |               |                    |
|                                          | Director       | Nuvoton Technology Corp. Institutional Representative - Hung-Wen Huang          |               |                    |
| Nuvoton Technology Israel Ltd.           | Chairman       | Nuvoton Investment Holding Ltd. institutional representative - Hsin-Lung Yang   |               |                    |
|                                          | Director       | Nuvoton Investment Holding Ltd. institutional representative - Ren-Lie Lin      |               |                    |
|                                          | Director       | Nuvoton Investment Holding Ltd. institutional representative - Sean Tai         |               |                    |
|                                          | Director       | Nuvoton Investment Holding Ltd. institutional representative: Hung-Wen Huang    | 1,000         | 100%               |
|                                          | Director       | Nuvoton Investment Holding Ltd. institutional representative: Biranit Levany    |               |                    |
|                                          | Director       | Nuvoton Investment Holding Ltd. institutional representative: Erez Naory        |               |                    |
|                                          | President      | Biranit Levany                                                                  | -             | -                  |
| Song Yong Investment Corporation         | Chairman       | Nuvoton Technology Corporation Institutional representative - Hsiang-Yun Fan    |               |                    |
|                                          | Director       | Nuvoton Technology Corp. Institutional Representative - Arthur Yu-Cheng Chiao   | 3,850,000     | 100%               |
|                                          | Director       | Nuvoton Technology Corporation Institutional Representative - Sean Tai          |               |                    |
|                                          | Supervisor     | Nuvoton Technology Corp. Institutional Representative - Ren-Lie Lin             |               |                    |
| Nuvoton Technology India Private Limited | Chairman       | Nuvoton Technology Corp. Institutional Representative - Hsi-Jung Tsai           |               |                    |
|                                          | Director       | Nuvoton Technology Corporation institutional representative: Jitendra Patil     | 600,000       | 100%               |
|                                          | Director       | Nuvoton Technology Corp. Institutional Representative - Hung-Wen Huang          |               |                    |
|                                          | President      | Jitendra Patil                                                                  | -             | -                  |
| Nuvoton Technology Singapore Pte. Ltd.   | Director       | Nuvoton Technology Corp. institutional appointee - Yo-Song Cheng                | 37,100,000    | 100%               |
|                                          | Director       | Nuvoton Technology Corp. institutional appointee - Patrick Wang                 |               |                    |
|                                          | Director       | Nuvoton Technology Corp. institutional appointee - Yi-Tsai Hsu                  |               |                    |
|                                          | President      | Yi-Tsai Hsu                                                                     | -             | -                  |
| Nuvoton Technology Korea Ltd.            | Representative |                                                                                 |               |                    |
|                                          | Director       | Nuvoton Technology Corp. institutional appointee - Patrick Wang                 | 125,000       | 100%               |
|                                          | Director       | Nuvoton Technology Corp. institutional appointee - Hsin-Lung Yang               |               |                    |
|                                          | Director       | Nuvoton Technology Corp. institutional appointee - Ren-Lie Lin                  |               |                    |
|                                          | President      | Ahn Jung Mo                                                                     | -             | -                  |
| Nuvoton Technology Holdings Japan        | Representative | Nuvoton Technology Corp. institutional appointee - Arthur Yu-Cheng Chiao        | 100           | 100%               |
|                                          | Director       | Nuvoton Technology Corp. institutional appointee - Yuan-Mou Su                  |               |                    |
|                                          | Director       | Nuvoton Technology Corp. institutional appointee - Hsiu-Fen Lai                 |               |                    |
|                                          | President      | Yoshitaka Kinoshita                                                             | -             | -                  |
| Nuvoton Technology Corporation Japan     | Chairman       | Nuvoton Technology Holdings Japan institutional appointee - Yuan-Mou Su         |               |                    |
|                                          | Director       | Nuvoton Technology Holdings Japan institutional appointee - Kazuhiro Koyama     |               |                    |
|                                          | Director       | Nuvoton Technology Holdings Japan institutional appointee - Susumu Sawai        |               |                    |
|                                          | Director       | Nuvoton Technology Holdings Japan institutional appointee - Sean Tai            | 9,480         | 100%               |
|                                          | Director       | Nuvoton Technology Holdings Japan institutional appointee - Hsiu-Fen Lai        |               |                    |
|                                          | Director       | Nuvoton Technology Holdings Japan institutional appointee - Yoshitaka Kinoshita |               |                    |
|                                          | Director       | Sakae Suzuki                                                                    |               |                    |

| Enterprise name                                 | Title      | Name or representative                                                                          | Shares held   |                    |
|-------------------------------------------------|------------|-------------------------------------------------------------------------------------------------|---------------|--------------------|
|                                                 |            |                                                                                                 | No. of shares | Shareholding ratio |
|                                                 | Supervisor | Nuvoton Technology Holdings Japan institutional appointee - Akihiko Nishida                     |               |                    |
|                                                 | Supervisor | Hiroshi Yasuda                                                                                  |               |                    |
|                                                 | President  | Kazuhiro Koyama                                                                                 | -             | -                  |
| Atfields Manufacturing Technology Corporation   | Director   | Nuvoton Technology Holdings Japan institutional appointee - Daihei Kajiwara                     | 4,000         | 100%               |
|                                                 | Director   | Nuvoton Technology Corporation Japan institutional appointee - Kazuhiro Koyama                  |               |                    |
|                                                 | Director   | Nuvoton Technology Corporation Japan institutional appointee - Sadaharu Tanaka                  |               |                    |
|                                                 | Director   | Nuvoton Technology Corporation Japan institutional appointee - Hiromasa Kurokawa                |               |                    |
|                                                 | Supervisor | Nuvoton Technology Corporation Japan institutional appointee - Akio Nakagawa                    |               |                    |
|                                                 | President  | Daihei Kajiwara                                                                                 |               |                    |
| Miraxia Edge Technology Corporation             | Director   | Nuvoton Technology Corporation Japan institutional appointee - Shogo Nakazawa                   | 4,000         | 100%               |
|                                                 | Director   | Nuvoton Technology Corporation Japan institutional appointee - Kazuhiro Koyama                  |               |                    |
|                                                 | Director   | Nuvoton Technology Corporation Japan institutional appointee - Sadaharu Tanaka                  |               |                    |
|                                                 | Director   | Nuvoton Technology Corporation Japan institutional appointee - Hiroyuki Tsujikawa               |               |                    |
|                                                 | Supervisor | Nuvoton Technology Corporation Japan institutional appointee - Akio Nakagawa                    |               |                    |
|                                                 | President  | Shogo Nakazawa                                                                                  |               |                    |
| Nuvoton Electronics Technology (Suzhou) Limited | Chairman   | Nuvoton Electronics Technology (Shanghai) Limited Institutional Representative - Sean Tai       | Note 2        | 100%               |
|                                                 | Director   | Nuvoton Electronics Technology (Shanghai) Limited Institutional Representative - Yo-Song Cheng  |               |                    |
|                                                 | Director   | Nuvoton Electronics Technology (Shanghai) Limited Institutional Representative - Hung-Chi Yu    |               |                    |
|                                                 | Supervisor | Nuvoton Electronics Technology (Shanghai) Limited Institutional Representative - Hung-Wen Huang |               |                    |
|                                                 | President  | Jo-Wei Fu                                                                                       |               |                    |

Note 1: Goldbond LLC is a company with a manager system.

Note 2: Goldbond LLC, Nuvoton Electronics Technology (Shanghai) Limited, Winbond Technology (Nanjing) Co., Ltd. Nuvoton Electronics Technology (Shenzhen) Limited, and Nuvoton Electronics Technology (Suzhou) Limited are not limited stock companies and have not issued shares.

## 5. Businesses covered by the affiliated enterprises' overall operations

The businesses covered by the Company's affiliates include mainly the research, design, development, production, sales and services of integrated circuits, various semiconductor components and other system products. Certain affiliates have investment businesses as their main scope of business. Overall, the affiliates support each other in technology, marketing and services in their transactions, allowing the Company to become the most competitive company with our own products.

## 6. Business overview of affiliates

December 31, 2020; Unit: NT\$1,000

| Enterprise name                                   | Capital    | Total assets | Total liabilities | Net worth  | Operating revenue | Operating profit (loss) | Profit and loss for the period | Earnings (loss) per share (NT\$) |
|---------------------------------------------------|------------|--------------|-------------------|------------|-------------------|-------------------------|--------------------------------|----------------------------------|
| Winbond Electronics Corp.                         | 39,800,002 | 100,053,300  | 34,604,181        | 65,449,119 | 39,649,875        | 1,090,583               | 1,304,019                      | 0.33                             |
| Nuvoton Technology Corp.                          | 3,883,936  | 18,372,303   | 6,850,935         | 11,521,368 | 11,433,163        | 647,574                 | 532,785                        | 1.81                             |
| Marketplace Management Limited                    | 251,843    | 120,977      | 237               | 120,740    | 41,402            | 41,055                  | 41,055                         | 4.64                             |
| Goldbond LLC                                      | 1,274,532  | 124,229      | 3,446             | 120,783    | 41,750            | 41,402                  | 41,402                         | Note                             |
| Nuvoton Electronics Technology (Shanghai) Limited | 72,460     | 2,123,302    | 2,043,914         | 79,388     | 1,946,663         | (5,356)                 | 42,980                         | Note                             |
| Winbond Technology (Nanjing) Co., Ltd.            | 17,707     | 47           | 3,064             | (3,017)    | 0                 | (1,229)                 | (1,229)                        | Note                             |
| Nuvoton Technology Corporation America            | 172,304    | 234,095      | 52,123            | 181,972    | 410,127           | 16,197                  | 5,381                          | 88.94                            |
| Nuvoton Electronics Technology (H.K.) Limited     | 394,480    | 545,248      | 61,106            | 484,142    | 4,287,695         | 29,001                  | 32,149                         | 0.30                             |
| Nuvoton Electronics Technology (Shenzhen) Limited | 203,242    | 267,174      | 45,848            | 221,326    | 118,976           | 2,086                   | 7,700                          | Note                             |
| Nuvoton Investment Holding Ltd.                   | 511,501    | 322,018      | 2,080             | 319,938    | 44,221            | 44,067                  | 44,067                         | 2.45                             |
| Nuvoton Technology Israel Ltd.                    | 9          | 616,506      | 295,388           | 321,118    | 853,658           | 57,956                  | 44,220                         | 44,220                           |
| Song Yong Investment Corporation                  | 38,500     | 99,520       | 174               | 99,346     | 3,543             | 3,242                   | 3,242                          | 0.84                             |
| Nuvoton Technology India Private Limited          | 23,394     | 21,484       | 95                | 21,389     | 3,772             | 180                     | 805                            | 1.34                             |
| Nuvoton Technology Singapore Pte. Ltd.            | 1,056,608  | 2,114,856    | 1,031,751         | 1,083,105  | 2,723,211         | 26,611                  | 27,829                         | 0.75                             |
| Nuvoton Technology Korea Ltd.                     | 32,750     | 33,024       | 4,244             | 28,780     | 0                 | (3,801)                 | (3,828)                        | 30.62                            |
| Nuvoton Technology Holdings Japan                 | 1,382      | 5,675,964    | 0                 | 5,675,964  | 0                 | (214,665)               | (214,674)                      | (2,146,740)                      |
| Nuvoton Technology Corporation Japan              | 110,520    | 18,442,972   | 6,494,251         | 11,948,721 | 7,349,070         | (404,326)               | (214,662)                      | (22,643.67)                      |
| Atfields Manufacturing Technology Corporation     | 55,260     | 341,933      | 169,133           | 172,800    | 397,252           | 96,295                  | 66,853                         | 16,713.25                        |
| Miraxia Edge Technology Corporation               | 55,260     | 680,731      | 367,449           | 313,282    | 793,597           | 75,758                  | 53,127                         | 13,281.75                        |

Note: Goldbond LLC, Nuvoton Electronics Technology (Shanghai) Limited, Winbond Technology (Nanjing) Co., Ltd. and Nuvoton Electronics Technology (Shenzhen) Limited are not limited stock companies and have not issued shares.

(II) Consolidated financial statement of affiliates: Please refer to pages 123 to 181.

(III) Affiliation Report

1. Statement of Affiliation Report

Statement of Affiliation Report

The Company's 2020 (from January 1 to December 31, 2020) affiliation report was compiled in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and the disclosed information is largely consistent with the related information disclosed in the financial statements of the period.

It is hereby declared

Company name: Nuvoton Technology Corp.

Legal Representative: Yuan-Mou Su

February 18, 2021

2. The general relationship between the subsidiary company and the control company

Unit: Shares; %

| Name of control company   | Reason for control                                          | Shares held by the control company and status of pledged shares |                    |                | Control company's appointment of Directors, Supervisors or professional managers |             |
|---------------------------|-------------------------------------------------------------|-----------------------------------------------------------------|--------------------|----------------|----------------------------------------------------------------------------------|-------------|
|                           |                                                             | Number of shares held                                           | Shareholding ratio | Pledged shares | Title                                                                            | Name        |
| Winbond Electronics Corp. | Holds over 50% of shares of the Company and retains control | 214,954,635                                                     | 55%                | N/A            | Chairman                                                                         | Yuan-Mou Su |

3. Transaction status

(1) Procurement and sales transaction status

Unit: thousand NT\$, %

| Transaction status with control company |         |                                    |              | Transaction conditions with control company |                            | Regular transaction terms |                                   | Reason for difference | Accounts receivable (payable) and notes |                                                        | Overdue accounts receivable |                 | Note |
|-----------------------------------------|---------|------------------------------------|--------------|---------------------------------------------|----------------------------|---------------------------|-----------------------------------|-----------------------|-----------------------------------------|--------------------------------------------------------|-----------------------------|-----------------|------|
| Purchase/sale                           | Amount  | Ratio of total procurement (sales) | Gross margin | Unit price (NT\$)                           | Loan period                | Unit price (NT\$)         | Loan period                       |                       | Balance                                 | Ratio of total accounts receivable (payable) and notes | Amount                      | Handling method |      |
| Procurements                            | 209,957 | 3%                                 | -            | -                                           | 30 days on a monthly basis | -                         | 30 to 120 days on a monthly basis | -                     | (39,500)                                | 1%                                                     | -                           | -               | -    |

(2) Property transaction status: N/A

(3) Financing status: N/A

(4) Property rental status:

Unit: NT\$1,000

| Transaction type | Subject                        |                                                                                      | Lease term              | Nature of lease | Basis for rent                                                      | Rent collection (payment) method | Comparison with general rent levels | Total rent for the current period | Collection and payment status for the current period | Other agreements                                               |
|------------------|--------------------------------|--------------------------------------------------------------------------------------|-------------------------|-----------------|---------------------------------------------------------------------|----------------------------------|-------------------------------------|-----------------------------------|------------------------------------------------------|----------------------------------------------------------------|
|                  | Name                           | Location                                                                             |                         |                 |                                                                     |                                  |                                     |                                   |                                                      |                                                                |
| Lessee           | Winbond Zhubei Office Building | Certain floor areas at No. 539, Section 2, Wenxing Road, Zhubei City, Hsinchu County | 2019.11.16 - 2024.12.31 | Operating lease | The rent was determined based on market rates for nearby properties | Monthly payment                  | No material deviation               | 12,239                            | 12,239                                               | The rent-free period was from November 16 to December 31, 2019 |

(5) Endorsements and guarantees: N/A

II. Progress of private placement of securities during the latest year and up to the date of annual report publication:

N/A

III. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report:

N/A

IV. Other supplemental information:

N/A

V. Corporate events with material impact on shareholders' equity or stock prices set forth in Article 36, Paragraph 3, Subparagraph 2 of Securities and Exchange Act in the past year and up to the date of report:

Please refer to (VII) Expected benefits and potential risks of merger and acquisition on page 237.

Nuvoton Technology Corp.

Legal Representative: Yuan-Mou Su