

**nuvoTon**

Stock Code: 4919

# Nuvoton Technology Corp.

## 2021

# Annual Report

March 31, 2022

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**Nuvoton Annual Report Website**

■ **Market Observation Post System website: <http://mops.twse.com.tw>**

■ **Nuvoton Annual Report Website: <https://www.nuvoton.com>**

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## **Chapter 1 Letter to Shareholders**

Dear Shareholders,

2021 was a bumper year for the global semiconductor industry, benefiting from strong end-user demand and continuous business opportunities in various applications. According to the World Semiconductor Trade Statistics (WSTS), the global semiconductor industry saw a significant 25.6% year-on-year increase in output in 2021. In response to the market boom, Nuvoton has demonstrated its solid operational strength to meet the market demand with more diversified product applications, with the effect that its consolidated revenue and profit reached a record high in 2021.

### **Financial Performance**

In terms of its overall financial performance in 2021, Nuvoton's total consolidated revenue was about NT\$41,456 million; its net income after tax was about NT\$2,941 million; its earnings per share after tax was NT\$7.27.

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

Nuvoton's business can be divided into four major areas: Automotive and Industrial, Communication, Consumer and Computer. Its important achievements are summarized as follows:

With respect to “Automotive and Industrial” sector, the Company has launched a series of dual-mode Bluetooth microcontrollers with low power consumption and high-efficiency product features, which have been certified by the Bluetooth Association and can be applied to industrial control networking and continued to develop a high-efficiency and low-energy consuming product mix corresponding to emerging applications and announced a partnership with Green Hills Software to launch a Real-Time Operating System (RTOS) for Nuvoton Gerda® series of automotive chips, providing an operating platform of a higher level of security. With the development of the current trend of electric vehicles, Battery Monitoring IC (BM-IC) has been introduced into the lithium batteries of many well-known car manufacturers with expansion into new customers, and also extended the technology into electric bicycles, electric motorcycles and energy storage system markets. About “Communication” sector, our main product is CSP (Chip Scale Package) MOSFETs used for circuit protection of small lithium batteries. In addition to still focusing on smartphones or various portable devices, the Company has also further extended CSP MOSFETs into the application of automotive audio systems, which can simplify the complexity of the speaker wiring in the car. Besides, the Company continuously launched a new home inverter MCU with high performance and security functions in “Consumer” portion. Regarding the “Computer” sector, the shipment of server Baseboard

Management Controller (BMC) to enterprises and cloud network customers has grown, and the development of a new generation of high-performance BMC is underway as scheduled. Moreover, the Company has also developed USB4.0 re-timer products based on the existing high-speed interface technology to ensure the stability of signals during long-distance transmission.

In terms of foundry, in addition to the continued high demand for foundry capacity, the company continues to develop new processes to enhance our competitiveness in the foundry market and meet the diverse needs of the power supply market.

### **Honors and Awards**

In 2021, Nuvoton has won many honorary awards in product innovation and enterprise management.

In terms of product innovation, Nuvoton has launched the NuMicro M2354 series microcontrollers with chip-level security protection functions in line with the international IoT information and communication security requirements and won the "2021 EE Awards Asia - Golden Selection Potential Benchmark Product Award".

In terms of the long-term goal of business operation, Nuvoton completed the acquisition of NTCJ in 2020, which also earned Nuvoton the "MAPECT Taiwan M&A Awards – Deal of the Year". Through the acquisition of NTCJ, Nuvoton has further enhanced Nuvoton's presence in the global market and competitive advantage among its peers.

In terms of sustainable operation, the Company is committed to investing in energy saving and green environmental protection related subjects. In 2021, the high-pressure rotor of the air compressor CDA-6 was replaced, which saved about 80,000 kWh of electricity in the plant area, and we continued to expand the recovery of waste sulfuric acid and reduction of liquid caustic soda for wastewater treatment, clearly demonstrating the excellent results of our continuous commitment to corporate social responsibility.

### **Corporate Management and Expectations**

With the continued rise of globalization, accelerated digital transformation, and supply chain restructuring brought about by the COVID-19 pandemic, Nuvoton will provide a more complete product portfolio in 5G, smart life, cloud computing, vehicle and industrial automation, and new energy applications by promoting relevant innovative applications and services and provide products

with high performance, high reliability and high security, so that Nuvoton can continue to play an important role in the technology industry.

Looking ahead, Nuvoton, as a global citizen, will follow the global trend and adopt the 3R principle (Reduce, Reuse and Recycle) to achieve carbon neutrality and continue to uphold the purposes of green innovation and intelligence to make a positive impact on corporate social responsibility and sustainable development.

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 2008, the Company was spun off from Winbond's Logic IC Business Group and went public on December 15, 2009. The Company registered on the Emerging Stock Market on January 29, 2010 and became listed on Taiwan Stock Exchange on September 27, 2010.

The Company focuses on the development of ICs for applications in microcontrollers, microprocessors, smart home, cloud security, battery monitoring, component, visual sensing and IoT with security and has strong market share in Industrial, Automotive, Communications, Consumer and Computer markets. In addition, the Company owns a 6-inch fab that specializes in diverse processing technologies to provide IC foundry services. The fab also keeps partial capacity for the manufacture of own IC products.

The Company provides customers high quality products at low costs through vigorous innovative technical capabilities, comprehensive product solutions and outstanding integration technologies. Leveraging our solid knowhow foundation, we provide customers with excellent services. With our vision "Joy of Innovation", we value long-term relationship with our 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 core businesses, the Company has received many accolades and awards. We were named an excellent supplier of computer IC from a world class company in 2012. We received the highest green rating in the validated audit process (VAP) under the EICC Code of Conduct in 2013. We received the MOEA 3rd National Industrial Innovation Award as well as the 3rd Potential Taiwan Mittelstand Award in 2014. The Bureau of Foreign Trade named the Company an excellent importer/exporter 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 power consumption in our plants in 2018 and received the "Energy Conservation Elite" from the Ministry of Economic Affairs. We 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 and accolades exemplify the national-level recognitions received by the Company and our commitment to corporate social responsibility. In 2021, we won the “2021 EE Awards Asia - The Promising Product of the Year” and “MAPECT M&A Award - Most Representative M&A Deal of the Year”, which further enhances Nuvoton's visibility and competitive edge in the world market.

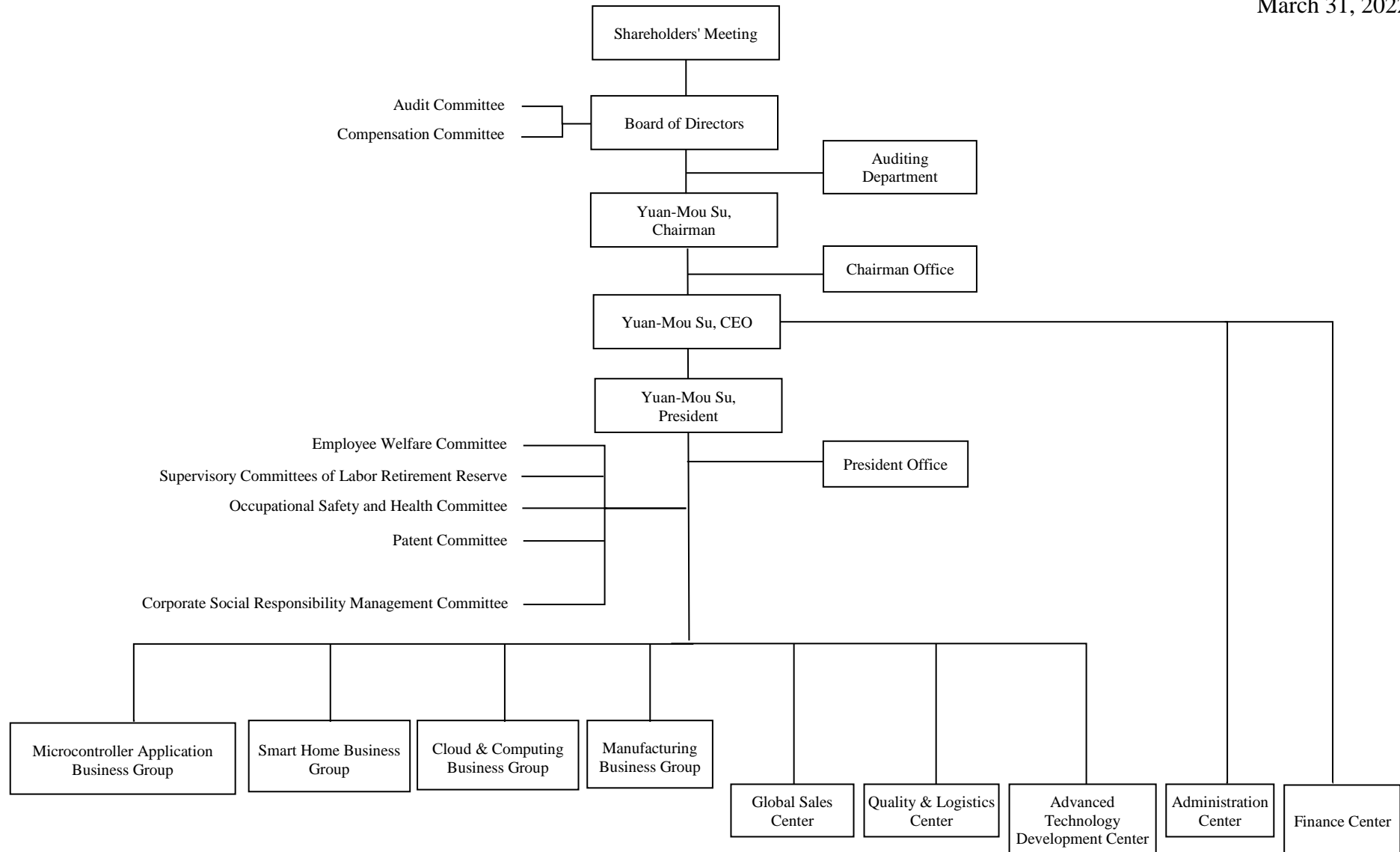
We will continue to build up our strength in R&D and focus on the core businesses while establishing ourself as a market leader. We will aim to achieve sustainability and advance steadily to become a world-class IC designer and manufacturer.

II. Corporate governance report

(I) Organizational Structure and Major Business Units

1. Organization structure

March 31, 2022



## 2. Major business units and their key businesses

Department	Key businesses
President Office	Analysis, formulation and execution of business strategies
Auditing Department	Planning and execution of internal audits, planning and execution of internal controls and self-evaluation, and review of company rules and bylaws.
Microcontroller Application Business Group	Development of general applications for microcontrollers, microprocessors, development tools and platforms.
Smart Home Business Group	Planning, R&D, promotion and operation of audio products.
Cloud & Computing Business Group	Planning, R&D, promotion and operation of computer and cloud security platform products.
Manufacturing Business Group	Fab management, wafer production and manufacture, and foundry services
Global Sales Center	Sales, customer relations management, new customer development
Quality & Logistics Center	Production management and logistics management, supplier management, quality policy and system management
Advanced Technology Development Center	R&D of forward-looking technology and industrial-academia cooperation management, integration of backend IC design
Administration Center	Office environment management, information system and information security management, legal affairs and intellectual property management
Finance Center	Finance and accounting management, tax management, funds and assets management, strategic investment and investor relations

(II) Profile of Directors, Supervisors and Managerial Officers

1. Director information (1)

March 31, 2022; Unit: shares

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term	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	51.21%	-	-	-	-	-	Note 1	N/A	N/A	N/A	
Chairman	ROC	Representative of Winbond Electronics Corp.: Yuan-Mou Su	M 60-70	2020.2.6	3 years	2020.2.6	-	-	80,000	0.02%	-	-	-	-	Master of Electrical Engineering, University of Southern California, BS in Electrical Engineering, National Chiao Tung University, Vice Chairman and Executive Vice President of Winbond Electronics Corporation	Note 2	N/A	N/A	N/A	Note 12
Director	ROC	Arthur Yu-Cheng Chiao	M 60-70	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	M 70-80	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 Age	Date elected	Term	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	M 70-80	2019.6.24	3 years	2010.4.23	-	-	-	-	-	-	-	-	Ph.D. in economics from Université de Paris, Master of management from Imperial College London, United Kingdom; Director of Graduate Institute of International Business, National Taiwan University, Secretary General of Executive Yuan, Chairman of Land Bank of Taiwan.	Note 5	N/A	N/A	N/A	
Director	ROC	Chin Xin Investment Co., Ltd.	-	2019.6.24	3 years	2019.6.24	253,185	0.12%	5,440,219	1.30%	-	-	-	-	-	Note 6	N/A	N/A	N/A	
Director	ROC	Representative of Chin Xin Investment Co., Ltd.: Yung Chin	F 60-70	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	Allen Hsu	M 60-70	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	
Independent Director	ROC	David Shu-Chyuan Tu	M 60-70	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; and President of Product Specifications Business Unit, Synnex Technology International Corporation.	Note 9	N/A	N/A	N/A	

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term	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	Royce Yu-Chun Hong	M 50-60	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; Co-founder and Managing Director of Agenda Taiwan (Limited), and Creative Director of PC Home.	Note 10	N/A	N/A	N/A	
Independent Director	ROC	Jerry Hsu	M 40-50	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., Callisto Holding Limited, Winbond Electronics Germany GmbH, Great Target Development Ltd., Hwa Bao Botanic Conservation Corp. and Intellectual Property Innovation Corporation; Supervisor of Chin Xin Investment Corp, and Harbinger III Venture Capital Corp.

Note 2: Mr. Yuan-Mou Su is the Company's Chairman, CEO and President; serves concurrently as the chairman of Nuvoton Technology Corporation Japan and Nuvoton Technology Corp. America, and the director of Nuvoton Technology Holdings Japan and Nuvoton Technology Israel Ltd.

Note 3: Director Mr. Arthur Yu-Cheng Chiao serves concurrently as the Chairman and CEO of Winbond Electronics Corp.; Chairman of Chin Xin 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, Nuvoton Investment Holding Ltd., Marketplace Management Limited, Great Target Development Ltd., Nuvoton Technology Holdings Japan, and Tower Partners Semiconductor Co., Ltd.; Independent director, compensation committee convener and audit committee member of Taiwan Cement; and management of Goldbond LLC;

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, and AcBel Polytech Inc.; Supervisor of Aces Electronic Co., Ltd. and Breeze Development Co.; Independent Director of Formosa Plastics Corporation; and Adjunct Professional of Business Administration, National Taiwan University

Note 6: Institutional Director Chin Xin Investment Co., Ltd. serves concurrently as Director of Winbond Electronics Corporation, Walsin Lihwa Corporation, HannStar Board Corporation, Global Investment Holdings Co., Ltd., Glorystone Inc., and Hwa Bao Botanic Conservation Corp.

- Note 7: Director Ms. Yung Chin serves concurrently as Chief Administrative Officer of Winbond Electronics Corp.; Chairman of Pine Capital Investment, Winbond (H.K.), and Hwa Bao Botanic Conversation Corp.; Director of Winbond Electronics Corporation America, and Nuvoton Electronics Technology (H.K.) Limited; and Supervisor of Qing An Investment Limited, Yau Cheung Investment Limited, Cheng Ho Investment Co., Ltd, Winbond Electronics Corporation Japan, Nuvoton Technology (Shanghai) Corp. and Winbond Electronics (Suzhou) Ltd.
- Note 8: Independent Director Mr. Allen Hsu serves concurrently as the Chairman of Unus Tech 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 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., Jetwell Computer Co., Ltd., Digitimes Inc., Asgard System Inc., Inforcom Technology Inc., Synnex (Thailand) Public Company Ltd., and Redington (India) Ltd.
- 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.;
- Note 11: Independent Director Jerry Hsu serves concurrently as Chairman of AcBel Polytech Inc., AcBel Polytech (Dongguan) Inc., AcBel Polytech (Wuhan) Inc., AcBel (USA) Polytech Inc., AcBel Polytech (Philippines) Inc. and Huhua Hardware & Electronics (Wujiang) Co., Ltd; and Vice Chairman of Cal-Comp Electronics (Thailand) Ltd.; Director of Kinpo Electronics Inc., Cal-Comp Big Data Inc., Eslite Spectrum Corp, AcBel Polytech (SAMOA) Investment Inc., AcBel Polytech (Singapore) Pte Ltd., Acbel Polytech (UK) Limited, AcBel Polytech Japan Inc., Power Station Holdings Ltd., Compal Electronics Inc., Castle Net Technology Inc., AcBel Polytech Holdings Inc., Acbel Polytech (Ireland) Limited, AcBel Polytech International Inc., Kang De Energy Inc., Kang Rei Energy Inc., EPI Technology Venture Pte. Ltd., CK Holdings Inc., LIZ Electronics (Nantong) Ltd., Raypal Biomedical Co., Ltd., Ray-Kwong Medical Management Consulting Co., Ltd., PCHOMESTORE INC, Kunji Venture Capital Inc., Breeze Resorts Co., Ltd., Prudence Venture Investment, PCHome Online, Cal-Comp Biotech Co., Ltd, Actel Electronic(Dongguan) Co., Ltd., Ren Deng Solar Power Inc., Ri Cheng Solar Power Inc., Evercomm Uni-Tech Singapore Pte. Ltd., Acbel Telecom Inc., CSA Holdings Inc., QBit Semiconductor Holding, LTD., Target Gain Corporation, Melvita Taiwan Ltd., ARCE Therapeutics, Cal-Comp Precision Holding Co., Ltd., Kang Chan Power Ltd., QBit Semiconductor LTD, NEW ERA AI ROBOTIC INC, NKG Advanced Intelligence & Technology Development (Yueyang) Co., Ltd., Cal-Comp Precision (Malaysia) SDN. BHD., Cal-Comp Precision (Thailand) Limited, Cal-Comp Electronics (USA) Co., Ltd., Cal-Comp USA (San Diego), Inc., Cal-Comp Holding (Brasil) S.A., Cal-Comp Industria de Semicondutores S.A., Kinpo&Compal Group Assets Development Corporation, and VESCIR LTD.; Independent Director of Winbond Electronics Corp., Sirtec International Co. Ltd., and Nuvoton Technology Inc.; Supervisor of Fu Bao Investment Co., Ltd., Teleport Access Services, Kinpo Group Management Service Co., Baotek Industrial Materials Ltd., and Castlenet Technology Incorporation; President of AcBel Polytech (Dongguan) Inc., AcBel Polytech (Wuhan) Inc. AcBel (USA) Polytech Inc., AcBel Polytech (Philippines) Inc. Actel Electronic (Dongguan) Co., Ltd., and Kinpo&Compal Group Assets Development Corporation; and Chief Strategy Officer of Cal-Comp Electronics & Communications Co., Ltd., and management of Acbel Polytech Inc.
- 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

March 31, 2022

Name of institutional shareholder	Major shareholders of institutional shareholders
Winbond Electronics Corporation	Walsin Lihwa Corporation (22.21%), Chin Xin Investment Co., Ltd (6.01%), LGT Bank (Singapore) Investment Fund under the custody of Standard Chartered Bank (Taiwan), Main Branch (1.65%), Arthur Chiao (1.47%), New Labor Pension Fund 2008 First Discretionary Polaris Investment Fund (1.28%), Vanguard Emerging Markets Stock Index Fund Investment Account of the Vanguard Group under the custody of JPMorgan Chase Bank N.A. Taipei Branch (1.03%), Pai-Yung Hong (0.97%), Vanguard Star Funds series Comprehensive International Stock Index Fund investment account of Progressive Global Investment Advisor Taiwan Limited under the custody of JPMorgan Chase Bank N.A. Taipei Branch (0.94%), iShares MSCI Taiwan Index ETF Investment Account under the custody of Standard Chartered Bank (Taiwan), Main Branch (0.83%), and Yu-Heng Chiao (0.75%).

Name of institutional shareholder	Major shareholders of institutional shareholders
Chin Xin Investment Corp.	Winbond Electronics (37.69%), Walsin Lihwa (36.99%), Oriental Consortium Investment Limited (4.43%), Arthur Chiao (3.14%), Yu-Lon Chiao (3.14%), Yu-Heng Chiao (3.14%), Yu-Chi Chiao (3.14%), Walsin Technology Co. (1.86%), HannStar Board Corporation (1.34%), and Prosperity Dielectrics Co. (0.72%).

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

March 31, 2022

Name of institutional shareholder	Major shareholders
Walsin Lihwa Corp.	LGT Bank (Singapore) Investment Fund under the custody of Standard Chartered Bank (Taiwan), Main Branch (7.32%), Winbond Electronics Corporation (6.46%), Chin Xin Investment Corp.(6.41%), TECO (5.98%), Rong Chiang International Ltd. (4.31%), Oriental Consortium Investment Limited (2.91%), Yu-Hui Chiao (2.71%), Pictet Bank Investment Fund under the custody of HSBC (1.80%), Yu-Heng Chiao (1.77%), and Norges Bank Investment Account under the custody of Citibank (Taiwan) (1.52%)
Oriental Consortium Investment Limited	HannStar Display Corporation (100%).
Walsin Technology Corporation	Walsin Lihwa Corporation (18.30%), HannStar Board Corporation (7.55%), Global Brands Manufacture Limited (3.21%), Walton Advanced Engineering (2.74%), Maybank Kim Eng Securities Investment Account under the custody of Citibank (Taiwan) (2.74%), Yu-Heng Chiao (2.65%), Winbond Electronics Corporation (1.77%), Fubon Life Insurance Co., (1.64%), Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds under the custody of JPMorgan Chase Bank N.A. Taipei Branch (1.45%), 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%), Chin Xin Investment Corp. (3.54%), Yu-Heng Chiao (2.18%), Pai-Yung Hong (1.86%), BNP Paribas Wealth Management Bank Singapore Branch Account under the trust of HSBC Bank (1.49%), Prosperity Dielectrics Co., Ltd. (1.07%), Walsin Color Corp. (0.95%), and Yu Yue Co. Ltd.(0.89%)
Prosperity Dielectrics Co., Ltd.	Walsin Technology Corporation (43.13%), Walton Advanced Engineering, Inc. (0.75%), Yu-Heng Chiao (0.62%), Ta-Ho Maritime Corporation (0.55%), ABC Taiwan Electronics Corp (0.47%), Wen-Che Shen (0.44%), Chiao-Fang Hsu (0.33%), Mercer Investment Fund 1 Investment Account of Mercer QIF Fund PLC managed by Phase Investment Management Co. and under the custody of Standard Chartered Bank (Taiwan), Main Branch (0,30%), Tsong-Yuan Huang (0.28%), and UBS Europe SE Investment Account under the custody of Citibank (Taiwan) (0.25%).



Director information (2)

Name	Criteria	Professional qualifications and experience	Independence status	Number of other public companies concurrently serving as an independent director
Winbond Electronics Corporation Representative: Yuan-Mou Su	Mr. Yuan-Mou Su has more than 5 years of work experience in fields relating to Company business. Before joining Nuvoton, Mr. Su served as Vice Chairman and Deputy CEO of Winbond Electronics, and has worked for such companies as AMD, Digital Equipment Corp., Integrated Devices Technology, and Winbic Semiconductor Inc., in the United States. He is currently the Chairman, CEO and President of Nuvoton.	(1) Mr. Su serves as Chairman in the capacity of a representative of institutional director. (2) Mr. Su is free of situations stipulated in Article 30 of the Company Act.	-	
Arthur Yu-Cheng Chiao	Mr. Arthur Yu-Cheng Chiao has more than 5 years of work experience in fields relating to Company business. Mr. Chiao once served as chairman of Walsin Lihwa and Taiwan Electrical and Electronic Manufacturers' Association. In 2019, he won the ERSO Award and was elected as one of the eighth ITRI Laureates of the Industrial Technology Research Institute. Mr. Chiao is currently the Chairman and CEO of Winbond Electronics Corp.	(1) Mr. Chiao is the spouse of Director Yung Chin. (2) Director Chiao is free of situations stipulated in Article 30 of the Company Act.	1	

Criteria Name	Professional qualifications and experience	Independence status	Number of other public companies concurrently serving as an independent director
Ken-Shew Lu	Mr. Ken-Shew Lu has more than 5 years of work experience in fields relating to Company business. He once served as the senior VP of Texas Instrument, and received an honorary doctorate from National Cheng Kung University in 2021. He is currently the chairman, president and CEO of Diodes Incorporated, a listed company in USA.	Director. Lu is free of situations stipulated in Article 30 of the Company Act.	-
Chi-Lin Wea	Mr. Chi-Lin Wea has more than 5 years of work experience in fields relating to Company business. Mr. Wea once served as the Secretary General of Executive Yuan, Chairman of Research, Development and Evaluation Commission, Executive Yuan, and Chairman of Land Bank of Taiwan. He is currently the Chairman of International Bills Finance Corp. He is also an adjunct professor at the Graduate Institute of International Business, National Taiwan University	Director Wea is free of situations stipulated in Article 30 of the Company Act.	1
Representative of Chin Xin Investment Corp.: Yung Chin	Ms. Yung Chin has more than 5 years of work experience in fields relating to Company business. Ms. Chin once served in a number of positions at Winbond Electronics. She also once served as the comptroller of Walsin Lihwa. She is currently the Chairman of Hwa Bao Botanic Conservation Corp. and a director of Winbond Electronics.	(1) Ms. Chin serves as director in the capacity of a representative of institutional director. (2) Ms. Chin is the spouse of Director Arthur Chiao. (3) Director Chin is free of situations stipulated in Article 30 of the Company Act.	-

Criteria Name	Professional qualifications and experience	Independence status	Number of other public companies concurrently serving as an independent director
Allen Hsu	Mr. Allen Hsu has more than 5 years of work experience in fields relating to Company business. Mr. Hsu once served in a number of positions at Yulon Group and as deputy chairman of the Taiwan Venture Capital Association. Mr. Hsu is currently chairman of Unus Tech Co., Ltd., AccelStor, Inc., and 3R Life Sciences Taiwan Ltd., and he is free of situations stipulated in Article 30 of the Company Act.	(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. (Only independent directors Allen Hsu and Jerry Hsu are concurrently independent director of Winbond Electronics Corp.) (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 number of 1% or more of the shares of the Company or ranks as one of its top ten shareholders.	1
David Shu-Chyuan Tu	Mr. David Tu has more than 5 years of work experience in fields relating to Company business. Mr. Tu once served in many positions at Synnex Technology International Corporation. He is currently VP of Business Development and Strategy of Synnex Technology International Corporation.	(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);	--
Royce Yu-Chun Hong	Mr. Royce Yu-Chun Hong has more than 5 years of work experience in fields relating to Company business. Mr. Hong once served as marketing and creativity director of PChome Online. He is concurrently Chairman and President of IPEVO Corp.; and Chairman of XRANGE CO., LTD., XING Mobility Inc., and Panasonic Taiwan. Director Tu is free of situations stipulated in Article 30 of the Company Act.	(5) Not a director, supervisor or employee of an institutional shareholder holding directly 5% or more of the company's shares, being one of the top five shareholders, or being appointed a director or supervisor of the	-

<p style="text-align: center;">Jerry Hsu</p>	<p>Mr. Jerry Hsu has more than 5 years of work experience in fields relating to Company business. Mr. Hsu once served as a director of Acbel Polytech. He is currently Chairman and President of AcBel Polytech Inc.; director of the Kinpo Group, deputy chairman of Taiwan Electrical and Electronic Manufacturers' Association (TEEMA), and director of the Importers &amp; Exporters Association of Taipei. Director Hsu is free of situations stipulated in Article 30 of the Company Act.</p>	<p>company pursuant to Article 27, Paragraph 1 or 2 of the Company Act.</p> <p>(6) Not a director, supervisor or employee of another company that is controlled by the same person that holds the majority seats on the board or majority votes of the Company.</p> <p>(7) Not a director, supervisor or employee of another company or institution that has the same chairman, president, or the equivalent or a spouse in one of the roles as the Company.</p> <p>(8) Not a director, supervisor, manager, or shareholder holding five percent or more of the shares of a specific company or institution that has a financial or business relationship with the Company.</p> <p>(9) Not a professional who provides audit service or receives compensation in the last two years for commercial, legal, financial, or accounting services to the Company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates.</p>	<p style="text-align: center;">1</p>
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### 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 should be diverse in terms of professional backgrounds, professional knowledge and expertise, gender, or fields of work. An appropriate number of director ranging between nine to thirteen seats shall be elected according to practical operational needs.

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:

1. Ability to make sound business judgments.
2. Ability to conduct accounting and financial analysis.
3. Ability to manage the business.
4. Ability to manage a crisis.
5. Industry knowledge.
6. An understanding of international markets.
7. Leadership ability.
8. Decision-making ability.

Management goals for the 6th-term (2019-2022) board diversity policy: According to Article 20 of the Nuvoton Corporate Governance Best Practice Principles, the board diversity policy pertains to maintaining the seats of major shareholders and participation of female directors, recruiting top talents from different generations and professional fields, and in addition, facilitating succession planning for management and achieving sustainable development. Hence Nuvoton increases the seat of institutional director from 1 to 2. The election result of the 2019 General Shareholders' Meeting meets the management goal (2 institutional directors on the board).

## Implementation of board member diversity

Title	Name	Gender	Core diversification item					Percentage by gender		Percentage of independent directors	Percentage of directors who are also employees	Age distribution of all directors	
			Business management	Leadership and decision making	Knowledge of the industry	Finance and accounting	IT expertise	M	F			Age 55 and over	Age 55 and below
Chairman	Representative of Winbond Electronics Corp.: Yuan-Mou Su	M	V	V	V	V	V						
Director	Arthur Yu-Cheng Chiao	M	V	V	V	V	V						
Director	Representative of Chin Xin Investment Co., Ltd.: Yung Chin	F	V	V	V	V	V	89%	11%	44%	11%	78%	22%
Director	Ken-Shew Lu	M	V	V	V	V	V						
Director	Chi-Lin Wea	M	V	V	V	V	V						
Independent Director	Royce Yu-Chun Hong	M	V	V	V	V	V						
Independent Director	Allen Hsu	M	V	V	V	V							
Independent Director	David Shu-Chyuan Tu	M	V	V	V		V						
Independent Director	Jerry Hsu	M	V	V	V	V							

The Board of Directors is Nuvoton's highest governing body. The 6th-term Board of Directors consists of 9 directors, including 4 independent directors and 1 female director. Directors who are not a manager of employee in the Company make up more than two thirds of board members. All board members are highly experienced in business operations. The ages of board members cover different generations and their academic and professional backgrounds cover different fields. All board members possess the ability to perform their duties, oversee business activities and offer constructive opinions and strategy recommendations. Institutional Directors Winbond Electronics Corp. and Chin

Xin Investment are major shareholders of the Company. Winbond is the largest shareholder holding majority shares and has been a director since Company's inception.

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

March 31, 2022 Unit: shares

Title	Nationality	Name	Gender	Date of appointment	Shareholding		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
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman, CEO and President (Note)	ROC	Yuan-Mou Su	M	2020.3.1	80,000	0.02%	-	-	-	-	Master of Electrical Engineering, University of Southern California, BS in Electrical Engineering, National Chiao Tung University; Vice Chairman and Deputy CEO of Winbond Electronics	Chairman of Nuvoton Technology Corporation America, Chairman of Nuvoton Technology Corporation Japan (NTCJ), Director of Nuvoton Technology Israel Ltd., and Director of Nuvoton Technology Holdings Japan(NTHJ).	N/A	N/A	N/A	Note 2
Deputy CEO	Japan	Yoshitaka Kinoshita	M	2021.2.18	-	-	-	-	-	-	Master of Electrical Engineering, Toyohashi University of Technology (Japan) President of Elpida Memory Co., Ltd., President and Representative Director of Micron Memory Japan	President of Nuvoton Technology Holdings Japan (NTHJ), Director of Technology Corporation Japan (NTCJ), Director of Nuvoton Electronics Technology (Shenzhen) Limited and Director of Nuvoton Technology Singapore Pte. Ltd.	N/A	N/A	N/A	
Vice President	ROC	Yo-Song Cheng	M	2019.10.14	25,000	0.01%	-	-	-	-	BS in Electrical Engineering, Tamkang University: Assistant Vice President, Quality & ESH Center of Winbond Electronics Corporation	Director of Nuvoton Electronics Technology (H.K.) Limited, Nuvoton Technology Singapore Pte. Ltd. and Nuvoton Electronics Technology (Suzhou) Limited	N/A	N/A	N/A	
Vice President	ROC	Jen-Lieh Lin	M	2008.7.1	312,421	0.07%	-	-	-	-	Master of Electrical Engineering, National Cheng Kung University: 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; and Chairman of Winbond Technology (Nanjing) Co., Ltd.	N/A	N/A	N/A	
Vice President	ROC	Hsin-Lung Yang	M	2011.1.24	97,362	0.02%	-	-	-	-	Master of Computer Science, National Tsing Hua University: Senior Director of Multimedia R&D Division of Cheertek Inc. Managerial Officer of Product Planning and Marketing Technology, Novatek Microelectronics Corp.	Chairman of Nuvoton Technology Israel Ltd.; Chairman of Nuvoton Electronics Technology (Shanghai) Ltd.; Director of Nuvoton Electronics Technology (Shenzhen) Ltd.; Director of Nuvoton Technology Korea Limited	N/A	N/A	N/A	



Title	Nationality	Name	Gender	Date of appointment	Shareholding		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
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Vice President	ROC	Patrick Wang	M	2014.5.5	-	-	-	-	-	-	Master of Business Administration, State University of New York, Buffalo; Assistant Vice President of International Marketing, Realtek Semiconductor Corp., Director of Logistics and Global Customer Service, Hannstar Display Corporation	Director of Nuvoton Electronics Technology (H.K.) Limited, Nuvoton Electronics Technology (Shenzhen) Limited, Nuvoton Electronics Technology (Shanghai) Limited, Nuvoton Technology Singapore Pte. Ltd., Nuvoton Technology Korea Limited (representative director), Nuvoton Technology Corp. America, Nuvoton Tec. India Private Ltd.	N/A	N/A	N/A	
Vice President	ROC	Kuang-Lun Lin	M	2018.3.1	843	-	-	-	-	-	MS in Physics, National Tsing Hua University; Deputy Plant Manager of Micro Imaging Engineering Department of Winbond Electronics Corporation, and Director of Quality Assurance Division, Nuvoton Technology Corp.	N/A	N/A	N/A	N/A	
CTO	ROC	Wei-Chan Hsu	M	2020.8.1	-	-	-	-	-	-	Ph.D in Physics, University of Illinois at Urbana-Champaign; Chairman of Nuvoton Technology Corporation America	N/A	N/A	N/A	N/A	
Vice President, Chief Financial Officer, Chief Accounting Officer and spokesperson	ROC	Hsiu-Fen Lai	F	2020.8.1	75,000	0.02%	-	-	-	-	MBA from University of Southern California, Master of Law, National Chengchi University; BA in Finance, National Taiwan University; Vice President of Accounting, HTC Corporation	Director of Nuvoton Electronics Technology (H.K.) Limited, Nuvoton Electronics Technology (Shanghai) Limited, Nuvoton Electronics Technology (Suzhou) Limited, Nuvoton Technology Corporation Japan (NTCJ), Song Yong Investment Corporation, and Nuvoton Technology Holdings Japan(NTHJ)	N/A	N/A	N/A	
Corporate Governance Officer	ROC	Kun-Lung Chen	M	2021.2.18	14,000	-	-	-	-	-	Master of Business Administration, National Taipei University; 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: Mr. Yuan-Mou Su is appointed acting President of the Company starting November 15, 2021.

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

#### 3.1. Remuneration for Directors (including Independent Directors)

December 31, 2021; Unit: NT\$1,000

Title	Name	Director's remuneration								Ratio of total (A), (B), (C), and (D) to after-tax profit (Note 6)		Pay received as an employee						Ratio of total (A), (B), (C), (D), (E), (F) and (G) to after-tax profit (Note 6)		Remuneration received from parent company or investees other than subsidiaries, if any (Note 7)							
		Remuneration (A) (Note 1)		Severance pay and pension (B)		Director's remuneration (C)		Business expense (D) (Note 3)		Salary, bonus and special allowance (E) (Note 4)		Severance pay and pension (F)		Remuneration of 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)		The Company	All companies in the financial statements (Note 5)								
Director	Winbond Electronics Corporation																										
	Representative of Winbond Electronics Corp.: Yuan-Mou Su (Note 8)																										
	Arthur Yu-Cheng Chiao	0	-	0	-	19,652	19,652	810	810	20,462	20,462	0.70%	0.70%	9,828	9,828			5,459		5,459			35,749	35,749	1.22%	1.22%	96
	Chin Xin Investment Corp.																										
Independent Director	Representative of Chin Xin Investment Co., Ltd.: Yung Chin																										
	Ken-Shew Lu																										
	Chi-Lin Wea																										
	Royce Yu-Chun Hong	1,080	1,080	0		15,722	15,722	720	720	17,522	17,522	0.60%	0.60%	-	-	-	-	-	-	-	-	-	-	17,522	17,522	0.60%	0.60%

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 most recent year for services rendered to the Company (e.g. acting as a non-employee consultant to parent company/all companies in the financial statements/investees): N/A.

Range of remuneration

Range of remuneration paid to individual directors	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the financial statements H	The Company	All investees I
Below NT\$1,000,000	Representative of Winbond Electronics Corp.: Yuan-Mou Su, representative of Chin Xin Investment Corp.: Yung Chin	Representative of Winbond Electronics Corp.: Yuan-Mou Su, representative of Chin Xin Investment Corp.: Yung Chin	Representative of Chin Xin Investment Corp.: Yung Chin	Representative of Chin Xin Investment Corp.: Yung Chin
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	-	-	-	-
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Winbond Electronics, Arthur Yu-Cheng Chiao, Chin Xin Investment, Keh-Shew Lu, Chi-Lin Wea, Yu-Chun Hong, Allen Hsu, Shu-Chyuan Tu, Jerry Hsu	Winbond Electronics, Arthur Yu-Cheng Chiao, Chin Xin Investment, Keh-Shew Lu, Chi-Lin Wea, Yu-Chun Hong, Allen Hsu, Shu-Chyuan Tu, Jerry Hsu	Winbond Electronics, Arthur Yu-Cheng Chiao, Chin Xin Investment, Keh-Shew Lu, Chi-Lin Wea, Yu-Chun Hong, Allen Hsu, Shu-Chyuan Tu, Jerry Hsu	Winbond Electronics, Arthur Yu-Cheng Chiao, Chin Xin Investment, Keh-Shew Lu, Chi-Lin Wea, Yu-Chun Hong, Allen Hsu, Shu-Chyuan Tu, Jerry Hsu
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	-	-	-	-
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-	Representative of Winbond Electronics Corp.: Yuan-Mou Su	Representative of Winbond Electronics Corp.: Yuan-Mou Su
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-	-	-
> NT\$100,000,000	-	-	-	-
Total	11 persons	11 persons	11 persons	11 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 2021 remuneration of directors and employees on February 10, 2022. 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 2021.

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.

### 3.3 Remunerations to President and Vice President

December 31, 2021; Unit: NT\$1,000

Title	Name	Salary (A) (Note 1)		Severance pay and pension (B)		Bonus and special allowance (C) (Note 2)		Employee compensation (D)				Ratio of total (A), (B), (C), and (D) to after-tax profit (Note 5)		Remuneration received from investees other than subsidiaries, if any, or 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			
Chairman & CEO, President	Yuan-Mou Su (Note 7)	35,996	45,815	825	1,125	26,515	27,470	24,513	-	24,513	-	87,849 2.99%	98,923 3.36%	-
Deputy CEO	Yoshitaka Kinoshita													
President	Sean Tai (Note 7)													
Vice President	Jen-Lieh Lin													
Vice President	Hsin-Lung Yang													
Vice President	Patrick Wang													
CTO	Wei-Chan Hsu													
Vice President, Chief Financial Officer, Chief Accounting Officer and spokesperson	Hsiu-Fen Lai													
Vice President	Kuang-Lun Lin													
Vice President	Yo-Song Cheng													

## Range of remuneration

Range of remuneration paid to President and Vice Presidents	Name of President and Vice Presidents	
	The Company	All investees
Below NT\$1,000,000	Yoshitaka Kinoshita	-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)		-
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Wei-Chan Hsu	Yoshitaka Kinoshita
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Ren-Lie Lin, Patrick Wang, Hsin-Lung Yang, Kuang-Lun Lin, Yo-Song Cheng	Ren-Lie Lin, Patrick Wang, Hsin-Lung Yang, Kuang-Lun Lin, Yo-Song Cheng
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	Hsiu-Fen Lai, Sean Tai	Wei-Chan Hsu, Hsiu-Fen Lai, Sean Tai
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	Yuan-Mou Su	Yuan-Mou Su
NT\$30,000,000 (inclusive)~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 2021 remuneration of directors and employees on February 10, 2022.

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

Note 5: Net profit after tax means the Company's net profit after tax in 2021.

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. Yuan-Mou Su is appointed President of the Company on November 15, 2021; Mr. Yoshitaka Kinoshita began serving as the Company's Deputy CEO on February 18, 2021. Mr. Sean Tai was relieved of his duties as Managerial Officer on November 15, 2021.

### 3.4 Remunerations to managerial officers

December 31, 2021; Unit: NT\$1,000

Note:	Title	Name	Share value	Cash value	Total	Ratio of total to after-tax profit (%)
Managerial officer	Chairman and CEO, President	Yuan-Mou Su (Note)	-	24,513	24,513	0.83%
	Deputy CEO	Yoshitaka Kinoshita (Note)				
	President	Sean Tai (Note)				
	CTO	Wei-Chan Hsu				
	Vice President, Chief Financial Officer, and Chief Accounting Officer	Hsiu-Fen Lai (Note)				
	Vice President	Jen-Lieh Lin				
	Vice President	Kuang-Lun Lin				
	Vice President	Hsin-Lung Yang				
	Vice President	Patrick Wang				
	Vice President	Yo-Song Cheng				
Chief accounting officer	Hung-Wen Huang (Note)					

Note: Mr. Yuan-Mou Su is appointed Acting President of the Company on November 15, 2021; Mr. Yoshitaka Kinoshita serves as the Company's Deputy CEO starting February 18, 2021. Mr. Sean Tai was relieved of his duties as Managerial Officer on November 15, 2021; Mr. Hung-Wen Huang was relieved of his duties as Managerial Officer on August 3, 2021; Ms. Hsiu-Fen Lai serves concurrently as Chief Accounting Officer starting August 3, 2021.

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) Total remunerations to Directors, President and Vice Presidents as a percentage of profit after tax reported in standalone or individual financial statements the most recent two years

Title	2020		2021	
	Remunerations to Directors, President and Vice Presidents as a percentage of profit after tax		Remunerations to Directors, President and Vice Presidents as a percentage of profit after tax	
	The Company	All companies included in the	The Company	All companies included in the

		consolidated financial statements		consolidated financial statements
Director	12.52%	13.04%	4.29%	4.66%
President and Vice President				

(2) The policy, standards and packages of remunerations to Directors, President and Vice Presidents, procedure for making such decision and correlation 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 compensation 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 6 (A) meetings of the Board of Directors were held in the past year. The attendance of Directors was as follows:

Title	Name	Attendance (voting and non-voting) in person (B)	By proxy	Attendance in person rate (%) [B/A] (Note)	Note
Chairman	Representative of Winbond Electronics Corp.: Yuan-Mou Su	6	0	100%	N/A
Director	Arthur Yu-Cheng Chiao	6	0	100%	N/A
Director	Representative of Chin Xin Investment Co., Ltd.: Yung Chin	6	0	100%	N/A
Director	Ken-Shew Lu	4	2	67%	N/A
Director	Chi-Lin Wea	6	0	100%	N/A



Independent Director	Allen Hsu	6	0	100%	N/A
Independent Director	Royce Yu-Chun Hong	5	1	83%	N/A
Independent Director	David Shu-Chyuan Tu	5	1	83%	N/A
Independent Director	Jerry Hsu	6	0	100%	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 2021					
		2/18	3/16	5/6	8/3	9/23	11/3
Independent Director	Allen Hsu	O	O	O	O	O	O
Independent Director	David Shu-Chyuan Tu	O	O	☆	O	O	O
Independent Director	Royce Yu-Chun Hong	☆	O	O	O	O	O
Independent Director	Jerry Hsu	O	O	O	O	O	O

Note: O : Attendance in person, \*: Attendance by proxy, 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) Directors recused themselves from discussion or voting on an agenda item in which they have an interest:

Name of Director	Agenda item	Reason for recusal	Voting on the agenda item	Note
Jerry Hsu	Removal of non-compete clause for the Directors of the Company	The Director has an interest in the matter	Did not participate in voting	19th meeting of 6th-term Board
Yuan-Mou Su	Passed the pay of individual managerial officers.	The director has an interest in the matter	Did not participate in voting	22nd meeting of 6th-term Board
Yuan-Mou Su Arthur Yu-Cheng Chiao Yung Chin Allen Hsu Jerry Hsu	Proposed sale of major assets of subsidiary Nuvoton Technology Corporation Japan	The director has an interest in the matter	Did not participate in voting	23rd meeting of 6th-term Board
Yuan-Mou Su	Amendments to the Company's Rules for Remuneration and Performance Evaluation of Managerial Officers	The director has an interest in the matter	Did not participate in voting	23rd meeting of 6th-term Board
Yuan-Mou Su	Appointment of Mr. Yuan-Mou Su as the Company's acting president;	The director has an interest in the matter	Did not participate in voting	24th meeting of 6th-term Board

(5) Performance evaluation of Board of Directors

The Board's performance in 2021 receives an average score of 93 points following evaluation, which has been reported to the Board meeting on February 10, 2022.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation contents
Once every year	2021/01/01 ~ 2021/12/31	Board of Directors	Self-evaluation of the Board, self-evaluation by Board members, and peer review	The self-evaluation of the overall performance of Board of Directors covers the following five aspects: 1. Participation in Company operations. 2. Improving the quality of the Board's decision making. 3. Composition and structure of the Board. 4. Election and continuing education of the Directors. 5. Internal controls.

The results of the 2021 performance evaluation of individual board members average 97 points, which have been reported to the Board of Directors on February 10, 2022.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method:	Evaluation contents
Once every year	2021/01/01 ~ 2021/12/31	All members of the Board	Self-evaluation by Board members and peer review	The measures for evaluating the performance of Board members cover the following six aspects: 1. Familiarity with the goals and missions of the Company. 2. Recognition of duties as directors. 3. Degree of participation in Company operations. 4. Management of internal relations and communication.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method:	Evaluation contents
				5. Directors' professionalism and continuing education. 6. Internal controls.

The results of the 2021 performance evaluation of functional committees average 95 points, which have been reported to the Board of Directors on February 10, 2022.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method:	Evaluation contents
Once every year	2021/01/01 ~ 2021/12/31	Audit Committee and Compensation Committee	Self-evaluation of the Board, self-evaluation by Board members and peer review	The self-evaluation of the overall performance of the Board of Directors covers the following five aspects: 1. Degree of participation in Company operations. 2. Understanding the responsibilities of functional committees. 3. Quality of functional committee's decision making. 4. Composition and selection (election) of members of functional committees. 5. Internal controls.

(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 "Rules for 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 2021 was good and the results have been reported to the Compensation Committee and Board of Directors on February 10, 2022.

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 Audit Committee, together with the Compensation Committee, assist the Board of Directors in performing its supervisory role.

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

The Company purchases the "liability insurance for directors, supervisors and key officers" for directors, supervisors and key officers starting 2015. We review the contents of the insurance policy to verify that the amount insured and coverage meet the requirements.

2. Operation of the Audit Committee or the status of Supervisors participating in the operation of the Board of Directors

2.1 State of operations of the Audit Committee

(1) The Auditing Department convened a total of 6 meetings (A) in the most recent year. The attendance of Independent Directors was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance in person rate (%) [B/A] (Note)	Notes
Independent Director	Allen Hsu	6	0	100%	
Independent Director	Royce Yu-Chun Hong	5	1	83%	
Independent Director	David Shu-Chyuan Tu	5	1	83%	
Independent Director	Jerry Hsu	6	0	100%	

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	
16th meeting of 2nd-term Audit Committee 2021/02/18	1	Passed the Company's 2020 financial statements and business report. Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: Passed as proposed.
	2	Passed the 2020 Statement on Internal Control Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: Passed as proposed.
	3	Approved the annual remuneration paid to accounting firm Deloitte & Touche. Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: Passed as proposed.
	4	Approved the amendments to the Company's Organizational Rules of Audit Committee. Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: Passed as proposed.
	5	Passed the proposal to discontinue the private placement of securities passed in the 2020 general shareholders' meeting. Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: Passed as proposed.
	6	Passed the proposed removal of non-compete clause for directors. Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: Passed as proposed.
	7	Approved the endorsement and guarantee for business transactions between Nuvoton Technology Corporation Japan and Taiwan Semiconductor Manufacturing Company Limited, and signature of related documents. Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: Passed as proposed.
17th meeting of 2nd-term Audit Committee 2021/03/16	1	Passed the 2020 earnings appropriation. Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: Passed as proposed.

Term/Date	Agenda and follow-up	
	2	Approved the long-term fundraising plan for the Company's long-term development. Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: Passed as proposed.
	3	Passed the change of the Company's chief auditor. Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: Passed as proposed.
18th meeting of 2nd-term Audit Committee 2021/05/06	1	Passed the replacement of the Company's CPA starting 2Q 2021. Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: Passed as proposed.
19th meeting of 2nd-term Audit Committee 2021/08/03	1	Passed the Q2 2021 financial statements. Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: Passed as proposed.
	2	Approved the endorsement and guarantee for financing and loans of Nuvoton Technology Corporation Japan from financial institutions. Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: Passed as proposed.
	3	Passed the change of the Company's chief accounting officer. Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: Passed as proposed.
20th meeting of 2nd-term Audit Committee 2021/09/23	1	Approved the Company's capital increase for subsidiary Nuvoton Technology Singapore Pte. Ltd. Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: Passed as proposed.
21st meeting of 2nd-term Audit Committee 2021/11/03	1	Approved the Company's 2022 audit plan. Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: Passed as proposed.
	2	Approved the appointment of Mr. Yuan-Mou Su as the Company's acting President. Opinions of the Audit Committee members: N/A. The Company's response to the opinions of Audit Committee: N/A. Resolution: 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: N/A.

(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:

Name of director	Agenda item	Reason for recusal	Voting on the agenda item	Note
Jerry Hsu	Removal of non-compete clause for the Directors of the Company	The Director has an interest in the matter	Did not participate in voting	16th meeting of 2nd-term Audit Committee
Allen Hsu Jerry Hsu	Proposed sale of major assets of subsidiary Nuvoton Technology Corporation Japan	The director has an interest in the matter	Did not participate in voting	20th meeting of 2nd-term Audit Committee

(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

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
1. 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.	In line with the Corporate Governance Best-Practice Principles
2. Shareholding structure & stockholders' equity				
(1) 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		(1) 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 Shareholders Affairs Unit, and establishing a complaint mechanism on the Company website.	In line with the Corporate Governance Best-Practice Principles
(2) 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		(2) 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.	
(3) Has the Company established and implemented risk control/management and firewall mechanisms between it and affiliated corporations?	V		(3) 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.	
(4) 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		(4) 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.	



Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>3. Composition and responsibilities of the Board of Directors</p> <p>(1) Has the Board of Directors devised and implemented a plan for a more diverse composition of the Board?</p> <p>(2) 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?</p> <p>(3) 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?</p>	V		<p>(1) 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).</p> <p>(2) 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.</p> <p>(3) The Company has established the Rules for Salary, Remuneration and Performance Evaluation of Directors and it has been passed by the Board of Directors which performs periodic self-evaluations 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.</p> <ul style="list-style-type: none"> <li>• The self-evaluation of the overall performance of the Board of Directors covers the following five aspects: <ul style="list-style-type: none"> <li>A. Degree of participation in Company operations;</li> <li>B. Improving the quality of the Board of Directors' decision making;</li> <li>C. Composition and structure of the Board of Directors;</li> <li>D. Election and continuing education of the Directors;</li> <li>E. Internal controls.</li> </ul> </li> </ul>	In line with the Corporate Governance Best-Practice Principles

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(4) Does the company periodically evaluate the level of independence of the CPA?	V		<ul style="list-style-type: none"> <li>• The measures for evaluating the performance of Board members cover the following six aspects:               <ul style="list-style-type: none"> <li>A. Familiarity with the goals and missions of the Company;</li> <li>B. Recognition of duties as directors.</li> <li>C. Degree of participation in Company operations.</li> <li>D. Management of internal relations and communication.</li> <li>E. Directors' professionalism and continuing education.</li> <li>F. Internal controls.</li> </ul> </li> <li>• The self-evaluation of the overall performance of Company's functional committees cover the following five aspects:               <ul style="list-style-type: none"> <li>A. Degree of participation in the operation of the company.</li> <li>B. Knowledge of the duties of the functional committee;</li> <li>C. Improvement of quality of functional committee's decision making.</li> <li>D. Functional committee composition and election of members;</li> <li>E. Internal controls.</li> </ul> </li> </ul> <p>The Company's shareholders affairs unit collects the questionnaires, compiles the results, and has submitted evaluation outcomes to the Compensation Committee and the Board of Directors on February 10, 2022.</p> <p>The results of evaluations in 2021 showed normal results in the self-evaluation conducted by members of the board. The board's self-evaluation called for improvements in the attendance rate of shareholders' meetings.</p>	
			(4) 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. Evaluation items include the CPA firm's selection and compliance with regulations and supervision of competent authorities, therefore its independence and propriety should be absolute.	

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
4. 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, affairs related to board meetings and shareholders' meetings, providing information required for directors to perform their duties, update of related corporate governance regulations, affairs related to investor relations, and other relevant items specified in the Company's Articles of Incorporation or contracts. The post of chief governance officer is set up on February 18, 2021. The status of business developments in 2021 is as follows:</p> <p>(1)Amendment to corporate governance related regulations were reported to the Board of Directors.</p> <p>(2)Continuing education courses periodically arranged by the Company were offered to directors.</p> <p>(3)Purchased liability insurance for directors and key officers.</p> <p>(4)Planned the dates of board meetings one year in advance to facilitate attendance the participation of board members. Mailed the meeting notice seven days before the scheduled meeting date and provided sufficient meeting information in accordance with the Company Act and the Rules of Procedures for Board of Directors Meetings. Provided reminders for recusal from voting on certain motions due to conflict of interest and completed the mailing of 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 every 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-evaluation of their performance each year in accordance with the "Rules for Salary, Remuneration and Performance Evaluation of Directors". The results are reported to the Compensation Committee and the Board of</p>	In line with the Corporate Governance Best-Practice Principles

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>Directors. Improvement plans shall be formulated based on evaluation results to improve the performance of the board and maximize the board's effectiveness.</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>	
5. Has the Company established channels for communicating with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a dedicated stakeholder section 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 diverse channels of communication. The Company has also set up a designated section on the company website for stakeholders and designated staff to maintain the section.	In line with the Corporate Governance Best-Practice Principles
6. Has the Company hired a professional agency to handle tasks and issues related to convening shareholder's meeting?	V		The Company has engaged the service of CTBC Bank Co., Ltd. Transfer Agency Department to handle tasks and issues related to shareholder's meeting.	In line with the Corporate Governance Best-Practice Principles
7. Information disclosure				
(1) Has the Company established a corporate website to disclose information regarding the Company's financial, business and corporate governance status?	V		(1) 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.	In line with the Corporate Governance Best-Practice Principles
(2) 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)?	V		(2) 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.	

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(3) 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?	V		(3) 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 within two months after 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.	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<p>(1) Employee rights, interests and wellbeing: The Company has established comprehensive management rules for the rights, obligations and benefits of employees. The Company has also established complaint filing protocols to safeguard employee rights and interests. The Company has established employee communication channels to encourage the employees to communicate directly with managerial officers.</p> <p>(2) Investor relations: The Company holds periodic investor conferences to communicate with investors and has established a designated section on company website for investors and periodically discloses financial information and information related to corporate governance.</p> <p>(3) Supplier relations: The Company has established rules for supplier relations.</p> <p>(4) Stakeholder interests: The Directors of the Company recuse themselves from voting on agenda items in which they have an interest.</p> <p>(5) 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. The continuing education courses taken by directors and supervisors are disclosed on the Market Observation Post System.</p> <p>(6) Implementation of risk management policies and risk assessment standards: The Company has established management rules for important managerial targets and implements them in accordance with the established rules.</p>	In line with the Corporate Governance Best-Practice Principles

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>(7) The implementation of customer relations policies: The Company strictly adheres to the contracts signed with customers and relevant provisions to safeguard customers' rights and interests.</p> <p>(8) Status of purchase of liability insurance by the Company for directors and supervisors: The Company has purchased liability insurance for directors and supervisors in accordance with regulations in order to mitigate and disperse the risk of any material damages to the Company and its shareholders caused by any error or negligence of directors.</p>	
<p>9. Please describe 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. Improvement actions taken: The Board of Directors has approved on February 18, 2021 the setup of a post for chief governance officer who will be in charge of governance related tasks, and continuously improve and promote corporate governance. Communication between independent directors and internal audit chief is disclosed on company website every year.</p> <p>2. Improvement actions required: The Company is still working on increasing the diversity of board members and improving the attendance rate of board meetings.</p>				

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

(1) Information on members of the Compensation Committee

Name	Criteria Professional qualifications and experience	Independence status	Number of other public companies concurrently serving as an independent director
Allen Hsu	Mr. Allen Hsu has more than 5 years of work experience in fields relating to Company business. Mr. Hsu once served in a number of positions at Yulon Group and as deputy chairman of the Taiwan Venture Capital Association. Mr. Hsu is currently chairman of Unus Tech Co., Ltd., AccelStor, Inc., and 3R Life Sciences Taiwan Ltd., and he is free of situations stipulated in Article 30 of the Company Act.	(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. (Only independent directors Allen Hsu and Jerry Hsu are concurrently independent director of Winbond Electronics Corp.) (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 number of 1% or more of the shares of the Company or ranks as one of its top ten shareholders.	1
David Shu-Chyuan Tu	Mr. David Tu has more than 5 years of work experience in fields relating to Company business. Mr. Tu once served in many positions at Synnex Technology International Corporation. He is currently VP of Business Development and Strategy of Synnex Technology International Corporation.	(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);	--
Royce Yu-Chun Hong	Mr. Royce Yu-Chun Hong has more than 5 years of work experience in fields relating to Company business. Mr. Hong once served as marketing and creativity director of PChome Online. He is concurrently Chairman and President of IPEVO Corp.; and Chairman of XRANGE CO., LTD., XING Mobility Inc., and Panasonic Taiwan. Director Tu is free of situations stipulated in Article 30 of the Company Act.	(5)Not a director, supervisor or employee of an institutional shareholder holding directly 5% or more of the Company's shares, being one of the top five shareholders, or being appointed a director or supervisor of the company pursuant to Article 27, Paragraph 1 or 2 of the Company Act. (6)Not a director, supervisor or employee of another company that is controlled by the same person that	-

Jerry Hsu	Mr. Jerry Hsu has more than 5 years of work experience in fields relating to Company business. Mr. Hsu once served as a director of Acbel Polytech. He is currently Chairman and President of AcBel Polytech Inc.; director of the Kinpo Group, deputy chairman of Taiwan Electrical and Electronic Manufacturers' Association (TEEMA), and director of the Importers & Exporters Association of Taipei. Director Hsu is free of situations stipulated in Article 30 of the Company Act.	holds the majority seats on the board or majority votes of the Company. (7)Not a director, supervisor or employee of another company or institution that has the same chairman, president, or the equivalent or a spouse in one of the roles as the Company. (8)Not a director, supervisor, manager, or shareholder holding five percent or more of the shares of a specific company or institution that has a financial or business relationship with the Company. (9)Not a professional who provides audit service or receives compensation in the last two years for commercial, legal, financial, or accounting services to the Company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates.	1
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(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 managerial officers 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 members including all Independent Directors..

B. Current term for Compensation Committee members: 2019/06/24 ~ 2022/06/23. A total of 3 (A) meetings of the Compensation Committee were held in 2021. Member qualifications and attendance are as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance in person rate (%) [B/A] (Note)	Notes
Convener	David Shu-Chyuan Tu	3	0	100%	N/A
Committee member	Royce Yu-Chun Hong	2	1	67%	N/A
Committee member	Allen Hsu	3	0	100%	N/A
Committee member	Jerry Hsu	3	0	100%	N/A

Other matters that require reporting:

1. 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.
2. 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 resolutions made by the Compensation Committee and the Company's handling of opinions of the Committee members:

Term/Date	Agenda and follow-up	
7th meeting of 4th-term Compensation Committee 2021/02/18	1	Passed the total amount and individual amount of remuneration to Directors in 2020. Opinions of the Compensation Committee members: N/A. The Company's response to Compensation Committee opinions: N/A. Resolution: Passed as proposed.
	2	Approved amendments to the Company's "Rules for the Organization of Compensation Committee." Opinions of the Compensation Committee members: N/A. The Company's response to Compensation Committee opinions: N/A. Resolution: Passed as proposed.
	3	Passed amendments to the Company's Rules for Salary, Remuneration and Performance Evaluation of Directors and the Board of Directors. Opinions of the Compensation Committee members: N/A. The Company's response to Compensation Committee opinions: N/A. Resolution: Passed as proposed.

Term/Date	Agenda and follow-up	
	4	Passed the variable pay for individual managerial officers. Opinions of the Compensation Committee members: N/A. The Company's response to Compensation Committee opinions: N/A. Resolution: Passed as proposed.
	5	Approved the appointment of Mr. Yoshitaka Kinoshita as the Company's Deputy CEO. Opinions of the Compensation Committee members: N/A. The Company's response to Compensation Committee opinions: N/A. Resolution: Passed as proposed.
	6	Approved the appointment of Mr. Kun-Lung Chen as the Company's Corporate Governance Officer. Opinions of the Compensation Committee members: N/A. The Company's response to Compensation Committee opinions: N/A. Resolution: Passed as proposed.
8th meeting of 4th-term Compensation Committee 2021/08/3	1	Passed the appropriation ratio of remuneration for Directors in 2021. Opinions of the Compensation Committee members: N/A. The Company's response to Compensation Committee opinions: N/A. Resolution: Passed as proposed.
	2	Passed the appropriation ratio of remuneration for employees in 2021. Opinions of the Compensation Committee members: N/A. The Company's response to Compensation Committee opinions: N/A. Resolution: Passed as proposed.
	3	Passed the pay of individual managerial officers. Opinions of the Compensation Committee members: N/A. The Company's response to Compensation Committee opinions: N/A. Resolution: Passed as proposed.
	4	Passed the change of the Company's Chief Accounting Officer. Opinions of the Compensation Committee members: N/A. The Company's response to Compensation Committee opinions: N/A. Resolution: Passed as proposed.
9th meeting of 4th-term Compensation Committee 2021/09/23	1	Passed amendments to the Company's Rules for Salary, Remuneration and Performance Evaluation of Directors and the Board of Directors. Opinions of the Compensation Committee members: N/A. The Company's response to Compensation Committee opinions: N/A. Resolution: Passed as proposed.
	2	Passed amendments to the Company's Rules for Salary, Remuneration and Performance Evaluation of Managerial Officers. Opinions of the Compensation Committee members: N/A. The Company's response to Compensation Committee opinions: N/A. Resolution: Passed as proposed.

5. Implementation status of sustainable development and deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons

Evaluation items	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons
	Yes	No	Summary	
1. Has the company established a governance structure for promoting sustainable development and set up a unit that supports CSR practices on a full-time or part-time basis? Is the CSR unit operated by senior managers as authorized by the board of directors, and supervised by the board of directors?	V		<p>To fulfill our visions and missions for sustainable development, the Company has established a Corporate Social Responsibility Committee in 2012, which has its name changed to “Sustainability Committee” in 2021, is the highest center for sustainable development decisions within the Company. The Chairman appoints a high-level officer to serve as chair of the Committee to take charge of promoting sustainability related affairs.</p> <p>The Sustainability Committee convenes once every half a year to decide on projects, performance targets and implement plans. In addition, the Sustainability Committee reports to the Board of Directors the implementation results of sustainable development regularly every year, and discloses the Corporate Social Responsibility Report on the Company's website before the end of September every year.</p>	In line with the Corporate Social Responsibility Best Practice Principles
2. 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		<p>(1) The information discloses the Company's performance in sustainable development at major business premises between January 2021 and December 2021. The risk assessment boundary for corporate governance covers mainly the Company, including subsidiaries in Taiwan and overseas, while environmental and social assessment covers Company premises in Taiwan.</p> <p>(2) The Company's Corporate Social Responsibility Management Committee assesses related risks of material issues based on the principle of materiality and has established the following risk management policies or strategies based on the risk assessment results:</p>	In line with the Corporate Social Responsibility Best Practice Principles

Evaluation items	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons									
	Yes	No	Summary										
			<table border="1"> <thead> <tr> <th>Material Issues</th> <th>Risk Assessment Items</th> <th>Risk Management Policy or Strategy</th> </tr> </thead> <tbody> <tr> <td>Environment</td> <td>Environmental protection and ecological conservation</td> <td> <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> </td> </tr> <tr> <td>Society</td> <td>Occupational safety</td> <td> <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</li> </ol> </td> </tr> </tbody> </table>	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</li> </ol>	
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</li> </ol>											

Evaluation items	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons
	Yes	No	Summary	
			<p>established related management policies and 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.</p> <p>The Company's Board of Directors has passed the "Ethical Corporate Management Best Practice Principles". We also specified in Article 2 of the</p>	

Evaluation items	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons
	Yes	No	Summary	
			Principles that when engaging in commercial activities, Directors, managerial officers, employees, and mandatories 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 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.	
<p>3. Environmental issues</p> <p>(1) Has the Company established a proper environmental management system based on the characteristics of the industry?</p>	V		<p>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.</p> <p>(1) 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 in place of OHSAS 18001. The Company has established a designated department in charge of environmental management and the implementation and management of the environmental management system, and</p>	In line with the Corporate Social Responsibility Best Practice Principles

Evaluation items	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons
	Yes	No	Summary	
(2) 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>placed professional technical management personnel in accordance with related environmental protection regulations.</p> <p>(2) 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>	
(3) 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>(3) 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>	

Evaluation items	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons
	Yes	No	Summary	
(4) 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>(4) The Company's greenhouse gas emissions volume in 2020 was verified as 72,971 CO<sub>2</sub>e (carbon dioxide equivalent) by DNV GL which was a reduction of 13.9% compared to the baseline year (2010). The GHG emissions in 2021 were approximately 74,611 tons based on calculations, a decline of 11.9% compared to the baseline year (2010).</p> <p>In 2020, the Company's water consumption totaled 401,000 tons and total weight of waste amounted to 810 tons. The data have been published in the Company's 2020 Corporate Social Responsibility Report which has been certified by an impartial third-party agent, SGS Taiwan. In 2021, the Company's water consumption totaled 389,000 tons, a decrease of 3% as compared to 2020, and total weight of waste amounted to 871 tons, an increase of 7.0% as compared to 2020.</p> <p>Faced with the impacts of climate change on the environment and water shortages in Taiwan, the Company set 2010 as the baseline year and started improving consumption of electricity, nitrogen, greenhouse gas emissions, and water. We implement 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 achievements and have set phase 2 reduction targets for reducing total greenhouse gas emissions and reducing daily electricity consumption by 20% in 2030 as compared to the baseline year of 2010. In 2021, we were able to achieve reduction in electricity usage by 14.7% and greenhouse gas emissions by 11.9% as compared to the baseline year, and will continue to work towards the established targets.</p>	



Evaluation items	Implementation status					Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons	
	Yes	No	Summary				
			Continuous improvement items	2010	2020	2021	
			Greenhouse gas emissions - CO <sub>2</sub> e (carbon dioxide equivalent)	84,718	72,971	74,611	
			Electricity usage (kWh)	86,071	72,337	73,343	
			Water usage (1,000 tons)	661	401	389	
			Nitrogen use (km <sup>3</sup> )	11,660	6,046	6,029	
4. Social issues							
(1) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(1) The Company strictly adheres to Labor Standards Act and related labor regulations, and respects and supports the protective spirits and basic principles laid out in international human rights conventions, such as United Nations Universal Declaration of Human Rights, United Nations Guiding Principles on Business and Human Rights, and ILO Declaration on Fundamental Principles and Rights at Work. The Company has established Corporate Social Responsibility Best Practices Principles and incorporate it 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, following legal working hours, providing wages and benefits in accordance with laws, humane and non-discriminated treatment and respect for the freedom of association. The Company holds CSR education and training every year to raise employee awareness to human rights protection.				In line with the Corporate Social Responsibility Best Practice Principles
(2) 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?	V		(2) The Company establishes a reasonable salary and compensation policy by referring to the market pay level, and has prescribed in the Articles of Incorporation that if the Company is profitable for the year, at least 1% of the profit shall be appropriated as employee compensation. The Company has also established Performance Management Rules that links business performance to				

Evaluation items	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons
	Yes	No	Summary	
(3) Does the Company provide a safe and healthy working environment and provide employees with regular safety and health training?	V		<p>employee compensation through periodic performance assessment as a means to reflect business results in employee pay. To provide employees a working environment conducive to body mind balance, the Company offers a leave system superior than statutory requirements and actively reminds employees to take holidays at appropriate intervals to build a healthy workplace. With regard to employee benefits, the Company offers group insurance with terms superior than statutory requirements to protect the employees' work and life security. With regard to encouraging employees to get married and have children, the Company provides parking spaces for pregnant employees, breastfeeding room, mommy packs, prenatal checkup leave, paternity leave, family care leave, marriage leave, and childbirth cash gift and child rearing subsidy from the Employee Welfare Committee.</p> <p>(3) The Company has established a department in charge of safety and health, the implementation and management of the safety and health system, periodic safety and health education training to provide employees with a safe and healthy work environment. The Company did not have fatal occupational injury or occupational disease incidents in 2021. The disabling injury frequency rate (excluding injury sustained during commuting to work) was 1.73, and there were 5 disabling injury cases, involving 5 employees, accounting for 0.02% of total number of employees in 2021. The causes of incidents are mostly related to negligence (lack of awareness, improper postures) that lead to physical contact (fall, sprain, collision). The Company has conducted investigation and cause analysis of those incidents, and drawn up improvement measures, and actively enhances employee's hazard awareness and ability for immediate response to unsafe situation, while continuously improving working environment safety to make sure employees work in a safe environment and grow along with the Company.</p>	

Evaluation items	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons
	Yes	No	Summary	
(4) Has the Company established an effective career development and capability training program for employees?	V		(4) 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.	
(5) 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>(5) 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:</li> </ol>	

Evaluation items	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons
	Yes	No	Summary	
(6) 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>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.</p> <p>b. Starting on August 9, 2009, new products begin using halogen-free materials from the development stage.</p> <p>c. The Company has replaced 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>(6) As stipulated in the Company's internal rules, we incorporate quality, price, environmental protection and labor rights into the assessment for qualified suppliers.</p> <p>1. Environmental management system certification The Company requires that suppliers must acquire international certifications, e.g. ISO 14001 or ISO 45001 and safety and health 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 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.</p>	

Evaluation items	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons
	Yes	No	Summary	
			<p>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> <p>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.</p>	
5. 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		<p>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.</p>	In line with the Corporate Social Responsibility Best Practice Principles
<p>6. 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:  The Company has established "Corporate Social Responsibility Best Practices Principles" to make sure our daily operations comply 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>				

Evaluation items	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons
	Yes	No	Summary	
<p>7. Other key information useful for understanding the company's implementation of corporate social responsibility practices:</p> <p>(1) 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>(2) With regard to labor rights, the Company observes 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 2021.</p> <p>(3) In health and safety, 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 demonstrate 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>				

Evaluation items	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons
	Yes	No	Summary	
<p>(4) In terms of environmental protection, Nuvoton is committed to establishing advanced international safety, health management, and environmental protection standards. We have 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 "2021 Environmental Education Partner" of Hsinchu Science Park. The Company also periodically implements effective education and training activities and organized 84 classes/203 hours of training courses in 2021 with 1,610 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> <p>(5) 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.</p>				

6. Ethical corporate management and measures adopted:

Evaluation items	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
<p>1. Establishment of ethical corporate management policy and approaches</p> <p>(1) Has the Company established the ethical corporate management policies approved by the Board of Directors and stated the policies and practices in its bylaws or external correspondence to maintain business integrity? Are the Board of Directors and the managerial officers committed in fulfilling this commitment?</p> <p>(2) Has the company established a risk assessment mechanism against unethical conduct, analyzed and assessed operating activities with higher risk of unethical conducts on a regular basis, and established 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"?</p>	V		<p>(1) 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.</p> <p>(2) The Company has established "Rules for Ethical Corporate Management" which clearly defines 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 "Rules for Ethical Corporate Management" and files for approval through related procedures. The Rules 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 "Rules for Reporting Unethical Business Conducts" to delineate the procedures for processing such cases where the Company's employees or others violate ethical business practices. The Rules also provide a legal report channel and process that keeps the</p>	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies



Evaluation items	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
(3) 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?	V		identity of the reporter and the content of the report confidential to protect the reporter from reprisals.  (3) The Company's "Rules for 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.	
2. Implementation of ethical corporate management (1) 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		(1) The Company requests all major suppliers to sign a supplier statement for code of conduct as a declaration of Company's ethical corporate management principles. The Company also evaluates the integrity of suppliers before establishing business relationships and communicates with business counterparts the Company's ethical corporate management policy to prevent the occurrence of unethical conduct. In addition, the Company's purchase orders will include a clause requiring compliance with the Company's ethical corporate management policy.	
(2) Does the Company have a unit under the Board of Directors that is charged with promoting ethical corporate management and regularly (at least once every year) reports to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	V		(2) The Company has established the "Corporate Social Responsibility Committee" in July 2012, which has its name changed to "Sustainability Committee" in 2021. The Chairman appoints a high-level officer to serve as chair of the Committee to take charge of promoting ethical management policy and the amendment, implementation, and interpretation of the Rules for Ethical Corporate Management for counsel overseeing the drafting, execution, interpretation of the Rules for Ethical	

Evaluation items	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
			<p>Corporate Management, as well as related counseling services and notification registry. The Committee chair also reports to the Board of Directors once a year. The annual workplan of the Committee is as follows:</p> <ol style="list-style-type: none"> <li>1. Assist the incorporation of integrity and business ethics into the company's operation strategies and develop corruption and fraud prevention measures in accordance with relevant laws and regulations to ensure honest business practices.</li> <li>2. Regularly analyze and evaluate the risks of unethical conduct within the scope of business, and based on which, develop programs for preventing unethical practices, with standard operation procedures and codes of conduct specified in each program.</li> <li>3. Plan internal organization, personnel assignment and the duties of such personnel, so as to ensure mutual-monitoring, and check and balance mechanisms are in place for business activities with higher risk of unethical conduct.</li> <li>4. Promote and coordinate business integrity policy through employee education and training.</li> <li>5. Develop a whistleblowing policy and ensure its feasibility and effectiveness.</li> <li>6. Assist the board and management to check and assess whether corruption and fraud prevention measures are effectively implemented and report compliance status in relevant business processes on a regular basis.</li> </ol>	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation items	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
(3) Has the Company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?	V		(3) The Company has also established the "Rules for Reporting Unethical Business Conducts" which clearly stipulates the policy of preventing conflicts of interests. When an employee, in the execution of company business, discovers that the employee him/herself 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, the employee should notify his/her direct superior and the Company's designated unit simultaneously. The employee's direct superior should provide adequate guidance to solve the issue. The Company holds periodic education on the prevention of insider trading for directors and managerial officers.	
(4) 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		(4) 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 systems continues to be effective.	
(5) Did the Company periodically provide internal and external training programs on integrity management?	V		(5) The Company periodically holds corporate ethics education on corporate social responsibility and ethical corporate management each year. In 2021, 1,438 employees participated in 1,277 man-hours of training. The employees' training completion rate for "Ethical Management" and "Corporate Social Responsibility Policy" courses was 100%.	

Evaluation items	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
<p>3. Implementation of the Company's whistleblowing System</p> <p>(1) 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>	V		(1) The Company has established multiple reporting and complaint channels including the complaint email address, employee opinion letterbox and a complaint channel on company website. The Company has also established "Rules for Reporting Unethical Business Conducts" for related personnel to report on any improper business conduct through the system. The Company's designated senior managerial officer will personally handle the complaint. If the complaint is proven valid that violation of related laws or the Company's related policies on ethical corporate management does exist, the reported person will be asked to stop all related activities immediately and subject to appropriate actions. If deemed necessary, the Company may demand damages through legal process to uphold the reputation and interests of the Company.	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
<p>(2) 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>	V		(2) The Company has implemented standard procedures and confidentiality measures for handling complaints filed. The Company has included the principles of ethical corporate management as part of employees' performance assessment and the Company's human resource policy. There are clear and effective systems in place to enforce discipline and reporting of unethical 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 personnel concerned. All related documents are treated as confidential.	

Evaluation items	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
(3) Has the Company adopted measures for protecting the whistle-blower against improper treatment or retaliation?	V		(3) The Company has delineated in the "Rules for Reporting Unethical Business Conduct" and "Complaint Procedures" the necessary protection measures for whistleblowers and all supervisors and employees are prohibited from discriminating, coercing or acting hostile against the employee filing the complaint.	
4. Enhancing information disclosure (1) Has the Company disclosed its integrity principles and progress onto its website and M.O.P.S.?	V		(1) 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
5. 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 "Rules for Ethical Corporate Management" in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies."				
6. Other important information to facilitate better understanding of the Company's implementation of ethical corporate management: (e.g. review/revision of the Company's Ethical Corporate Management Best Practice Principles): 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 in ethical management.				

7. If the Company has established corporate governance principles and related guidelines, disclose the means of inquiring related information: The Company has a section "Investors/ Compliance" 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 promptly 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 on Internal Control

Nuvoton Technology Corp.  
Statement on Internal Control System

Date: February 10, 2022

This Statement of Internal Control System is issued based on the self-evaluation results of the Company for year 2021:

1. 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.
2. 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.
3. 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.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of December 31, 2021, 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.
6. 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.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on February 10, 2022, where 0 of the 9 attending Directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Nuvoton Technology Corporation

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 rules, major deficiencies and improvement in the past year and up to the date of report: N/A.

11. Important resolutions adopted in shareholders meeting and Board of Directors' meeting in the past year and up to the date of report

(1) Important resolutions adopted at the 2021 general shareholders' meeting and their implementation:

Date	Important resolutions and implementation	
2021/08/20	1	Ratify 2020 business report and financial report Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: Per resolution adopted
	2	Acknowledge the 2020 earnings distribution plan Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: The Chairman decided on July 19, 2021 to set the dividend record date on August 22, 2021 and dividend payout date on September 10, 2021. (The conversion of the Company's first unsecured convertible bonds leads to change in the number of common shares outstanding. As a result, \$0.80 cash dividend to be distributed is adjusted to \$75804239).
	3	Approved the amended Articles of Incorporation. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: Related matters are handled in accordance with procedures after the amendment is effected.
	4	Approved the long-term fundraising plan for the Company. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: Per resolution adopted
	5	Passed the amendment of the Company's Rules Governing the Conduct of Shareholders Meeting. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: Related matters are handled in accordance with procedures after the amendment is effected.
	6	Passed the proposed removal of non-compete clause for directors. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: Completed the material information announcement on the day of the shareholders' meeting.

(2) Important resolutions adopted by the Board of Directors in 2021 and up to the date of this report (March 31, 2022)

Date	Important resolutions:	
2021/02/18	1	Passed the Company's 2020 financial statements and business report.
	2	Passed the 2020 Statement on Internal Control System.
	3	Passed the Company's 2021 business plan and budget.



Date	Important resolutions:	
	4	Approved the annual remuneration paid to accounting firm Deloitte & Touche
	5	Passed the amendment of the Company's Rules Governing the Conduct of Shareholders Meeting.
	6	Passed the amendment of the Company's Rules for the Conduct of Board of Directors Meeting.
	7	Passed the amendments to the Company's Organizational Rules of Audit Committee.
	8	Passed the proposal to discontinue the private placement of securities passed in the 2020 general shareholders' meeting.
	9	Passed the proposed removal of non-compete clause for directors.
	10	Approved the setting of record date for the conversion of the Company's first domestic unsecured convertible bonds to common shares, and the record date for the issuance of new shares.
	11	Approved the endorsement and guarantee for business transactions between Nuvoton Technology Corporation Japan and Taiwan Semiconductor Manufacturing Company Limited, and signature of related documents.
	12	Passed the total amount and individual amount of remuneration to directors in 2020.
	13	Passed the total amount of remuneration appropriated for employees in 2020.
	14	Approved amendments to the Company's "Rules for the Organization of Compensation Committee."
	15	Passed amendments to the Company's Rules for Salary, Remuneration and Performance Evaluation of Directors and the Board of Directors.
	16	Passed the variable pay for individual managerial officers
	17	Approved the appointment of Mr. Yoshitaka Kinoshita as the Company's Deputy CEO.
	18	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 managerial officers..
	6	Passed the change of the Company's Chief Auditor.
2021/05/06	1	Passed the replacement of the Company's CPA in Q2 2021.
	2	Approved the setting of record date for the conversion of the Company's first domestic unsecured convertible bonds to common shares, and the record date for the issuance of new shares.
	3	Passed amended internal rules.
2021/08/03	1	Passed the change of date for calling of the 2021 general shareholders' meeting.
	2	Approved the setting of record date for the conversion of the Company's first domestic unsecured convertible bonds to common shares, and the record date for the issuance of new shares.
	3	Approved the endorsement and guarantee for financing and loans of Nuvoton Technology Corporation Japan from financial institutions and signature of related documents.
	4	Passed the appropriation ratio of remuneration for directors in 2021.
	5	Passed the appropriation ratio of remuneration for employees in 2021.

Date	Important resolutions:	
	6	Passed the pay of individual managerial officers.
	7	Passed the change of the Company's Chief Accounting Officer.
2021/09/23	1	Approved the sale of major assets of subsidiary Nuvoton Technology Corporation Japan
	2	Approved the amendment to the Company's Rules for Salary, Remuneration and Performance Evaluation of Directors and the Board of Directors.
	3	Approved the amendment to the Company's Rules for Salary, Remuneration and Performance Evaluation of Managerial Officers.
2021/11/03	1	Approved the 2022 audit plan.
	2	Approved the setting of record date for the conversion of the Company's first domestic unsecured convertible bonds to common shares, and the record date for the issuance of new shares.
	3	Approved the appointment of Mr. Yuan-Mou Su as the Company's acting President.
2022/02/10	1	Passed the Company's 2021 financial statements and business report.
	2	Passed the 2021 Statement on Internal Control System
	3	Passed the Company's 2021 business plan and budget.
	4	Approved the proposed budget increase for capital expenditure in 2021.
	5	Passed the annual remuneration paid to accounting firm Deloitte & Touche.
	6	Passed the purchase of liability insurance for directors, supervisors, and key officers.
	7	Passed the proposal to discontinue the private placement of securities passed in the 2021 general shareholders' meeting.
	8	Approved the setting of record date for the conversion of the Company's first domestic unsecured convertible bonds to common shares, and the record date for the issuance of new shares.
	9	Passed the total amount and individual amounts of remuneration appropriated for directors in 2021.
	10	Passed the total amount of remuneration appropriated for employees in 2021.
	11	Passed amendments to the Company's Rules for Salary, Remuneration and Performance Evaluation of Directors and the Board of Directors.
	12	Passed the variable pay for individual managerial officers
	13	Approved the variable pay for Company officer Mr. Yuan-Mou Su.
2022/03/15	1	Passed the 2021 earnings appropriation.
	2	Passed the amended clauses of the Company's Articles of Incorporation.
	3	Passed the proposed removal of non-compete clause for directors.
	4	Passed the election of directors (including independent directors) in accordance with Article 15 of the Company's Articles of Incorporation.
	5	Passed the proposal to convene the Company's general shareholders' meeting at 9AM on June 2, 2022.

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
President	Sean Tai	2014.2.5	2021.11.15	Resigned
Chief accounting officer	Hung-Wen Huang	2014.7.1	2021.8.3	Reassigned
Chief internal auditor	Wan-Ming Liao	2008.6.2	2021.3.16	Reassigned

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

Unit: NT\$1,000

Name of accounting firm	Name of Accountants:	Audit period (Note 1)	Audit fee	Non-audit fee (Note 2)	Total	Note
Deloitte & Touche	Shu-Lin Liu	Q1 2021	17,870	1,477	19,347	(1) Change of accountants starting Q2 2021 due to internal adjustment of the certifying accounting firm. (2) The other items in the non-audit fee are tax-related service fees.
	Hung-Bin Yu					
	Kuo-Tien Hung	Q2 ~ Q4 2021				
	Shu-Lin Liu					

- 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 of decrease and reason: N/A.
- 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 2021 audit fee did not decrease by more than 10% than the amount paid in 2020. This is therefore not applicable.

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

The Company's original CPAs Shu-Lin Liu and Hung-Bin Yu have been changed to CPAs Kuo-Tien Hung and Shu-Lin Liu starting Q2 2021 to internal adjustment of the certifying accounting firm.

1. Regarding previous CPA

Date of change	May 6, 2021		
Reasons for change and explanation	Internal adjustment of the certifying accounting firm		
Termination initiated by client or accountant declined to accept the appointment	Parties concerned		
	Scenario	CPA	Client
	Termination initiated by client	Not applicable	
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 accounting firm	Deloitte & Touche
Name of Accountants:	Kuo-Tien Hung and Shu-Lin Liu
Date of appointment	May 6, 2021
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	2021		2022 up to March 31	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman	Winbond Electronics Corporation	-	-	-	-
	Representative: Yuan-Mou Su	(45,000)	-	5,000	-
Director	Arthur Yu-Cheng Chiao	-	-	-	-
Director	Chin Xin Investment Corp.	339,472	-	-	-
	Representative: Yung Chin	-	-	-	-
Director	Ken-Shew Lu	-	-	-	-
Director	Chi-Lin Wea	-	-	-	-
Independent Director	Royce Yu-Chun Hong	-	-	-	-
Independent Director	Allen Hsu	-	-	-	-
Independent Director	David Shu-Chyuan Tu	-	-	-	-
Independent Director	Jerry Hsu	-	-	-	-
Deputy CEO	Yoshitaka Kinoshita	-	-	-	-
President	Sean Tai	(9,000)	-	-	-
Vice President	Yo-Song Cheng	(50,000)	-	-	-
Vice President	Jen-Lieh Lin	(7,000)	-	(2,000)	-
Vice President	Hsin-Lung Yang	-	-	-	-

Title	Name	2021		2022 up to March 31	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Vice President	Patrick Wang	(35,000)	-	-	-
Vice President	Kuang-Lun Lin	-	-	-	-
Vice President, Chief Financial Officer, Chief Accounting Officer and spokesperson	Hsiu-Fen Lai ( Note 4)	-	-	-	-
Chief Accounting Officer	Hung-Wen Huang (note 5)	(43,000)	-	-	-
Corporate Governance Officer	Kun-Lung Chen (Note 6)	(6,000)	-	-	-
CTO	Wei-Chan Hsu	-	-	-	-

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

Note 2: Mr. Yoshitaka Kinoshita was appointed deputy CEO 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 3: Mr. Sean Tai was relieved of his duties as a managerial officer on November 15, 2021. The above table discloses his information up to the date of termination of his term of office as Nuvoton's managerial officer.

Note 4: Ms. Hsiu-Fen Lai serves concurrently as chief accounting officer starting August 3, 2021.

Note 5: Mr. Hung-Wen Huang was relieved of his duties as a managerial officer on August 3, 2021. The above table discloses his information up to the date of termination of his term of office as Nuvoton's managerial officer.

Note 6: 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.

(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)

March 31, 2022; 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. Representative: Arthur Yu-Cheng Chiao	214,954,635 -	51.21% -	- -	- -	- -	- -	Chin Xin Investment Corp.	Same individual as the chairman of the institutional shareholder	N/A
UBS Europe SE investment account under the custody of Citibank	10,044,392	2.39%	-	-	-	-	-	-	N/A
Mitsubishi UFJ Morgan Stanley Securities Account under the custody of HSBC	9,521,000	2.27%	-	-	-	-	-	-	N/A
Fubon Life Insurance Co., Ltd.	8,322,000	1.98%	-	-	-	-	-	-	N/A
Yong-Kun Hsieh	7,309,000	1.74%	-	-	-	-	-	-	N/A
Chin Xin Investment Corp. Representative: Arthur Yu-Cheng Chiao	5,440,219 -	1.30% -	-	-	-	-	Winbond Electronics Corp.	Same individual as the chairman of the institutional shareholder	N/A
Nomura Taiwan Superior Equity Fund	5,158,000	1.23%	-	-	-	-	-	-	N/A
JPMorgan Securities investment account under the custody of JPMorgan Chase Bank N.A. Taipei Branch	4,377,202	1.04%	-	-	-	-	-	-	N/A
Public Service Pension Fund Supervisory Board	3,931,000	0.94%	-	-	-	-	-	-	N/A

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	
Designated Account for Allianz Global Investors Taiwan Technology Fund	3,000,000	0.71%	-	-	-	-	-	-	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, 2021; Unit: shares

Invested entity (Note 1)	Investment by the Company (A)		Investments by directors, supervisors, managers and directly or indirectly controlled enterprises (B)		Combined investment (A+B)	
	Shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)
Nuvoton Electronics Technology (H.K.) Limited	107,400,000	100	-	-	107,400,000	100
Marketplace Management Limited	8,897,789	100	-	-	8,897,789	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 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. Ltd.	45,100,000	100	-	-	45,100,000	100
Nuvoton Technology Korea Limited	125,000	100	-	-	125,000	100

Note 1: Accounted for using equity method

### III. Capital and Shareholding

#### (I) Sources of capital stock

Unit: Share; NT\$1,000

Year Month	Issuing price (NT\$)	Authorized capital		Paid-in capital		Note		
		No. of shares	Amount	No. of shares	Amount	Share capital source	Shares acquired by non-cash assets	Other
2008/04	10	300,000,000	3,000,000	100,000	1,000	Founding cash capital NT\$1,000,000	N/A	Yuan-Shang No. 0970009659
2008/07	10	300,000,000	3,000,000	250,000,000	2,500,000	Distribution from split NT\$2,499,000,000	N/A	Yuan-Shang No. 0970019973
2009/09	-	300,000,000	3,000,000	190,000,000	1,900,000	Cash capital decrease of NT\$600,000,000	N/A	Yuan-Shang No. 0980028478
2009/09	10	300,000,000	3,000,000	200,070,000	2,000,700	Capital surplus of NT\$ 100,700,000 transferred to common stock	N/A	Yuan-Shang No. 0980028736



Year Month	Issuing price (NT\$)	Authorized capital		Paid-in capital		Note		
		No. of shares	Amount	No. of shares	Amount	Share capital source	Shares acquired by non-cash assets	Other
2010/06	10	300,000,000	3,000,000	207,554,400	2,075,544	2009 earning and employee bonuses of NT\$74,844,000 transferred to common stock	N/A	Yuan-Shang No. 0990016508
2019/11	10	300,000,000	3,000,000	287,554,400	2,875,544	Cash capital increase of NT\$800,000,000	N/A	Zhu-Shang No. 1080032110
2020/12	10	500,000,000	5,000,000	375,961,556	3,759,616	Cash capital increase of NT\$800,000,000 Conversion of the first issuance of unsecured convertible bonds to common shares totaling NT\$84,072,000	N/A	Zhu-Shang No. 1090036975
2021/03	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\$124,320,000	N/A	Zhu-Shang No. 1100006770
2021/06	10	500,000,000	5,000,000	390,673,646	3,906,736	Conversion of the first issuance of unsecured convertible bonds to common shares totaling NT\$22,800,000	N/A	Zhu-Shang No. 1100018330
2021/09	10	500,000,000	5,000,000	410,042,700	4,100,427	Conversion of the first issuance of unsecured convertible bonds to common shares totaling NT\$193,691,000	N/A	Zhu-Shang No. 1100026039
2021/12	10	500,000,000	5,000,000	417,210,062	4,172,101	Conversion of the first issuance of unsecured convertible bonds to common shares totaling NT\$71,674,000	N/A	Zhu-Shang No. 1100035642
2022/03	10	500,000,000	5,000,000	419,765,268	4,197,653	Conversion of the first issuance of unsecured convertible bonds to common shares totaling NT\$25,552,000	N/A	Zhu-Shang No. 1110006604

March 31, 2022; Unit: shares

Type of Shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Common shares	419,765,268	80,234,732	500,000,000	Listed stock

Note: Information for shelf registration: N/A

(II) Shareholder structure

March 31, 2022

Shareholders	Government agencies	Financial institutions	Other corporations	Foreign institutions and foreigners	Individual investors	Total
Number of people	-	14	147	167	27,620	27,948
Shares held	-	10,760,183	260,268,394	55,950,376	92,786,315	419,765,268
Percentage (%)	-	2.56%	62.01%	13.33%	22.10%	100.00%

(III) Ownership dispersion status

1. Common stock:

March 31, 2022

Shareholding range	Number of shareholders	Shares held	Percentage (%)
1-999	6,106	1,076,365	0.26%
1,000-5,000	19,367	31,349,083	7.47%
5,001-10,000	1,257	9,873,838	2.35%
10,001-15,000	359	4,586,709	1.09%
15,001-20,000	240	4,412,697	1.05%
20,001-30,000	175	4,537,110	1.08%
30,001-40,000	103	3,721,705	0.89%
40,001-50,000	63	2,928,976	0.70%
50,001-100,000	117	8,878,475	2.12%
100,001-200,000	53	8,011,265	1.91%
200,001-400,000	45	12,938,587	3.08%
400,001-600,000	17	8,568,244	2.04%
600,001-800,000	6	4,284,285	1.02%
800,001-1,000,000	8	7,149,000	1.70%
>1,000,001	32	307,448,929	73.24%
Total	27,948	419,765,268	100.00%

2. Preferred stock: Not applicable

(IV) Major shareholders

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

March 31, 2022 Unit: shares

Shares	Shares held	Percentage (%)
Name of major shareholders		
Winbond Electronics Corp.	214,954,635	51.21%
UBS Europe SE investment account under the custody of Citibank	10,044,392	2.39%
Mitsubishi UFJ Morgan Stanley Securities Account under the custody of HSBC	9,521,000	2.27%
Fubon Life Insurance Co., Ltd.	8,322,000	1.98%
Yong-Kun Hsieh	7,309,000	1.74%
Chin Xin Investment Co., Ltd.	5,440,219	1.30%

Shares Name of major shareholders	Shares held	Percentage (%)
Nomura Taiwan Superior Equity Fund	5,158,000	1.23%
JPMorgan Securities investment account under the custody of JPMorgan Chase Bank N.A. Taipei Branch	4,377,202	1.04%
Public Service Pension Fund Supervisory Board	3,931,000	0.94%
Designated Account for Allianz Global Investors Taiwan Technology Fund	3,000,000	0.71%

(V) Stock price, net worth, earnings, dividends and related information for the past two years  
Unit: Share; NT\$;

Item		Year	2020	2021	2022 up to March 31
Price per share (Note 1)	Highest		52.50	175	205.00
	Lowest		27.20	41.7	120.50
	Average		44.26	99.47	155.03
Net worth per share (Note 2)	Before distribution		29.66	29.66	—
	After distribution		28.86	28.86	—
Earnings per share	Weighted average shares		295,056,286	404,370,366	419,765,268
	Earnings per share		1.81	7.27	—
Dividends per share	Cash dividend		0.76	5.00	—
	Stock dividend	Earnings	—		—
		Capital surplus	—		—
	Accumulated unpaid dividend			—	
Return analysis	Price-earnings ratio (Note 3)		24.45	13.68	—
	Price-dividend ratio (Note 4)		58.24	19.89	—
	Cash dividend yield (Note 5)		1.72%	5.03%	—

Note 1: The source of information is TWSE website.

Note 2: Computed based on the number of shares issued and outstanding at the end of the year and according to the resolution of the Board of Directors.

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) Company Dividend Policy and Implementation

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 in the preceding paragraph 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. The remainder surplus may be set aside as special reserve or retained in view of business needs. For the remainder, after dividends for preferred stocks are set aside according to the Articles of Incorporation, the Board of Directors may propose an earnings distribution plan for dividends for shareholders and submit the plan to the shareholders' meeting for approval.

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 2021 earnings distribution plan was determined in the March 15, 2022 meeting of the Board of Directors as shown in the chart below. This plan will be carried out in accordance with related rules after it is approved in the Shareholders' Meeting scheduled for June 2, 2022.

Earning distribution plan  
2021

Unit: NT\$

Item	Amount
Undistributed earnings from previous years	\$ 732,740,142
Plus: Disposal of financial assets in other comprehensive income measured at fair value through profit and loss accumulated in retained earnings	138,094,442
Minus: Re-measurement of defined benefit plan converted into retained earnings	(48,395,240)
Plus: Net profit of 2021	2,940,751,981
Minus: 10% legal reserve appropriated	(303,045,118)
Distributable earnings as of year-end 2021	3,460,146,207
Distribution items:	
Cash dividends to common shares (NT\$5 per share)	(2,098,826,340)
Undistributed earnings at end of year	\$ 1,361,319,867

(VII) The effects of the stock dividends proposed by the shareholders' meeting on the Company's business performances and earnings per share: N/A.

(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 compensation 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 2021 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 date 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 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\$35,374,000 in remuneration for directors and remuneration of NT\$212,242,000 for employees in the meeting of the Board of

Directors on February 10, 2022. The preceding amounts are consistent with the estimated amount of the recognized costs for the year.

(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 remuneration to employees, directors and supervisors for 2020:

Unit: share; NT\$;

Item	Actual amount distributed (Note)			Amount approved by the Board of Directors	Difference
	Amount	Equitable shares	Stock price		
Remuneration to directors and supervisors	7,070,315	-	-	7,070,315	N/A
Cash bonus for employees	42,421,894	-	-	42,421,894	N/A

Note: The remuneration of directors, supervisors and employees above have been passed in Board of Directors' meeting on February 18, 2021. There is no difference between the actual amount distributed and the amount recognized in the 2020 financial statements.

(IX) Stock buyback status: N/A.

IV. Corporate bond issuance status:

- (I) Corporate bonds not yet repaid and still being processed: All convertible bonds outstanding have been converted into common shares with over-the-counter trading terminated on December 24, 2021.
- (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: N/A.
- (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, period of restricted share subscription, contract performance method, subscription price,

and the units unexercised and the percentage 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): N/A.

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

VIII. Restricted stock awards: N/A.

IX. Issuance of new shares for merger or acquiring shares of other companies: N/A.

X. Implementation of capital allocation plan:

The Company issued corporate bonds in 2020 for the acquisition of semiconductor related businesses of Panasonic Corporation. The contents, implementation status, and benefits of the issuance of corporate bonds in 2020 and issuance of new shares for cash capital increase in 2020 are described below:

(I) 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 funds needed for the project: US\$250,000,000 which is equivalent to approximately NT\$7,625,000,000 (the NTD to USD exchange rate is provisionally set as 30.5:1).

(3) Sources of funds:

A. The first issuance of 20,000 domestic unsecured convertible bonds with a par value of NT\$100,000 for each bond totaled NT\$2,000,000,000. The issuance period is seven years and the coupon rate is 0%. The bonds are sold by way of competitive auction and the actual amount raised was NT\$2,004,854,000. As of December 31, 2021, all convertible bonds issued have been converted to common shares.

B. The Company's plan for issuing GDRs was approved by the FSC on January 14, 2020 and the Company plans to issue 60,000,000 to 90,000,000 shares for the issuance of 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 funds raised by other means.

(4) Project items, fund utilization status, and anticipated benefits:

Unit: NT\$1,000

Project item	Anticipated completion date	Total funds needed (Note 2)		Fund utilization plan	
				2020	
				Q2	
Acquisition of semiconductor related 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% equity of Panasonic Semiconductor Solutions Co. Ltd., a subsidiary of the Panasonic Group of Japan, specific operational assets of Panasonic Semiconductor (Suzhou) Co., Ltd., including equipment and inventories for semiconductor operations of and specific operational assets Panasonic Industrial Devices Semiconductor Asia, including assets, liabilities, and contracts. This transaction is expected to expand the scale of the Company's semiconductor business, expand global sales channels and clientele, obtain core technical patents for related applications and R&D talents, enhance the Company's influence in the global semiconductor industry, and enhance long-term competitiveness. The Company expects to accumulate recognizable investment proceeds of US\$269,965,000 between 2020 and 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		Q2 2020	Q3 2020	
Acquisition of semiconductor related businesses of Panasonic Corporation	Spending	Anticipated	USD	250,000	-
			NTD	7,625,000	-
		Actual	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 from the issuance of convertible bonds in 2020 and complete the delivery of semiconductor businesses of Panasonic Corporation in June 2020. However, as COVID-19 pandemic caused a delay in the antitrust review of this investment project in different countries, the delivery was actually completed on September 1, 2020.

The Company's plans for the acquisition of semiconductor related businesses of Panasonic Corporation have been completed. However, the actual price 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 spending, the implementation progress was 90.72%.

### 3. Benefits

The project completed the delivery operation on September 1, 2020, but the parties are still in the initial integration stage. As integration following the acquisition is a mid-to-long-term undertaking, the integration of business, R&D and logistic resources are on schedule for the time being. Through integration, the Company will see revenue and profitability rising gradually.

## (II) 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 funds needed for the project: NT\$3,040,000,000
- (3) Sources of funds: Issuance of 80,000,000 common shares for cash capital increase with the price of NT\$38 per share to raise a total NT\$3,040,000,000.
- (4) Project items, fund utilization status and anticipated benefits:

Unit: NT\$1,000

Project item	Anticipated completion date	Total funds needed	Fund utilization plan		
			2020	2021	2021
			Q4	Q1	Q2
Repayment of bank loans	Q2 2021	1,800,000	-	-	1,800,000
Replenishment of operating capital	Q1 2021	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		Q4 2020	Q1 2021	Q2 2021	Description
Repayment of bank loans	Spending	Anticipated	-		1,800,000	The implementation progress was ahead of schedule because the Company intended to reduce interest expenses and repaid loans in Q4 2020 ahead of schedule.
		Actual	1,800,000	-		
	Implementation progress	Anticipated	-		100.00%	
		Actual	100.00%	-		
Replenishment of working capital	Spending	Anticipated	400,000	840,000		The Company has completed the fund utilization plan on schedule in Q1 2021.
		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 Q4 2020 ahead of schedule to reduce interest expenses. The Company replenished working capital 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 Q1 2021 and there were no irregularities in the fund utilization schedule.

## 3. Benefits

According to the Company's 2020 financial report, our debt ratio was significantly lowered from the level before the end of September 2020 after the repayment of bank loans in Q4 2020. The percentages of long-term capital to property, plant and equipment, and to current and quick ratios jumped. The financial structure and solvency have improved markedly and the revenue from October to December amounted to NT\$9,869,190,000, which was an increase from the same period in previous year. The total revenue in 2021 amounted to NT\$141,455,957,000, which was also higher than the previous year. Therefore, the benefits of using funds raised this time to replenish working capital are apparent.

Unit: NT\$1,000

Item		Year	Q3 2020	Q4 2020
			(before fundraising)	(after fundraising)
Financial structure	Debt-to-asset ratio		74.79%	64.35%
	Long-term capital to property, plant and equipment ratio		293.17%	317.27%
Solvency	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 breakdown

Unit: NT\$1,000

Key products	2021	
	Operating revenue	Percentage (%)
IC income	35,610,810	86%
Foundry service income	2,515,484	6%
Others	3,329,663	8%
Total	41,455,957	100%

##### 3. Current products and services

The Company's primary business consists of IC design and sales and wafer foundry services. Main IC products are general-purpose ICs with a wide range of applications. Products include ICs for applications in microcontrollers (MCU), audio products, cloud computing, visual sensing, battery monitoring and IOT with security as well as components that can be used in Industrial, Automotive, Communications, Consumer and Computer markets. 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 has established a comprehensive product platform for microcontrollers including 64-bit microprocessor, and 32-bit and 8-bit MCU product lines. We also meet market demands in 5G, energy management, AIoT, smart home, industrial control, and automotive electronics with low power consumption, high security, integration of high precision analog circuits, abundant peripheral 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 Amp, Smart Audio, and Audio Enhancement, and DSP core products. The products target mainly smart home market, including smart appliances, smart stereo

systems, smart family entertainment, smart cars, smart interactive toys, smart robots, meeting systems, consumer electronics, healthcare, and industrial applications.

In cloud computing products, the Company focuses on cross-over applications from computing devices related to data centers, computer servers, edge computing, and terminal processing. Our technologies cover the fields of security, interfaces, and energy management, and we provide remote baseboard management controllers for servers, Super I/O for desktop computers, security controllers for motherboards, embedded controllers for laptop computers, trust platform modules, computer hardware monitoring chips, and power management controllers to major brands and OEM plants.

Component products are mostly used in CSP (“Chip-Size Package”) MOSFET, which can be used in all types of portable devices and fast chargers for smart phones, and furthermore, applied in car audio systems.

Visual sensing products include 2D and 3D applications. Our 2D sensors feature small size and high image quality. They can be used in all types of camera equipment and medical endoscopy. Our 3D sensors provide high-precision and high-stability Time of Flight (ToF) sensors. Coupled with our unique Digital Signal Processor (DSP) signal processing technology, we can meet the rigorous demands for Human Machine Interface (HMI) quality in automotive industry. The 3D sensors can also be used in Autonomous Mobile Robot (AMR) or applications that require identifying human behavior or detecting obstacles.

Our battery monitoring products include battery monitoring IC for automobile and industrial lithium batteries, and cooling fan motor driver ICs for data centers, base stations, and home appliances. Our IoT products can be used in MCU for power control or IC card security control, and HDMI 2.1 high-speed transmission interface ICs.

## (2) Foundry service

The Company owns an 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 on-time delivery to our customers. We create more added-value for our customers and provide IDM-level OEM services as an indispensable partner in a competitive market with our strong R&D team and integrated services in the semiconductor supply chain.

## 4. New products in the pipeline

### (1) IC business

The development of our MCU products focuses on achieving high performance, high security, low power consumption, and analog technologies. In coordination with the AIoT and smart home development, we will continue to broaden our product lines to meet market demands, and plan to develop high-end MCU to be used in machine learning and inference for applications in such as AIoT device system. MCU can execute object form and color identification, and recognition of key words in simple sentence.

We actively develop new audio products in the smart home entertainment, smart automobile, smart home, personal computer, mobile phone, and consumer electronics application markets. Coupled with audio MCU and smart amplifier, our audio IC can provide conference call solutions and have been successfully launched into consumer market. In addition, we have 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 have also been 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 the aspect of cloud computing products, we actively introduce related functions that meet future energy conservation requirements. We increase the computing speed of the embedded processor and the hardware encryption module to fulfill customer demand for higher security when they work from home.

For HMI and TOF in our image sensing products,, we increase reliability and enhance the image quality and image processing performance to satisfy the sensing requirements for different spaces and distances in the automotive, industrial, and commercial markets.

In terms of battery monitoring 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. We also develop high-speed motor driver IC for wide applications in office machines, home appliances or monitors.

MOSFET products feature light-weight and small footprint. We will endeavor to develop applications to support rapid recharging for 5G smart phone batteries or long-duration requirements. For IoT products, we will continue to develop MCU used in power control or IC card security control 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 second-generation 0.35 $\mu$ m BCD and commenced volume production. We provide ultralow on-resistance, streamlined processes and a diverse range of components to satisfy customer demands for DC/DC power management products. We have expanded our ultra-high-voltage process into motor control applications. We have completed the development of the second-generation 0.5 $\mu$ m HVIC and commenced trial production to provide streamlined process and high-reliability components. We have completed product verification with specific customers for the third-generation semiconductor GaN power components and commenced volume production. We continue to improve power technology platform 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 demands 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, trust security island (TSI) security and a complete ecosystem with a vast number of users. To sum up, the growing applications in the overall embedded computing market that attract the most attention are the AIoT devices, smart industrial controls, smart home appliances, 5G, energy management and electric vehicle electronics.

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 home appliances, smart cars, IoT, and wearable devices.

Due to the pandemic, the demands for working and learning from home and video conferencing are on the rise. The changes in working and education conditions patterns have become an irreversible trend even after the pandemic subsides. The demand for laptop computers in the next few years will remain high and the demand for remote collaboration through cloud computing as well as cloud data storage will increase

accordingly. In addition, personal data protection and equipment security will attract more and more attention.

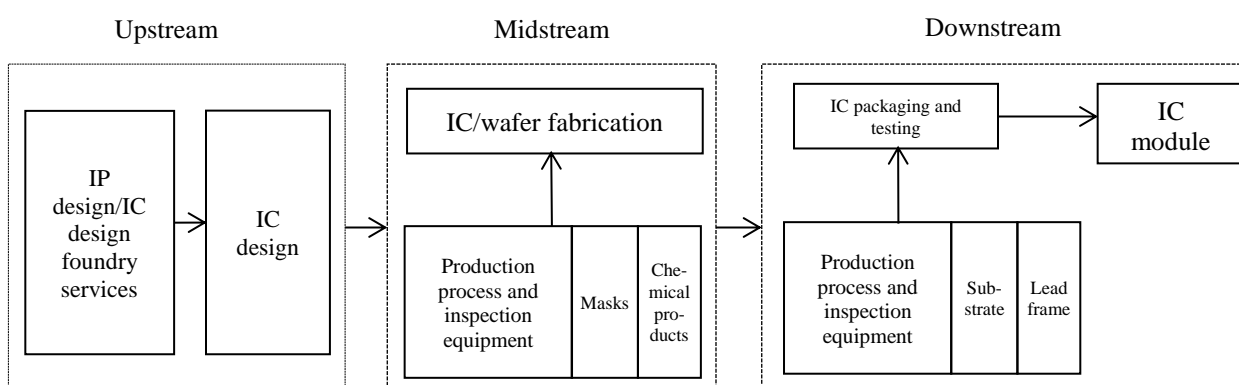
As global environmental protection laws tighten and as world governments actively promote electric vehicles, the demand for automotive lithium batteries is expected to grow continuously. In addition, with the increasing popularity of automotive electronic equipment and advanced driver assistance system (ADAS), the sharp increase in data to be displayed or processed by the on-board system should drive the growth of HMI products or even 3D sensing products. With the increasing prevalence of 5G, the fan motor market for 5G base stations is expected to grow. Also as more consumers switch to 5G phones, the MOSFET market is expected to grow continuously.

## (2) Foundry service

According to the report published by the market research institute WSTS, demands for semiconductor rose sharply and semiconductor products were in short supply in 2021 as digital transformation picked up during the Covid-19 pandemic. WSTS forecasts the world semiconductor industry to grow 8.8% in 2022. The Company's foundry service focuses on power management applications to stay close to market and customer needs and respond rapidly 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 are primarily in servers, desktop workstations, personal computers, smart handheld devices, network communications and industrial computer sectors. 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 focuses on the development of MCU and MPU platforms for different applications, high confidentiality and security designs, and software/hardware reference solutions. The Company has also introduced machine learning, and launched a software and hardware development platform with operating systems, online communication modules, and cloud software services suitable for the IoT ecosystem to meet diverse and rapid development demands from the market. The Company endeavors in the development of special applications to provide customers with 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 (Smart Amp), Amplifiers, Audio Enhancement, and the DSP-core algorithm to provide cost-effective solutions for smart home, mobile phones, consumer electronics, personal computer applications. We will 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 drive 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. Products that continue to improve performance and security while reducing energy consumption will be the trends for the future.

As users develop higher demand for charging efficiency, MOSFET that offers safe, high-speed charging through low-voltage and high-current will also be the trend for the future. In line with the medium to long-term development of the automotive market, the industry has shifted its focus to enhancing driving safety and the useful life or range of car batteries. It will also drive continuous innovation in car battery monitoring or management, HMI or 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.

Our cloud computing products feature unique security technology as the foundation, which, in combination with key customer systems and application knowhow, offer innovation, superior quality, and technical support as our most important competitive edge.

Visual 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.

In terms of battery monitoring products, we have begun developing leading functional safety technologies for car battery voltage measurement and internal monitoring. We will provide more innovative products and solutions for more effective use of lithium battery in the future.

## (2) Foundry service

In the face of increasing growth and competition in 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.

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

### 1. R&D expenditures

Unit: NT\$1,000		
Item	2021	2022 up to March 31
R&D expenditures (A)	9,451,500	2,275,973
Net operating revenues (B)	41,455,957	10,722,261
(A)/(B)	23%	21%

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

Year	R&D achievements
2021	For next-generation IoT applications, we introduce M23 core based M254/M256/M258 series MCU and ML54/56 series 8051 MCU that feature low power, security, touch-control keypad and display.
2021	Introduce NuMicro m253 series that can be used in 1.75V ~ 5.5V working voltage and controller area network featuring flexible data rate to satisfy the demands of connected care and industrial automation markets for high bandwidth and flexible data rate.
2021	Introduce the world's first Armv8-M TrustZone enabled architecture that can support Mbed OS6 2354 secure AIot board.
2021	For industrial control application market, launch the brand-new Arm <sup>®</sup> Cortex <sup>®</sup> —M0 MCU M031BT/M032BT bluetooth BLE 5.0 and 2.4G dual-mode wireless MCU series.
2021	For 5G data center application market, launch the brand-new Arm <sup>®</sup> Cortex <sup>®</sup> —M0 MCU M031B series.

Year	R&D achievements
2021	For smart home appliance market, launch the brand-new Arm® Cortex® – M4 MCU M471 MCU series with multiple protocols for use in white goods master control board.
2021	For online games market, launch the brand new Arm® Cortex® – M0 MCU NUCNUC1262 series with LED Strip Interface (LLSI) circuit.
2021	Develop 4th-generation car battery monitoring IC with stronger functional safety.
2021	Announce the collaboration with Green Hills Software to launch realtime operating system solutions for use in Nuvoton Gerda® family of automotive SoCs.

### 3. Short and long term business development plans

#### (1) IC business

##### A. Short-term business development plans

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. Nuvoton joined the ARM® Mbed™ partnership to provide an IoT development platform that provides IoT equipment through Mbed with a consistent operating system, cloud services, a system of tools and developers that enables 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, and other IoT ecosystems to meet the diverse needs of customers.

With respect to audio products, we endeavor to provide customers with comprehensive and high-performance audio and voice solutions. We have just 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.

In cloud computing, we use 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. As demand for remote learning increases sharply during the pandemic, we develop with our

partners chips suitable for Chromebook and ensure sufficient supply to fulfill our corporate social responsibility.

For visual sensing products, we will move towards the development of high-definition image sensor and high-performance imaging sensing technology, while continuing to integrate automotive HMI and software platform, and increase the visibility of our sensors used in endoscopes. In terms of battery management products, we leverage the outstanding heat resistance, high insulation, and high voltage resistance properties of our battery monitoring IC to develop diverse control technologies and minimize the battery control system, while embarking on the development of new-generation products. For IoT products, we develop USB4.0 re-timer products on the foundation of our existing high-speed transmission interface technology to ensure signal stability in long-distance transmission.

#### B. Long-term business development plans

In terms of the Company's long-term business development plan for embedded computing, we will continue to advance MCU and MPU products and platform R&D, continue to focus on 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 through innovation and advancement in process technology. We will also focus on providing customers with comprehensive product portfolios, establishing our own patented, proprietary technologies, and providing products with long lifecycle while developing our 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 moving away from low-end and low-price market and focus on making headway into high-profit-margin smart toy market.

With regard to cloud computing products, in view of the increasing popularity of web applications, cyber security and enhancing the security of terminal equipment have become a critical issue that must be addressed in the future.

With regard to image sensing, we will continue to develop core graphics and imaging technologies, and couple with AI imaging and audio detection technologies to develop end-to-end edge sensor devices. With regard to battery monitoring products, we will continue to advance lithium battery monitoring and current

measurement technologies and extend the applications from industrial control and automotive to energy storage. In the aspect of 2D and 3D sensors, we will develop multi-functional products with high definition and high dynamic range, and endeavor to develop all-round sensing solutions.

Leveraging existing knowhow and customer relationships, we have put considerable resources into product development. Hopefully through product and technological innovation, we can provide customers with superior security products for all kinds of applications as we seek a sound industrial environment and long-term development of the Company.

## (2) Foundry service

### A. Short-term business development plan:

The Company's wafer foundry service has accumulated many years of 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	2021	
	Amount	Percentage (%)
Asia	40,841,489	99%
America	388,106	1%
Europe	225,502	1%
Other	860	0%
Total	41,455,957	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 with market share on the rise every year. Our major customers include well-known manufacturers of consumer, industrial control, power supply, computer equipment 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, our market shares in motherboard security controller I/O, notebook EC and TPM still rank in the top three worldwide. Our major customers include well-known brand names in computers as well as OEMs.

Our battery management ICs and image sensing products have made headway into the supply chain of many automobile manufacturers around the world and 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 very high market shares in consumer markets.

## 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. We will maintain our lead in the market by deepening relations with major computer brands and penetrating into more industrial control 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, conferencing system, AIoT, and vehicle-mounted applications. As such demands increase, they offer cost-effective total solutions. The Company has 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, along with rising awareness to health and wellness, and the aging society, demands for non-invasive diagnostics and remote healthcare services are on the rise. Hence the use of our 2D sensors in high-resolution camera 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 adverse factors for 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 release of high-performance voice/audio MCUs and the world's first smart amplifier based on non-linear speaker control algorithm provide unparalleled sound quality to customers' devices and support thin speakers for a simpler and trendier exterior design in end customers' application and industrial design.

The Company's cloud computing products retains a leading position in the market. The Company also leads the industry as a TPM (Trusted Platform Module) IC provider with Federal Information Processing Standards (FIPS), Common Criteria EAL4+ and Trusted Computing Group (TCG) certification, which enhances our core



competitiveness and increases our 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 deployment and development in global automotive electronics industry, industrial automation, artificial intelligence, and 5G networks.

(2) Adverse 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 and low power consumption to obtain more cooperation opportunities with international brands.

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

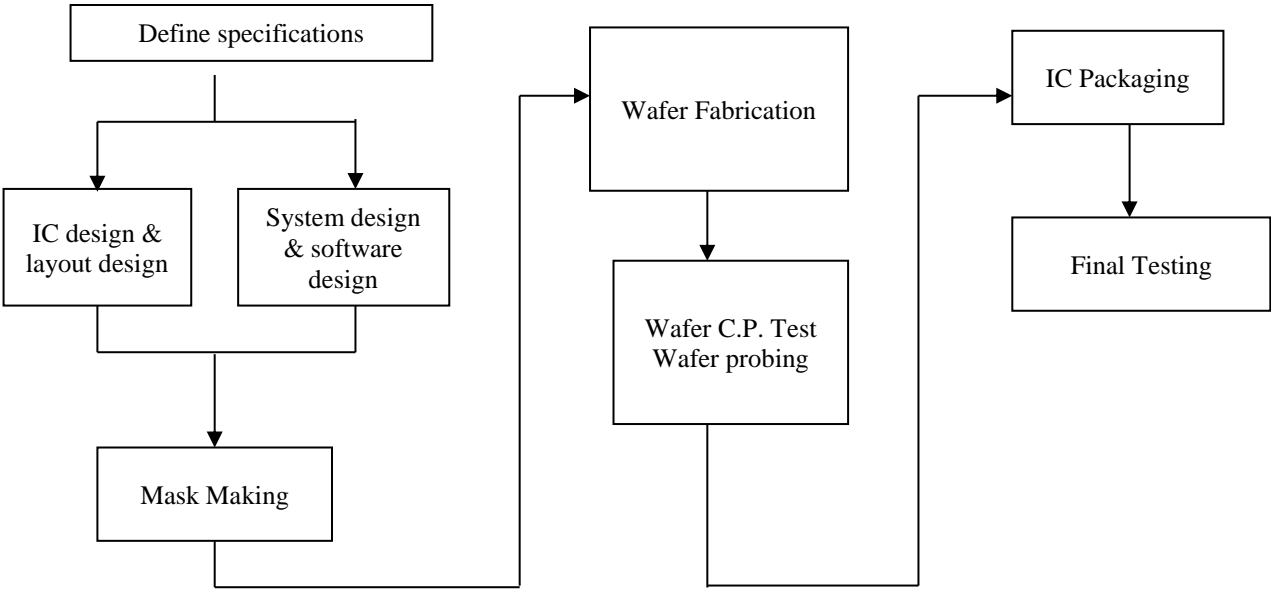
The Company continues the recruitment of teams to strengthen local sales services in order to build customer recognition in local markets, build long-term business partnerships and provide growth in the Company's revenue.

(II) Important applications and manufacturing processes of major products

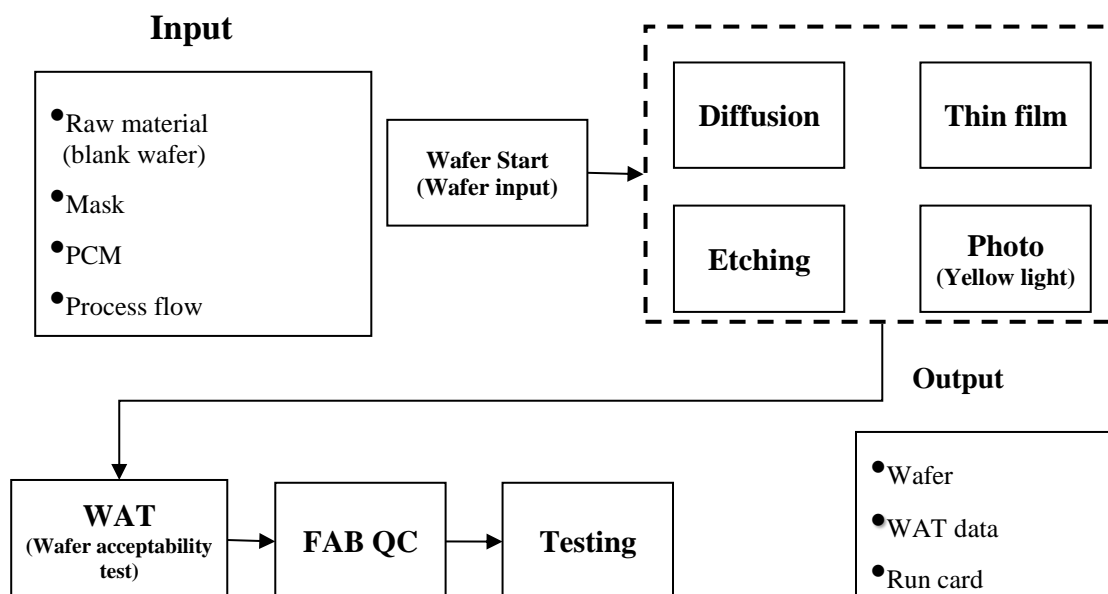
1. Important applications of major products:

Product	Important applications
IC business	Provide customers with industrial controls, consumer electronics, smart home appliances, computer equipment, vehicle-mounted equipment, and communication products.
Foundry service	Provide foundry service for IC fabrication.

2. Production process:



Wafer Fabrication:



(III) Supply of main raw materials

Name of main raw materials	Major supplier	Supply status
Wafer	Supplier K, Supplier A, Supplier I and Supplier L	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 purchase by the Company in the last two years, and the amount of purchase to total purchase

Unit: NT\$1,000

Item	2020				2021			
	Name	Amount	Percentage of total purchase %	Relationship with issuer	Name	Amount	Percentage of total purchase %	Relationship with issuer
1	Supplier K	2,101,947	28%	Other related parties	Supplier K	6,319,062	42%	Other related parties
2	Supplier A	1,158,935	16%	N/A	Supplier A	1,876,100	13%	N/A
3	Supplier I	1,083,089	15%	N/A	Supplier I	1,254,418	8%	N/A
4	Supplier L	636,537	9%	N/A	-	-	-	-
	Others	2,477,334	32%	-	Others	5,520,827	37%	-

	Net purchase	7,457,842	100%	-	Net purchase	14,970,407	100%	-
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Reasons for changes: The Company completed the acquisition of semiconductor businesses of Panasonic Corporation in Japan on September 1, 2020 and incorporated the business into the Company's net purchase starting 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

		2020			2021			
Item	Name	Amount	Percentage of net sales %	Relationship with issuer	Name	Amount	Percentage of net sales %	Relationship with issuer
1	Customer S	4,793,626	23%	N/A	Customer S	13,524,520	33%	N/A
2	Customer V	3,853,466	19%	N/A	Customer V	5,045,639	12%	N/A
3	Others	12,020,964	58%	N/A	Others	22,885,798	55%	N/A
	Net sales	20,668,056	100%		Net sales	41,455,957	100%	

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

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

Unit: Capacity 1,000 pcs/wafer 1,000 pcs/dies 1,000 pcs; NT\$1,000

Main Product	Year	2020			2021				
		Capacity (Note)	Output volume		Output value	Capacity (Note)	Output volume		Output value
			Wafer	Die			Wafer	Die	
IC business			1	2,994,672	12,346,107		2	6,852,788	27,993,250
Foundry service		692	462	-	1,326,003	692	491	-	1,267,096
Others			-	-	15,100		-	-	12,465
Total			463	2,994,672	13,687,210		493	6,852,788	29,272,811

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

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

## (VII) Sales volume and value for the past two years

Unit: Wafer 1,000 pcs/dies 1,000pcs; NT\$1,000

Year  Main Product	2020						2021					
	Domestic sales			Exports			Domestic sales			Exports		
	Volume		Value	Volume		Value	Volume		Value	Volume		Value
	Wafer	Die		Wafer	Die		Wafer	Die		Wafer	Die	
IC business	-	386,210	4,025,004	-	2,534,703	13,930,888	-	396,482	5,071,067	-	7,054,971	30,539,743
Foundry service	185	-	766,279	272	-	1,281,115	199	-	949,660	287	-	1,565,824
Others	-	-	5,711	-	-	659,059	-	-	6,044	-	-	3,323,619
Total	185	386,210	4,796,994	272	2,534,703	15,871,062	199	396,482	6,026,771	287	7,054,971	35,429,186

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

### III. Employees

Year		2020	2021	2022 up to March 31
Number of employees	Technical personnel (engineers)	2,670	2327	2362
	Administration and sales staff	845	899	892
	Technicians	396	381	383
	Total	3,911	3607	3637
Average age (years)		44.04	45.42	45.27
Average years of service		17.05	16.83	16.64
Education background (%)	PhD	0.66	1.28	1.26
	Master	38.41	35.21	35.36
	University/College	46.15	48.16	48.61
	High school	13.91	14.10	13.86
	Below high school	0.87	1.25	0.91
	Total	100	100	100

### IV. Spending on environmental protections

- (I) Losses due to environmental pollution (including compensation) and total fines during the most recent year and up to the date of this report:

The Company was fined NT\$150,000 by the Hsinchu City Environmental Protection Bureau in 2021 due to violation of Paragraph 3, Article 23 of the Air Pollution Control Act. Improvement actions have been taken and passed the re-inspection.

- (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 health are the key safety and health protection tasks. We organized 84 courses in 2021 to enhance employees' awareness beyond software and hardware protection.
6. Emergency drills are conducted in accordance with possible operation hazards. We schedule annual drills for employees to minimize damages in accidents. In 2021, we completed 66 different types of drills.
7. Continuous safety, health and environmental protection improvement plans are advanced measures to ensure the safety of the work environment and employees. We completed 24 improvement programs in 2021.

## 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 systems 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 rules for 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 and certificates held by personnel involved in transparency of financial information:

Certified Public Accountant (CPA) of the Republic of China: 2 employees from Auditing Department and 2 employees from Finance/Accounting Department.

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

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

International Certified Internal Auditor (CIA): 3 employees from Auditing Department.

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

Proficiency test for shareholders service personnel arranged by Securities and Futures Institute: 2 employees from Finance/Accounting Department.

Proficiency test for associated persons of securities firms arranged by Securities and Futures Institute: 1 employee from Finance/Accounting Department.



Proficiency test for internal control professionals arranged by Securities and Futures Institute: 1 employee from Finance/Accounting Department.

Proficiency test for corporate governance professionals arranged by Securities and Futures Institute: 1 employee from Finance/Accounting Department.

Proficiency test for bonds professionals arranged by Securities and Futures Institute: 1 employee from Finance/Accounting 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 management rules 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 to the date of this report; quantify the estimated losses and state any response actions or state any reasons why losses cannot be reasonably estimated.

The Company did not have any labor-management dispute that resulted in losses in the most recent year and up to the date of this report. 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 management rules for 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 rules contain general principles for maintaining 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 "Guidelines for Hierarchy of Responsibility" specify the division of responsibilities and guide the performance of on-the-job duties.
- (2) Duties of individual units: The duties and tasks of each unit are 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. Information security management:

### 1. Information Security Policy

Nuvoton has established the "Nuvoton Security Policy" and "Information Security Management Rules" 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's information security management system (ISMS) is established in reference to ISO 27001 and 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 periodically analyze and assess information security risks and establish management plans for potential risks and conduct regular follow-up.

Information security management covers physical access control and monitoring, information system access authority management and access record safekeeping and review, and personnel entry and egress and data access in sensitive areas. We construct network and computer security protection systems to ensure normal operations of the information system, including firewall/intrusion detection/intrusion prevention system, and the Security Information and Event Management system to strengthen defenses against information security incidents.

For the information security of important products, the Company engaged a third-party Serma in 2021 to examine the Company's qualification for the recertification of ISO/IEC 15408 (Common Criteria for IT Security Evaluation). The Company again obtained the certification of Common Criteria EAL 4+ on May 26, 2021, suggesting our controls over the information security of products meet the requirements of Common Criteria, and that we manufacture trusted secure products that meet international standards and protect customer information and assets.

### 3. Risk management structure and specific management programs

Due to the COVID-19 epidemic in 2021, 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, identity verification and multi-factor authentication mechanisms to reduce the potential information security risks brought about by remote connection.

Phishing and major system loopholes are two big cybersecurity threats in 2021. To raise employee awareness to information security, the Company conducts social engineering training every quarter and prohibit employees who have not completed the training to connect to outside networks. We provide external service systems and use cloud monitoring tool to conduct realtime scan. If any major risk is found, we arrange an

update in the shortest possible time. For internal systems, we use vulnerability scanner coupled with security notification service provided by Microsoft, and arrange patches installation and update periodically every month.

#### 4. Input of information security management resources

The Company has an information security and communications department set up to continuously enhance a defense in depth structure to prevent cyber attack and data breach. In addition, we strengthen authentication and detection of irregular login through the security mechanism of cloud service to reduce the risk of intrusion. Also through self-constructed SIEM system, outsourced SOC service and cloud monitoring service, we strengthen the monitoring and reporting of suspicious activities. We perform periodic system audits, backup and restore, offsite redundancy, and cyber security emergency response drills to become more familiar with all operating procedures, and examine cyber security rules and procedures to ensure each information security mechanism is adequate and effective.

Nevertheless, IT technologies are evolving constantly, and despite our efforts in reinforcing our cyber defense, we may still be exposed to risks and effects of new technologies. It would be impossible to guarantee complete safety from third party attack and data theft. There may also be attempts to steal our trade secrets, intellectual properties and sensitive information, and cause data breach. Because of these attacks, the Company may need to compensate customers for their losses or implement costly remedies or improvement actions. The Company may also be exposed to significant legal liabilities arising from or related to legal proceedings or regulatory investigations associated with leakage of customer or third party information.

In addition, the Company needs to share Company information with certain third-party service providers to enable them to provide relevant services. While we require all third-party service providers to comply with the confidentiality requirements in the service agreements with them, there is no assurance that every service provider will fulfill or observe such obligations. When those systems, equipment or services are under attack, if the Company or the service providers are not able to timely resolve the problems caused by such cyber attack, or ensure the accuracy and availability of the Company data, the Company's commitments to its customers and other stakeholders may be materially impaired and the Company's operations, financial condition and reputation may also be materially and adversely affected as a result.

#### 5. Impact of material information security incidents and response measures

In 2021 and up to the date of report, the Company did not discover any information security incident that has caused or may produce materially adverse effect on Company business or operations.

### VII. Important contracts

Nature of contract	Contracting parties	Commencement date/expiration date	Content	Restriction clauses
Authorization contract	Company A	2008.07.01–indefinite	Technology licensing	The Company is prohibited from licensing third parties. The Company has the obligation of confidentiality.

Nature of contract	Contracting parties	Commencement date/expiration date	Content	Restriction clauses
Authorization contract	Company B	2009.06.26 – indefinite	Technology licensing	The Company is prohibited from licensing third parties. The Company has the obligation of confidentiality.
Authorization contract	Company C	2009.11.12 – indefinite	Technology licensing	The Company is prohibited from licensing third parties. The Company has the obligation of confidentiality.
Authorization contract	Company B	2012.06.22 – indefinite	Technology licensing	The Company is prohibited from licensing third parties. The Company has the obligation of confidentiality.
Authorization contract	Winbond Electronics Corp.	2012.08.01 ~ 2021.12.31	Technology licensing	The Company is prohibited from licensing third parties. The Company has the obligation of confidentiality.
Authorization contract	Company B	2016.03.29 – indefinite	Technology licensing	The Company is prohibited from licensing third parties. The Company has the obligation of confidentiality.
Sales contract	Company M	2017.08.03 ~ 2022.07.30	Sales of products	Provide product related warranty, and the Company has the obligation of confidentiality.
Share purchase agreement	Autotalks Ltd. and other investors	2019.07.31 – indefinite	Equity investment	Payment for purchase of shares in accordance with the contract.
Lease agreement	Hsinchu Science and Industrial Park, Ministry of Science and Technology	2019.08.01 ~ 2027.12.31	Lease	Payment of rent in accordance with contractual agreement.
Merger and acquisition contract	Panasonic Corporation	2019.11.28 – indefinite	Merger and acquisition	Payment for M&A in accordance with contractual agreement.
Letter of confirmation	Company N	2017.03.01 – indefinite	Electricity supply	The Company has the obligation of confidentiality.
Service contract	Company N	2017.03.01 – indefinite	Electricity supply	The Company has the obligation of confidentiality.
Technology development contract	Company S	2016.06.24 ~ 2021.03.12	Technology development	The Company has the obligation of confidentiality.
Procurement contract	Company O	2020.04.01 ~ no more PO is issued	Software licensing	The Company has the obligation of confidentiality.

Nature of contract	Contracting parties	Commencement date/expiration date	Content	Restriction clauses
Maintenance contract	Company Q	2020.04.01 ~ 2023.03.31	Production equipment maintenance	The Company has the obligation of confidentiality.
insurance contract	Mitsui Sumitomo Insurance	2020.06.01 ~ 2021.05.31	Comprehensive insurance	The Company pays premiums according to the contract
Sales service contract	Company P	2020.09.01 ~ 2023.08.31	Sales of products	The Company has the obligation of confidentiality.
Procurement/sales contract	Company R	2020.09.01 ~ 2023.08.31	Product purchase and sales	The Company has the obligation of confidentiality.
Asset purchase and sales contract	Panasonic Asia Pacific Pte. Ltd.	2020.09.01 – indefinite	Asset transaction	Purchase of machinery, products, and other assets
Licensing contract	Microchip Technology Incorporated	2020.03.31 - expiry of patent	Patent licensing	The Company is prohibited from licensing third parties.
Service agreement	Goldman Sachs (Asia) L.L.C.	2019.11.28 ~ 2020.11.27	Service	GS is engaged to serve as the financial consultant in the merger and acquisition.
Order confirmation	Panasonic Semiconductor (Suzhou) Co., Ltd.	2020.11.01 ~ 2021.01.31	Product purchase	The Company purchases semiconductor products from PSCSZ.
Loan contract	Export-Import Bank of the Republic of China	2020.05.22 ~ 2027.08.25	Loan	Payment of interest and repayment of loan in accordance with the contract.
Loan contract	Export-Import Bank of the Republic of China	2019.09.12 ~ 2026.09.21	Loan	Payment of interest and repayment of loan in accordance with the contract.
Loan contract	Bank of Taiwan	2020.07.29 ~ 2023.08.24	Loan	Payment of interest and repayment of loan in accordance with the contract.
Loan contract	CTBC Bank	2020.08.12 ~ 2022.08.24	Loan	Payment of interest and repayment of loan in accordance with the contract and restriction on financial ratios.
Loan contract	Bank of Taiwan, Shanghai Branch	2020.08.11 ~ 2021.08.26	Loan	Payment of interest and repayment of loan in accordance with the contract.
Asset purchase and sales contract	Panasonic Semiconductor (Suzhou) Co., Ltd.	2020.09.01 – indefinite	Asset transaction	Payment for purchase of assets in accordance with the contract.

Nature of contract	Contracting parties	Commencement date/expiration date	Content	Restriction clauses
Service contract	Panasonic Corporation	2020.09.01–indefinite	Service provision	Payment for services in accordance with the contract.
Asset transfer contract	HSMC Corp. (Suzhou) Co., Ltd.	2021.04.01–indefinite	Asset transaction	Sales and transfer of assets in accordance with the contract.
Acquisition price adjusted according to contract	Panasonic Corporation Industrial Solutions Company	2021.04.23 – indefinite	Description of acquisition price adjustment	Paying the adjusted acquisition price as agreed
Licensing contract	Company B	2021.08.01 ~ 2024.07.31	Use of all IP in the subscribed software	The Company has the obligation of confidentiality.
Contractor agreement	Company M	2021.12.31 ~ 2025.12.31	Engaged to develop and design IC	Develop and design IC according to the contract
Asset transfer contract	HSMC Corp. (Suzhou) Co., Ltd.	2021.04.01–indefinite	Transfer of assets	Sales and transfer of assets in accordance with the contract.
Sales contract	Company D	2022.02.28 – indefinite	Sales of equipment	The Company has the obligation of confidentiality
Syndicated loan agreement	7 banks	2021.05.17 ~2026.05.16	Loans	The Company has the obligation of confidentiality
Sales service and distribution agreement	Company E	2020.09.01 ~ 2023.08.31	Sales service and distribution	The Company has the obligation of confidentiality
Sales contract	Company F	2021.08.05 – indefinite d	Purchase of equipment	The Company has the obligation of confidentiality



## Chapter 4 Financial Overview

I. Condensed balance sheets, statements of income, names of auditors, and audit opinions of the last five years

(I) Condensed consolidated balance sheet and statements of income

### Condensed consolidated balance sheet

Unit: NT\$1,000

Item		Year	Financial information for the last five years (Note)				
			2017	2018	2019	2020	2021
Current assets			4,449,412	4,457,859	8,187,357	18,360,546	22,000,452
Property, plant and equipment			642,663	697,917	760,321	6,547,107	5,248,513
Intangible assets			203,612	144,754	261,230	802,691	983,329
Other assets			853,145	817,138	1,947,321	6,612,357	6,176,096
Total assets			6,148,832	6,117,668	11,156,229	32,322,701	34,408,390
Current liabilities	Before distribution		1,987,326	1,915,178	2,341,884	11,550,328	9,818,988
	After distribution		2,506,212	2,434,064	2,686,949	11,862,061	11,917,814
Non-current liabilities			498,545	468,124	1,422,314	9,251,005	9,034,712
Total liabilities	Before distribution		2,485,871	2,383,302	3,764,198	20,801,333	18,853,700
	After distribution		3,004,757	2,902,188	4,109,263	21,113,066	20,952,526
Equity attributable to owners of parent			3,662,961	3,734,366	7,392,031	11,521,368	15,554,690
Capital Stock			2,075,544	2,075,544	2,875,544	3,883,936	4,197,653
Capital surplus			63,498	63,498	2,906,976	5,796,731	6,871,811
Retained earnings	Before distribution		1,297,860	1,426,005	1,458,951	1,699,988	4,418,707
	After distribution		778,974	907,119	1,113,886	1,388,255	2,319,881
Other interests			226,059	169,319	150,560	140,713	66,519
Treasury stock			-	-	-	-	-
Non-controlling interests			-	-	-	-	-
Total equity	Before distribution		3,662,961	3,734,366	7,392,031	11,521,368	15,554,690
	After distribution		3,144,075	3,215,480	7,046,966	11,209,635	13,455,864

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

Condensed consolidated statement of comprehensive income

Unit: NT\$1,000, except for EPS (NT\$)

Item \ Year	Financial information for the last five years (note)				
	2017	2018	2019	2020	2021
Operating revenue	9,235,382	10,040,221	10,367,269	20,668,056	41,455,957
Gross profit	3,732,507	3,913,167	4,127,889	7,706,912	16,856,117
Operating income/loss	713,563	754,659	584,321	322,282	3,327,143
Non-operating income and expenses	85,868	84,261	83,248	421,143	218,353
Net income before tax	799,431	838,920	667,569	743,425	3,545,496
Net income from continuing operations	688,133	710,633	558,459	532,785	2,940,752
Loss from discontinued operations	-	-	-	-	-
Net profit of the term (loss)	688,133	710,633	558,459	532,785	2,940,752
Other comprehensive income of the term (net value after tax)	94,485	(273,853)	(25,386)	43,470	15,506
Total comprehensive income of the term	782,618	436,780	533,073	576,255	2,956,258
Net income attributable to owners of the parent	688,133	710,633	558,459	532,785	2,940,752
Net Income (Loss) Attributable to Non-controlling Interests	-	-	-	-	-
Total Comprehensive income attributable Owners of the Parent	782,618	436,780	533,073	576,255	2,956,258
Total Comprehensive income attributable to Non-controlling Interests	-	-	-	-	-
Earnings per share (EPS)	3.32	3.42	2.53	1.81	7.27

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

Individual condensed balance sheet

Unit: NT\$1,000

Item	Year	Financial information for the last five years (Note 1)				
		2017	2018	2019	2020	2021
Current assets		3,568,901	3,642,943	7,342,113	7,140,333	11,638,813
Property, plant and equipment		569,765	612,248	673,029	669,361	637,113
Intangible assets		163,499	122,967	192,005	561,859	645,692
Other assets		1,792,566	1,693,876	2,664,973	10,000,750	11,258,236
Total assets		6,094,731	6,072,034	10,872,120	18,372,303	24,179,854
Current liabilities	Before distribution	2,008,149	1,941,342	2,334,337	3,522,367	4,627,458
	After distribution	2,527,035	2,460,228	2,679,402	3,834,100	6,726,284
Non-current liabilities		423,621	396,326	1,145,752	3,328,568	3,997,706
Total liabilities	Before distribution	2,431,770	2,337,668	3,480,089	6,850,935	8,625,164
	After distribution	2,950,656	2,856,554	3,825,154	7,162,668	10,723,990
Equity attributable to owners of parent		3,662,961	3,734,366	7,392,031	11,521,368	15,554,690
Capital Stock		2,075,544	2,075,544	2,875,544	3,883,936	4,197,653
Capital surplus		63,498	63,498	2,906,976	5,796,731	6,871,811
Retained earnings	Before distribution	1,297,860	1,426,005	1,458,951	1,699,988	4,418,707
	After distribution	778,974	907,119	1,113,886	1,388,255	2,319,881
Other interests		226,059	169,319	150,560	140,713	66,519
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	3,662,961	3,734,366	7,392,031	11,521,368	15,554,690
	After distribution	3,144,075	3,215,480	7,046,966	11,209,635	13,455,864

Note: Financial report inspected and certified by a CPA.

Condensed individual statement of comprehensive income

Unit: NT\$1,000, except for EPS (NT\$)

Item \ Year	Financial information for the last five years (Note)				
	2017	2018	2019	2020	2021
Operating revenue	9,000,394	9,798,594	10,123,801	11,433,163	14,601,031
Gross profit	3,509,949	3,682,050	3,891,680	4,465,591	6,808,240
Operating income/loss	668,458	705,358	494,017	647,574	2,590,437
Non-operating income and expenses	96,630	76,279	139,442	9,966	699,315
Net income before tax	765,088	781,637	633,459	657,540	3,289,752
Net income from continuing operations	688,133	710,633	558,459	532,785	2,940,752
Loss from discontinued operations	-	-	-	-	-
Net profit of the term (loss)	688,133	710,633	558,459	532,785	2,940,752
Other comprehensive income of the term (net value after tax)	94,485	(273,853)	(25,386)	43,470	15,506
Total comprehensive income of the term	782,618	436,780	533,073	576,255	2,956,258
Earnings per share (EPS)	3.32	3.42	2.53	1.81	7.27

Note: Financial report inspected and certified by a CPA.

(3) Names of auditing CPAs of the last five years and their audit opinions:

Year	Name of firm	Name of CPA:	Audit opinion
2017	Deloitte & Touche	Hung-Bin Yu, Accountant Ker-Chang Wu, Accountant	Unqualified opinion
2018	Deloitte & Touche	Hung-Bin Yu, Accountant K. T. Hong, Accountant	Unqualified opinion
2019	Deloitte & Touche	Shu-Lin Liu, Accountant Hung-Bin Yu, Accountant	Unqualified opinion
2020	Deloitte & Touche	Shu-Lin Liu, Accountant Hung-Bin Yu, Accountant	Unqualified opinion
2021	Deloitte & Touche	K. T. Hong, Accountant Shu-Lin Liu, Accountant	Unqualified opinion

## II. Financial Analysis of the Last Five Years.

### Consolidated financial analysis

Analytical item		Year	Financial analysis for the last five years				
		2017	2018	2019	2020	2021	
Capital Structure Analysis	Debt to total assets ratio (%)	40.43	38.95	33.74	64.35	54.79	
	Long-term fund to property, plant and equipment (%)	647.54	602.14	1,159.29	317.27	468.50	
Liquidity Analysis	Current ratio (%)	223.89	232.76	349.60	158.96	224.06	
	Quick ratio (%)	130.51	142.36	275.20	102.66	150.80	
	Interest protection multiples (%)	-	-	4,775.18	1,158.58	5,244.73	
Operating ability	Receivables turnover ratio (times)	11.17	10.98	9.78	7.69	9.78	
	Average collection period	33	33	37	47	37	
	Inventory turnover rate (times)	3.23	3.20	3.23	3.02	3.54	
	Payables turnover ratio (times)	5.98	6.71	6.18	5.20	7.04	
	Average inventory turnover days	113	114	113	120	103	
	Property, plant and equipment turnover ratio (times)	15.80	14.97	14.21	5.65	7.02	
	Total assets turnover ratio (times)	1.53	1.63	1.20	0.95	1.24	
Profitability	Return on assets (%)	11.42	11.58	6.59	2.70	8.97	
	ROE (%)	19.55	19.21	10.03	5.63	21.72	
	Pre-tax income to paid-in capital ratio (%)	38.52	40.41	23.21	19.14	84.46	
	Net Margin (%)	7.45	7.07	5.38	2.57	7.09	
	Earnings per share (NT\$)	3.32	3.42	2.53	1.81	7.27	

Analytical item		Year	Financial analysis for the last five years				
		2017	2018	2019	2020	2021	
Cash flows	Cash flow ratio (%)	19.07	45.59	45.99	12.08	41.86	
	Cash flow adequacy ratio (%)	92.94	86.67	86.62	106.83	158.04	
	Cash flow reinvestment ratio (%)	-0.63	1.87	2.35	0.98	3.74	
Leverage	Operating leverage	5.12	5.07	6.92	23.38	4.88	
	Financial leverage	1.00	1.00	1.02	1.27	1.02	
Reasons for changes in financial ratios in recent two years: Bigger changes in financial ratios are mainly due to increase in profits in 2021.							

### Standalone financial analysis

Analytical item		Year	Financial analysis for the last five years				
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt-to-asset ratio	39.90	38.49	32.00	37.28	35.67	
	Long-term fund to property, plant and equipment ratio	717.24	674.67	1,268.56	2,218.52	3,068.90	
Solvency (%)	Current ratio	177.72	187.65	314.52	202.71	251.51	
	Quick ratio	86.12	99.12	240.35	146.13	190.52	
	Times interest earned	-	-	8,745.54	1,967.74	13,327.79	
Operating ability	Receivables turnover ratio (times)	12.79	11.31	11.08	12.68	13.53	
	Average collection period	29	32	32	28	26	
	Inventory turnover rate (times)	3.24	3.21	3.24	3.27	2.93	
	Payables turnover ratio (times)	5.97	6.71	6.18	5.56	5.24	
	Average inventory turnover days	113	113	112	111	124	
	Property, plant and equipment turnover ratio (times)	17.23	16.57	15.75	17.03	22.35	
	Total assets turnover ratio (times)	1.51	1.61	1.19	0.78	0.68	
Profitability	Return on assets (%)	11.54	11.68	6.66	3.83	13.91	
	ROE (%)	19.55	19.21	10.03	5.63	21.72	
	Pre-tax income to paid-in capital ratio (%)	36.86	37.65	22.02	16.92	78.37	
	Net Margin (%)	7.65	7.25	5.51	4.65	20.14	
	Earnings per share (NT\$)	3.32	3.42	2.53	1.81	7.27	
Cash flows	Cash flow ratio (%)	-3.52	50.14	46.07	39.45	49.30	
	Cash flow adequacy ratio (%)	77.79	80.94	83.04	96.75	120.89	

Analytical item	Year	Financial analysis for the last five years				
		2017	2018	2019	2020	2021
Cash flow reinvestment ratio (%)		-3.05	2.43	2.40	3.53	5.73
Leverage	Operating leverage	5.27	5.22	7.87	6.92	2.61
	Financial leverage	1.00	1.00	1.01	1.05	1.00

Reasons for changes in financial ratios in recent two years:  
Bigger changes in financial ratios are mainly due to increase in profits in 2021.

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) Times 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 = [net income + interest expense (1– tax rate)] / average total assets.
- (2) ROE = profit after tax/net average equity.
- (3) Net margin = net income / net sales.
- (4) EPS = (income belonging to 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 income / (operating income – 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 2021 business report, financial statements (including consolidated financial statements), and earnings distribution proposal. The Board of Directors have appointed Accountant Kuo-Tien Hung and Accountant Shu-Lin Liu of Deloitte & Touche CPA Firm to audit the financial statements and they have submitted an audit report with no reservations. 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. 2022 General Shareholders' Meeting

Chairman of the Audit Committee: Allen Hsu

March 15, 2022

IV. Consolidated financial statements of the most recent year

Consolidated Financial Statement of Affiliates:

For the 2021 year (from January 1 to December 31, 2021), 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 10, 2022

## **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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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 temporary increase in their credit facilities in 2021 as a key audit matter for the year ended December 31, 2021. 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.

### **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, 2021 and 2020 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, 2021 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 Kenny Hong and Shu-Lin Liu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 10, 2022

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 9,699,031	28	\$ 5,881,733	18
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,631	-	13,223	-
Accounts receivable, net (Notes 4 and 8)	3,514,424	10	4,155,816	13
Accounts receivable from related parties, net (Notes 4, 8 and 32)	656,738	2	90,577	-
Other receivables (Notes 9 and 32)	930,548	3	1,710,051	5
Inventories (Notes 4 and 10)	6,859,466	20	6,250,131	20
Other current assets	338,614	1	259,015	1
Total current assets	<u>22,000,452</u>	<u>64</u>	<u>18,360,546</u>	<u>57</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	69,200	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 11)	2,676,174	8	1,806,580	6
Property, plant and equipment (Notes 4, 12 and 33)	5,248,513	15	6,547,107	20
Right-of-use assets (Notes 4, 13 and 32)	1,197,613	4	1,498,888	5
Investment properties (Notes 4, 14 and 33)	2,005,598	6	2,466,667	8
Intangible assets (Notes 4 and 15)	983,329	3	802,691	2
Deferred tax assets (Notes 4 and 24)	89,019	-	188,397	-
Refundable deposits (Note 6 and 33)	134,187	-	651,497	2
Other non-current assets	4,305	-	328	-
Total non-current assets	<u>12,407,938</u>	<u>36</u>	<u>13,962,155</u>	<u>43</u>
<b>TOTAL</b>	<u>\$ 34,408,390</u>	<u>100</u>	<u>\$ 32,322,701</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 17 and 31)	\$ -	-	\$ 1,821,210	6
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	3,191	-
Notes payable	38,753	-	365,870	1
Accounts payable	2,634,376	8	2,653,008	8
Accounts payable to related parties (Note 32)	466,673	1	827,543	3
Other payables (Notes 18 and 32)	4,795,770	14	4,008,274	12
Current tax liabilities (Notes 4 and 24)	402,369	1	221,412	1
Provisions - current (Note 19)	532,948	2	928,719	3
Lease liabilities - current (Notes 4, 13 and 32)	247,308	1	300,067	1
Other current liabilities	700,791	2	421,034	1
Total current liabilities	<u>9,818,988</u>	<u>29</u>	<u>11,550,328</u>	<u>36</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 16)	-	-	1,207,820	4
Long-term borrowings (Notes 17 and 31)	1,500,000	4	1,500,000	5
Provisions - non-current (Note 19)	2,729,353	8	3,120,468	10
Deferred tax liabilities (Notes 4 and 24)	36,583	-	52,132	-
Lease liabilities - non-current (Notes 4, 13 and 32)	1,118,284	3	1,474,041	4
Net defined benefit liabilities - non-current (Notes 4 and 20)	1,641,861	5	1,780,008	5
Guarantee deposits (Notes 4, 21 and 32)	1,962,242	6	69,573	-
Other non-current liabilities	46,389	-	46,963	-
Total non-current liabilities	<u>9,034,712</u>	<u>26</u>	<u>9,251,005</u>	<u>28</u>
Total liabilities	<u>18,853,700</u>	<u>55</u>	<u>20,801,333</u>	<u>64</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital (Note 22)	4,172,101	12	3,759,616	12
Certificates of bond-to-stock conversion (Note 22)	25,552	-	124,320	-
Capital surplus (Note 22)	6,871,811	20	5,796,731	18
Retained earnings (Note 22)				
Legal reserve	655,515	2	596,905	2
Unappropriated earnings	3,763,192	11	1,103,083	3
Exchange differences on translation of financial statements of foreign operations (Notes 4 and 22)	(1,044,941)	(3)	(128,352)	-
Unrealized gains (losses) on financial assets at fair value through other comprehensive income (Notes 4 and 22)	1,111,460	3	269,065	1
Total equity	<u>15,554,690</u>	<u>45</u>	<u>11,521,368</u>	<u>36</u>
<b>TOTAL</b>	<u>\$ 34,408,390</u>	<u>100</u>	<u>\$ 32,322,701</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, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Note 23)	\$ 41,455,957	100	\$ 20,668,056	100
OPERATING COST (Notes 10, 25 and 32)	<u>24,599,840</u>	<u>59</u>	<u>12,961,144</u>	<u>62</u>
GROSS PROFIT	<u>16,856,117</u>	<u>41</u>	<u>7,706,912</u>	<u>38</u>
OPERATING EXPENSES (Notes 25 and 32)				
Selling expenses	1,185,131	3	507,929	2
General and administrative expenses	2,884,137	7	1,358,393	7
Research and development expenses	9,451,500	23	5,516,242	27
Expected credit loss	<u>8,206</u>	<u>-</u>	<u>2,066</u>	<u>-</u>
Total operating expenses	<u>13,528,974</u>	<u>33</u>	<u>7,384,630</u>	<u>36</u>
PROFIT FROM OPERATIONS	<u>3,327,143</u>	<u>8</u>	<u>322,282</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 28 and 32)				
Finance costs	(68,915)	-	(70,228)	-
Interest income	30,007	-	22,330	-
Dividend income	67,845	-	67,746	-
Gain on the bargain purchase	-	-	218,968	1
Other gains and losses	67,420	-	114,345	1
Gains (losses) on disposal of property, plant and equipment	134,893	1	40,433	-
Gains (losses) on disposals of intangible assets	(4,803)	-	-	-
Foreign exchange gains (losses)	(24,204)	-	(6,417)	-
Gains (losses) on financial assets at fair value through profit or loss	<u>16,110</u>	<u>-</u>	<u>33,966</u>	<u>-</u>
Total non-operating income and expenses	<u>218,353</u>	<u>1</u>	<u>421,143</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	3,545,496	9	743,425	4
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(604,744)</u>	<u>(2)</u>	<u>(210,640)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>2,940,752</u>	<u>7</u>	<u>532,785</u>	<u>3</u>

(Continued)

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 22)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 20)	\$ (48,395)	-	\$ (29,082)	-
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	980,490	2	181,920	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(916,589)</u>	<u>(2)</u>	<u>(109,368)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>15,506</u>	<u>-</u>	<u>43,470</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,956,258</u>	<u>7</u>	<u>\$ 576,255</u>	<u>3</u>
EARNINGS PER SHARE (Notes 4 and 27)				
From continuing operations				
Basic	<u>\$ 7.27</u>		<u>\$ 1.81</u>	
Diluted	<u>\$ 6.99</u>		<u>\$ 1.72</u>	

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

(Concluded)

## NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (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 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, 2020	\$ 2,875,544	\$ -	\$ 2,906,976	\$ 541,722	\$ 917,229	\$ (18,984)	\$ 169,544	\$ 7,392,031
Appropriation of 2019 earnings (Note 22)								
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 22 and 26)	-	-	62,240	-	-	-	-	62,240
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 11 and 22)	-	-	-	-	82,399	-	(82,399)	-
Issuance of ordinary shares for cash (Note 22)	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
Appropriation of 2020 earnings (Note 22)								
Legal reserve	-	-	-	58,610	(58,610)	-	-	-
Cash dividends	-	-	-	-	(311,733)	-	-	(311,733)
Net profit for the year ended December 31, 2021	-	-	-	-	2,940,752	-	-	2,940,752
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(48,395)	(916,589)	980,490	15,506
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	2,892,357	(916,589)	980,490	2,956,258
Dividends from claims extinguished by prescriptions	-	-	10	-	-	-	-	10
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 11 and 22)	-	-	-	-	138,095	-	(138,095)	-
Disposal of subsidiaries (Note 29)	-	-	190,237	-	-	-	-	190,237
Convertible bonds converted to ordinary shares (Note 16)	412,485	(98,768)	884,833	-	-	-	-	1,198,550
BALANCE AT DECEMBER 31, 2021	\$ 4,172,101	\$ 25,552	\$ 6,871,811	\$ 655,515	\$ 3,763,192	\$ (1,044,941)	\$ 1,111,460	\$ 15,554,690

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

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 3,545,496	\$ 743,425
Adjustments for:		
Depreciation expense	1,089,508	602,985
Amortization expense	240,739	179,513
Finance costs	68,915	70,228
Expected credit loss recognized on accounts receivable	8,206	2,066
Interest income	(30,007)	(22,330)
Dividend income	(67,845)	(67,746)
Compensation cost of employee share options	-	62,240
Gains on disposal of property, plant and equipment	(134,893)	(40,433)
Losses on disposal of intangible assets	4,803	-
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	(7,627)	(3,570)
(Increase) decrease in accounts receivable	577,125	99,420
(Increase) decrease in accounts receivable from related parties	(566,161)	3,023
(Increase) decrease in other receivables	265,280	382,463
(Increase) decrease in inventories	(649,170)	(32,371)
(Increase) decrease in other current assets	(95,441)	98,794
(Increase) decrease in other non-current assets	(3,977)	952
(Increase) decrease in notes payable	(327,117)	(49,851)
Increase (decrease) in accounts payable	(21,059)	144,843
Increase (decrease) in accounts payable to related parties	(358,443)	(727,254)
Increase (decrease) in other payables	916,119	(130,220)
Increase (decrease) in provisions	(316,438)	-
Increase (decrease) in other current liabilities	334,810	294,988
Increase (decrease) in net defined benefit liabilities	2,013	2,405
Increase (decrease) in other non-current liabilities	(572)	9,673
Cash flows from operations	4,474,264	1,404,270
Income tax paid	(393,035)	(79,348)
Interest received	26,321	27,426
Interest paid	(64,963)	(50,438)
Dividend received	67,845	67,746
Net cash flows generated from (used in) operating activities	<u>4,110,432</u>	<u>1,369,656</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through profit or loss	(69,763)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	235,166	402,003
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	4,500	2,250

(Continued)

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Acquisition of intangible assets	\$ (308,239)	\$ (443,458)
Proceeds from disposal of intangible assets	-	736
Acquisition of property, plant and equipment	(514,503)	(364,747)
Proceeds from disposal of property, plant and equipment	898,872	46,884
(Increase) decrease in refundable deposits paid	517,310	(560,641)
Proceeds from disposal of subsidiaries (Note 29)	59,593	-
Acquisition of subsidiaries (Note 28)	(77,934)	(6,928,207)
Decrease in other receivables - time deposits	<u>13,008</u>	<u>250,236</u>
Net cash flows generated from (used in) investing activities	<u>758,010</u>	<u>(7,594,944)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	452,550	1,821,210
Proceeds from long-term borrowings	-	2,800,000
Repayment of short-term borrowings	(2,242,449)	-
Repayments of long-term borrowings	-	(1,800,000)
Repayments of the principal portion of lease liabilities	(285,811)	(187,753)
Proceeds from guarantee deposits received	1,892,669	26,720
Proceeds from issuance of bonds	-	1,998,428
Dividends paid to owners of the Company	(311,733)	(345,065)
Proceeds from issuance of ordinary shares	<u>-</u>	<u>3,031,168</u>
Net cash flows generated from (used in) financing activities	<u>(494,774)</u>	<u>7,344,708</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(556,370)</u>	<u>(96,910)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,817,298	1,022,510
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,881,733</u>	<u>4,859,223</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,699,031</u>	<u>\$ 5,881,733</u>

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

(Concluded)

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (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 51% and 55% of the ownership interest in the Company as of December 31, 2021 and 2020, 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 10, 2022.

### 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)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: 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 IAS 41 “Agriculture” will be applied prospectively to the fair value measurements 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 2: 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 3: 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 4: 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 consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group'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 net 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	Percentage of Ownership (%)	
			2021	2020
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 ("SYT")	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 Holdings Japan ("NTHJ") (Note 1)	Investment holding	100	100
	Nuvoton Technology Singapore Pte. Ltd ("NTSG")	Design, sales and after-sales service of semiconductor	100	100
	Nuvoton Technology Korea Limited ("NTKL")	Design, sales and after-sales service of semiconductor	100	100
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited ("NTSZ")	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	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

(Continued)



Investor	Investee	Main Business	Percentage of Ownership (%)	
			2021	2020
NTSH	Song Zhi Electronics Technology (Suzhou) (“Song Zhi Suzhou”)	Provide development of semiconductor and technology, consult service and equipment leasing business	100	-
NIH	Nuvoton Technology Israel Ltd. (“NTIL”)	Design and service of semiconductor	100	100
NTHJ	Nuvoton Technology Corporation Japan (“NTCJ”, formerly PSCS company) (Note 1)	Design, sales and after-sales service of semiconductor	100	100
NTCJ	Atfields Manufacturing Technology Corporation (“AMTC”, formerly PIDE company) (Note 1)	Design and service of semiconductor	100	100
NTCJ	Miraxia Edge Technology Corporation (“METC”, formerly PIDST company) (Note 1)	Design and service of semiconductor	- (Note 2)	100

(Concluded)

Note 1: The Company 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 28 to the consolidated financial statements.

Note 2: NTCJ has sold all of its shares of METC to Winbond Company on November 1, 2021, refer to Note 29 to the consolidated financial statements.

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

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. 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:

- a. Liabilities held primarily for the purpose of trading;
- b. 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
- c. 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 31 to the consolidated financial statements.

##### **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

#### 1) 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.

#### 2) 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.

## **Guarantee Deposit**

The Group guarantee deposit mainly consists of cash received under deposit agreements with customers to ensure they have access to the Group specified capacity. When the contract expires, the guarantee deposits will be refunded to customers by offsetting related accounts receivable or returned.

## **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 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.

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 recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. 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.

### Write-down of Inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Cash and deposits in banks	\$ 9,224,031	\$ 4,898,733
Repurchase agreements collateralized by bonds	<u>475,000</u>	<u>983,000</u>
	<u>\$ 9,699,031</u>	<u>\$ 5,881,733</u>

- a. Please refer to Note 33 to the consolidated financial statements for the amount of refundable deposits pledged to secure land leases, customs tariff obligations and borrowings.

- 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>2021</u>	<u>2020</u>
Time deposits	\$ <u>184,481</u>	\$ <u>197,489</u>

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets - current</u>		
Held for trading		
Foreign exchange forward contracts and cross-currency swap contracts	\$ 1,631	\$ 4,128
Right of redemption of convertible bonds (Note 16)	<u>-</u>	<u>9,095</u>
	<u>\$ 1,631</u>	<u>\$ 13,223</u>
<u>Financial assets - non-current</u>		
Mandatorily measured at FVTPL		
Foreign warrants	<u>\$ 69,200</u>	<u>\$ -</u>
<u>Financial liabilities - current</u>		
Held for trading		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 3,191</u>

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

	<b>Currency</b>	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2021</u>			
Sell forward exchange contracts	USD/NTD	2022.01.06-2022.01.27	USD18,000/NTD499,871
<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

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 foreign exchange forward and cross-currency swap contracts did not meet the criteria for hedge accounting, therefore, the Group did not apply hedge accounting treatment.

## 8. ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Accounts receivable (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 4,204,016	\$ 4,271,490
Less: Allowance for impairment loss	<u>(32,854)</u>	<u>(25,097)</u>
	<u>\$ 4,171,162</u>	<u>\$ 4,246,393</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 the Group 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 actions are 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 (including related parties) based on the Group's provision matrix.

### December 31, 2021

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	0.1-2%	2%	10%	20%	50%	
Gross carrying amount	\$ 4,180,759	\$ 23,257	\$ -	\$ -	\$ -	\$ 4,204,016
Loss allowance (lifetime ECL)	<u>(32,389)</u>	<u>(465)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,854)</u>
Amortized cost	<u>\$ 4,148,370</u>	<u>\$ 22,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,171,162</u>

December 31, 2020

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
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>

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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 25,097	\$ 22,566
Add: Acquired through business combinations	-	806
Add: Net remeasurement of loss allowance	8,206	2,066
Foreign currency exchange gains and losses	<u>(449)</u>	<u>(341)</u>
Balance at December 31	<u>\$ 32,854</u>	<u>\$ 25,097</u>

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

Refer to Note 31 to the consolidated financial statements for details of the factoring agreements for accounts receivable.

## 9. OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Royalty receivable	\$ 370,327	\$ 425,453
Time deposits (Note 6)	184,481	197,489
Technical service receivable	136,345	175,667
Business tax refund receivable	51,468	165,647
Receivables for acquisition price adjustment	-	520,890
Others	<u>187,927</u>	<u>224,905</u>
	<u>\$ 930,548</u>	<u>\$ 1,710,051</u>

## 10. INVENTORIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Raw materials and supplies	\$ 308,639	\$ 301,764
Work-in-process	4,582,132	4,008,947
Finished goods	1,953,941	1,934,294
Inventories in transit	<u>14,754</u>	<u>5,126</u>
	<u>\$ 6,859,466</u>	<u>\$ 6,250,131</u>

The operating cost for the years ended December 31, 2021 and 2020 was NT\$24,599,840 thousand and NT\$12,961,144 thousand, respectively. The inventory write-downs, obsolescence and abandonment of inventories for the years ended December 31, 2021 and 2020 were NT\$(7,302) thousand and NT\$(60,828) thousand, respectively.

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

Investments in equity instruments at FVTOCI:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Listed shares and emerging market shares		
Nyquest Technology Co., Ltd.	\$ 255,750	\$ 80,685
Brightek Optoelectronic Co., Ltd.	1,933	894
Tower Semiconductor Ltd.	-	232,110
Unlisted shares		
United Industrial Gases Co., Ltd.	598,400	396,000
Yu-Ji Venture Capital Co., Ltd.	10,840	14,479
Autotalks Ltd. - Preferred E. Share	553,600	569,600
Tower Partners Semiconductor Co., Ltd. (“TPSCo.”)	1,255,651	512,812
Symetrix Corporation - Preferred A. Share	<u>-</u>	<u>-</u>
	<u>\$ 2,676,174</u>	<u>\$ 1,806,580</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 decided 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 January 2021 and for the year ended December 31, 2020, the Group sold its shares in Tower Semiconductor Ltd. in order to manage credit concentration risk. The shares sold had a fair value of NT\$235,166 thousand and NT\$401,356, respectively. Their related unrealized valuation gain of NT\$138,095 thousand and NT\$82,399 were transferred from other equity to retained earnings, respectively. Refer to Note 22 to the consolidated financial statements for related information.

Dividends of NT\$67,845 thousand and NT\$67,746 thousand were recognized during 2021 and 2020, 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).

## 12. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Land	\$ 1,918,115	\$ 2,203,639
Buildings	1,942,495	2,374,032
Machinery and equipment	1,057,514	1,574,487
Other equipment	229,092	256,600
Construction in progress and prepayments for purchase of equipment	<u>101,297</u>	<u>138,349</u>
	<u>\$ 5,248,513</u>	<u>\$ 6,547,107</u>

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Other Equipment</u>	<u>Construction in Progress and Prepayments for Purchase of Equipment</u>	<u>Total</u>
<u>Cost</u>						
Balance at January 1, 2021	\$ 2,203,639	\$ 23,437,689	\$ 63,250,171	\$ 3,831,256	\$ 172,820	\$ 92,895,575
Additions	-	35,417	159,336	178,529	78,895	452,177
Business combinations - subsequent adjustment of fair value	-	-	437,628	-	-	437,628
Disposals	-	(13,697)	(1,569,426)	(214,383)	-	(1,797,506)
Disposals of subsidiaries (Reorganization)	-	(9,456)	-	(34,701)	-	(44,157)
Reclassified	-	3,095	116,918	10,830	(130,843)	-
Effects of foreign currency exchange differences	<u>(285,524)</u>	<u>(2,557,784)</u>	<u>(6,628,423)</u>	<u>(448,357)</u>	<u>(19,575)</u>	<u>(9,939,663)</u>
Balance at December 31, 2021	<u>1,918,115</u>	<u>20,895,264</u>	<u>55,766,204</u>	<u>3,323,174</u>	<u>101,297</u>	<u>82,004,054</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	-	21,063,657	61,675,684	3,574,656	34,471	86,348,468
Disposals	-	(13,650)	(822,206)	(197,671)	-	(1,033,527)
Depreciation expense	-	195,267	354,700	169,364	-	719,331
Disposals of subsidiaries (Reorganization)	-	(7,029)	-	(30,981)	-	(38,010)
Reclassified	-	79	31,168	428	(31,675)	-
Effects of foreign currency exchange differences	<u>-</u>	<u>(2,285,555)</u>	<u>(6,530,656)</u>	<u>(421,714)</u>	<u>(2,796)</u>	<u>(9,240,721)</u>
Balance at December 31, 2021	<u>-</u>	<u>18,952,769</u>	<u>54,708,690</u>	<u>3,094,082</u>	<u>-</u>	<u>76,755,541</u>
Carrying amounts at December 31, 2021	<u>\$ 1,918,115</u>	<u>\$ 1,942,495</u>	<u>\$ 1,057,514</u>	<u>\$ 229,092</u>	<u>\$ 101,297</u>	<u>\$ 5,248,513</u>
<u>Cost</u>						
Balance at January 1, 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 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 currency exchange 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, 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>

(Continued)

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 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 business combinations	-	17,667,303	51,732,718	3,384,282	36,176	72,820,479
Reclassified	-	-	1,388	-	(1,388)	-
Effects of foreign currency exchange differences	-	(158,321)	(465,020)	(29,197)	(317)	(652,855)
Balance at December 31, 2020	<u>-</u>	<u>21,063,657</u>	<u>61,675,684</u>	<u>3,574,656</u>	<u>34,471</u>	<u>86,348,468</u>
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>

(Concluded)

Please refer to Note 33 to the consolidated financial statements for the amount of property, plant and equipment pledged as collateral for bank borrowings.

### 13. LEASE ARRANGEMENTS

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Land	\$ 173,211	\$ 198,547
Buildings	246,377	326,004
Machinery and equipment	754,180	940,671
Other equipment	<u>23,845</u>	<u>33,666</u>
	<u>\$ 1,197,613</u>	<u>\$ 1,498,888</u>
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 36,274</u>	<u>\$ 73,933</u>
Acquired through business combinations	<u>\$ -</u>	<u>\$ 997,787</u>
Depreciation for right-of-use assets		
Land	\$ 25,055	\$ 25,211
Buildings	102,506	91,830
Machinery and equipment	68,557	24,792
Other equipment	<u>18,869</u>	<u>20,203</u>
	<u>\$ 214,987</u>	<u>\$ 162,036</u>
Income from the subleasing of right-of-use assets (presented in other income)	<u>\$ (7,433)</u>	<u>\$ (7,010)</u>



b. Lease liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Current	\$ 247,308	\$ 300,067
Non-current	\$ 1,118,284	\$ 1,474,041

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Land	1.76%-2.06%	1.76%-2.06%
Buildings	0.33%-3.75%	0.33%-3.75%
Machinery and Equipment	0.26%-0.80%	0.33%-0.80%
Other equipment	0.44%-3.61%	0.26%-3.61%

For the years ended December 31, 2021 and 2020, the interest expense under lease liabilities amounted to \$16,769 thousand and \$14,007 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 2022 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 32 to the consolidated financial statements).

The Group leased some of the offices in the United States, China, Israel, India, Korea and Taiwan, and the lease terms will expire between 2022 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 analysis of lease payments receivable under operating subleases is as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Year 1	\$ 7,373	\$ 6,816
Year 2	2,080	5,041
Year 3	-	1,224
Year 4	-	-
Year 5	-	-
Year 6 onwards	-	-
	<u>\$ 9,453</u>	<u>\$ 13,081</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>2021</b>	<b>2020</b>
Expenses relating to short-term leases	<u>\$ 230,634</u>	<u>\$ 133,468</u>
Total cash outflow for leases	<u>\$ (533,568)</u>	<u>\$ (332,380)</u>

The Group leases certain buildings, machinery 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 to the consolidated financial statements.

#### 14. INVESTMENT PROPERTIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Investment properties, net	<u>\$ 2,005,598</u>	<u>\$ 2,466,667</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, 2021.

The remaining investment properties are located in Shenzhen, China. As of December 31, 2021 and 2020, 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>2021</b>	<b>2020</b>
<u>Cost</u>		
Balance at January 1	\$ 9,090,968	\$ 98,511
Acquired through business combinations	-	9,072,159
Disposals	(1,176)	-
Effects of foreign currency exchange differences	<u>(1,165,596)</u>	<u>(79,702)</u>
Balance at December 31	<u>7,924,196</u>	<u>9,090,968</u>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1	6,624,301	54,304
Acquired through business combinations	-	6,568,568
Depreciation expense	155,190	59,248
Disposals	(1,176)	-
Effects of foreign currency exchange differences	<u>(859,717)</u>	<u>(57,819)</u>
Balance at December 31	<u>5,918,598</u>	<u>6,624,301</u>
Carrying amount at December 31	<u>\$ 2,005,598</u>	<u>\$ 2,466,667</u>

The investment properties were leased out for 3 to 12 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 analysis of lease payments receivable under operating leases of investment properties was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Year 1	\$ 178,142	\$ 265,390
Year 2	155,123	203,485
Year 3	155,123	178,214
Year 4	155,123	159,218
Year 5	155,123	102,231
Year 6 on wards	<u>814,391</u>	<u>741,175</u>
	<u>\$ 1,613,025</u>	<u>\$ 1,649,713</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.

Please refer to Note 33 to the consolidated financial statements for the amount of investment properties pledged as collateral for bank borrowings.

## 15. INTANGIBLE ASSETS

	<u>December 31</u>		
	<u>2021</u>	<u>2020</u>	
Deferred technical assets	\$ 600,612	\$ 537,497	
Other intangible assets	<u>382,717</u>	<u>265,194</u>	
	<u>\$ 983,329</u>	<u>\$ 802,691</u>	
	<b>Deferred Technical Assets</b>	<b>Other Intangible Assets</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2021	\$ 1,640,243	\$ 1,360,969	\$ 3,001,212
Additions	259,590	210,226	469,816
Disposals	(5,591)	-	(5,591)
Disposals of subsidiaries (Reorganization)	-	(98,539)	(98,539)
Effects of foreign currency exchange differences	<u>(1,437)</u>	<u>(167,458)</u>	<u>(168,895)</u>
Balance at December 31, 2021	<u>1,892,805</u>	<u>1,305,198</u>	<u>3,198,003</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2021	1,102,746	1,095,775	2,198,521
Amortization expense	190,174	50,565	240,739
Disposals	(788)	-	(788)
Disposals of subsidiaries (Reorganization)	-	(83,811)	(83,811)
Effects of foreign currency exchange differences	<u>61</u>	<u>(140,048)</u>	<u>(139,987)</u>
Balance at December 31, 2021	<u>1,292,193</u>	<u>922,481</u>	<u>2,214,674</u>
Carrying amounts at December 31, 2021	<u>\$ 600,612</u>	<u>\$ 382,717</u>	<u>\$ 983,329</u>
<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
Amortization expense	159,518	19,995	179,513
Acquired through business combinations	-	1,117,819	1,117,819
Disposals	-	(34,969)	(34,969)
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>

## 16. BONDS PAYABLE

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Unsecured domestic convertible bonds	\$ _____ -	\$ <u>1,207,820</u>

In May 2020, the Company issued 20 thousand units, \$100,000 per unit, maturity after 7 years, 0% NTD-denominated unsecured convertible bonds, with an aggregate principal amount of NT\$2,000,000 thousand. The terms of issuance, amounts and interest rate as follows:

- a. The conversion price was set at NT\$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 distributed cash dividends in August 2021, the conversion price should be adjusted according to issuance and conversion measures, the conversion price was adjusted to NT\$38 since August 22, 2021. All convertible bonds were converted into ordinary shares as of December 31, 2021.
- 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 NT\$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	(2,024,656)
Interest charged at an effective interest rate of 1.22%	<u>21,028</u>
Liability component at December 31, 2021	\$ _____ -

## 17. BORROWINGS

### a. Short-term borrowings

	December 31			
	2021		2020	
	Interest Rate	Amount	Interest Rate	Amount
<u>Secured borrowings</u>				
Bank of Taiwan (Note 33)	-	\$ -	4.35%	\$ 1,544,910
Chinatrust Commercial Bank Co., Ltd. (Note 32)	-	-	1.29%	276,300
		<u>\$ -</u>		<u>\$ 1,821,210</u>

The short-term borrowings of Chinatrust Commercial Bank Co., Ltd are secured and guaranteed by the parent company (refer to Note 32 to the consolidated financial statements).

### b. Long-term borrowings

	Period	Interest Rate	December 31	
			2021	2020
<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>1,000,000</u>
			<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

The proceeds of the Group's unsecured loan was use to invest in Autotalks Ltd. and acquire Panasonic's semiconductor business in Japan.

To repay outstanding debt and enhance mid-term working capital, NTCJ entered into a JPY30 billion syndicated loan agreement with banks on May 17, 2021, which include Chinatrust Commercial Bank Co., Ltd. and other banks. Pursuant to the loan contract, the Company should directly or indirectly hold at least 100% of the issued shares or capital and maintain control over the operation of NTCJ, and NTCJ and Winbond Company must maintain the financial debt ratio not to be lower than certain ratio during the loan period. The aforementioned financial ratio is calculated based on the audited consolidated financial statements. As of December 31, 2021, the syndicated loan is undrawn.

Please refer to Note 33 to the consolidated financial statements for the collateral of the syndicated loan.

## 18. OTHER PAYABLES

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Payable for salaries or employee benefits	\$ 1,510,233	\$ 1,035,436
Payable for royalties	538,268	421,639
Payable for maintenance	313,857	199,508
Payable for investment	285,923	242,960
Payable for utilities	207,440	172,638
Payable for professional service	96,124	1,976
Payable for purchase of equipment	68,578	131,281
Payable for software	61,983	320,223
Payable for service	36,952	169,828
Others	<u>1,676,412</u>	<u>1,312,785</u>
	<u>\$ 4,795,770</u>	<u>\$ 4,008,274</u>

## 19. PROVISIONS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Current</u>		
Decommissioning costs	\$ 532,948	\$ 612,281
Employee benefits	<u>-</u>	<u>316,438</u>
	<u>\$ 532,948</u>	<u>\$ 928,719</u>
<u>Non-current</u>		
Employee benefits	\$ 1,537,035	\$ 1,765,833
Decommissioning costs	653,679	750,983
Warranties	<u>538,639</u>	<u>603,652</u>
	<u>\$ 2,729,353</u>	<u>\$ 3,120,468</u>

	<b>Decommiss- ioning Costs</b>	<b>Employee Benefits</b>	<b>Warranties</b>	<b>Total</b>
Balance at January 1, 2021	\$ 1,363,264	\$ 2,082,271	\$ 603,652	\$ 4,049,187
Decreased	-	(316,438)	-	(316,438)
Effects of foreign currency exchange differences	<u>(176,637)</u>	<u>(228,798)</u>	<u>(65,013)</u>	<u>(470,448)</u>
Balance at December 31, 2021	<u>\$ 1,186,627</u>	<u>\$ 1,537,035</u>	<u>\$ 538,639</u>	<u>\$ 3,262,301</u>

The Company 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 2021 and 2020, the Company contributed amounts equal to 2% 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>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 2,851,529	\$ 2,968,227
Fair value of plan assets	<u>(1,209,668)</u>	<u>(1,188,219)</u>
Net defined benefit liabilities, non-current	<u>\$ 1,641,861</u>	<u>\$ 1,780,008</u>



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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2020	<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 greater (less) than the realized rate of return	-	(22,052)	(22,052)
Actuarial (gain) loss - changes in financial assumptions	25,236	(2,995)	22,241
Actuarial (gain) loss - experience 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 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>
Service cost			
Current service cost	42,231	-	42,231
Net interest expense (income)	<u>16,971</u>	<u>(10,973)</u>	<u>5,998</u>
Recognized in profit or loss	<u>59,202</u>	<u>(10,973)</u>	<u>48,229</u>
Remeasurement			
Actuarial (gain) loss - the discount rate greater (less) than the realized rate of return	-	(9,903)	(9,903)
Actuarial (gain) loss - changes in demographic assumptions	16,877	-	16,877
Actuarial (gain) loss - changes in financial assumptions	44,987	(9,249)	35,738
Actuarial (gain) loss - experience adjustments	<u>26,105</u>	<u>(20,422)</u>	<u>5,683</u>
Recognized in other comprehensive income	<u>87,969</u>	<u>(39,574)</u>	<u>48,395</u>
Contributions from the employer	-	(44,875)	(44,875)
Benefits paid	(76,307)	75,397	(910)
Effect of foreign currency exchange differences	<u>(187,562)</u>	<u>(1,424)</u>	<u>(188,986)</u>
Balance at December 31, 2021	<u>\$ 2,851,529</u>	<u>\$ (1,209,668)</u>	<u>\$ 1,641,861</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>2021</b>	<b>2020</b>
Analysis by function		
Operating cost	\$ 4,621	\$ 5,113
Selling expenses	101	98
General and administrative expenses	3,266	13,801
Research and development expenses	<u>40,241</u>	<u>24,853</u>
	<u>\$ 48,229</u>	<u>\$ 43,865</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>2021</b>	<b>2020</b>
Discount rate(s)	0.7%-1.48%	0.30%-2.50%
Expected rate(s) of salary increase	1.5%-2.5%	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>2021</b>	<b>2020</b>
Discount rate(s)		
0.25% increase	<u>\$ (34,009)</u>	<u>\$ (33,068)</u>
0.25% decrease	<u>\$ 38,370</u>	<u>\$ 37,302</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 35,010</u>	<u>\$ 34,821</u>
0.25% decrease	<u>\$ (29,137)</u>	<u>\$ (29,927)</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.

	<u>December 31</u>	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 80,551</u>	<u>\$ 60,369</u>
The average duration of the defined benefit obligation	8.2-12.15 years	8.6-12.21 years

## 21. GUARANTEE DEPOSITS

	<u>December 31</u>	
	2021	2020
Capacity guarantee	\$ 1,879,725	\$ -
Others	<u>82,517</u>	<u>69,573</u>
	<u>\$ 1,962,242</u>	<u>\$ 69,573</u>

When the contract expires, the capacity guarantee deposits will be refunded to customers by offsetting related accounts receivable or returned, since the aforementioned contract's period all exceeds one year, guarantee deposits are accounted as non-current liabilities.

## 22. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	2021	2020
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>417,210</u>	<u>375,962</u>
Shares issued and fully paid	<u>\$ 4,172,101</u>	<u>\$ 3,759,616</u>
Par value (in New Taiwan dollars)	<u>\$ 10</u>	<u>\$ 10</u>

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

As of December 31, 2021 and 2020, the Company has issued 31,372 thousand and 20,839 thousand shares of ordinary shares due to the conversion of unsecured convertible bonds, the registration of 2,555 thousand and 12,432 thousand ordinary shares issuance has not been completed as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the balance of the Company's capital account amounted to NT\$4,172,101 thousand and NT\$3,759,616 thousand, divided into 417,210 thousand ordinary shares and 375,962 thousand ordinary shares with a par value of NT\$10.

b. Capital surplus

	<u>December 31</u>	
	2021	2020
<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	\$ 5,088,159
Conversion of bonds	1,481,180	596,347
<u>May only be used to offset a deficit</u>		
Cash capital increase reserved for employee share options	112,160	112,160
Overdue dividends unclaimed	62	52
Share of changes in capital surplus of associates or joint ventures (disposals of subsidiaries)	190,237	-
<u>May not be used for any purpose</u>		
Employee share options	<u>13</u>	<u>13</u>
	<u>\$ 6,871,811</u>	<u>\$ 5,796,731</u>

\* 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 25 to the consolidated financial statements.

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 dividends per share for 2020 and 2019 had been resolved by the Company's Board of Directors on March 16, 2021 and March 12, 2020, respectively. The number of ordinary shares outstanding and dividends per share for 2020 were affected by convertible bonds converted to ordinary shares. The appropriation of earnings for 2020 and 2019 were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Year 2020</u>	<u>For Year 2019</u>	<u>For Year 2020</u>	<u>For Year 2019</u>
Legal reserve	\$ 58,610	\$ 55,183		
Cash dividends	<u>311,733</u>	<u>345,065</u>	\$0.76	\$1.20
	<u>\$ 370,343</u>	<u>\$ 400,248</u>		

Except for the cash dividends distributed by the Company's board meeting on March 16, 2021, the rest of the 2020 appropriation of earnings were proposed by the Company's board meeting and resolved by the shareholders regular meeting on August 20, 2021.

The 2019 appropriation of earnings was proposed by the Company's board meeting on March 12, 2020 and resolved by the shareholders regular meeting on May 29, 2020.

The Company's board meeting on February 10, 2022, the appropriation of earnings for 2021 was not initiated.

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, 2021 and 2020, other comprehensive loss was NT\$916,589 thousand and NT\$109,368 thousand, respectively.

2) Unrealized valuation gains (losses) on financial assets at FVTOCI

	<u>For the Year End December 31</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 269,065	\$ 169,544
Recognized for the period	980,490	181,920
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	<u>(138,095)</u>	<u>(82,399)</u>
Balance at December 31	<u>\$ 1,111,460</u>	<u>\$ 269,065</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.

## 23. REVENUE

Refer to Note 37 to the consolidated financial statements for the Group's revenue.

## 24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Current tax		
In respect of the current year	\$ 585,262	\$ 250,386
Adjustment for prior years' tax	(440)	(9,778)
Deferred tax		
In respect of the current year	<u>19,922</u>	<u>(29,968)</u>
Income tax expense recognized in profit or loss	<u>\$ 604,744</u>	<u>\$ 210,640</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Income tax expense from continuing operations at the statutory rate	\$ 1,016,166	\$ 221,449
Tax effect of adjustment item		
Permanent differences	(90,911)	99,998
Tax-exempt income	(12,000)	(13,000)
Others	<u>(180,071)</u>	<u>(30,029)</u>
Current income tax	733,184	278,418
Unused investment credits	(128,000)	(58,000)
Adjustment for prior year's income tax	<u>(440)</u>	<u>(9,778)</u>
Income tax expense recognized in profit or loss	<u>\$ 604,744</u>	<u>\$ 210,640</u>

As the shareholders have not yet resolved the appropriation of earnings for 2021, the potential income tax consequences of the 2021 unappropriated earnings are not reliably determinable.

### c. Current tax assets and liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Tax refund receivables	<u>\$ 51,491</u>	<u>\$ 5,561</u>
Income tax payables	<u>\$ 402,369</u>	<u>\$ 221,412</u>

### d. Deferred tax assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Deferred tax assets		
Allowance for inventory valuation and obsolescence loss and others	<u>\$ 89,019</u>	<u>\$ 188,397</u>

e. Deferred tax liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Deferred tax liabilities		
Unrealized valuation gains or losses	<u>\$ 36,583</u>	<u>\$ 52,132</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.

## 25. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31				2020			
	2021		2020		2021		2020	
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Employee benefits expense								
Short-term employment benefits	\$ 1,142,560	\$ 6,272,281	\$ -	\$ 7,414,841	\$ 874,299	\$ 3,729,598	\$ -	\$ 4,603,897
Post-employment benefits	31,910	411,963	-	443,873	34,221	181,238	-	215,459
Compensation cost of employee share options	-	-	-	-	16,945	45,295	-	62,240
Depreciation	543,284	391,034	155,190	1,089,508	287,171	256,566	59,248	602,985
Amortization	23,131	217,608	-	240,739	34,330	145,183	-	179,513

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, 2021 and 2020, which were approved by the Company's board of directors on February 10, 2022 and February 18, 2021, respectively, were as follows:

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Employees' cash compensation	\$ 212,242	6	\$ 42,422	6
Remuneration of directors	35,374	1	7,070	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, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 26. SHARE-BASED PAYMENT ARRANGEMENTS

The Company's board of directors resolved to reserve 10% of the shares from the issuance of 80,000 thousand shares approved by the FSC on September 25, 2020 to be subscribed for by its employees. The number of shares subscribed for by the employees was affirmed on October 21 2020. 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 which was recorded as compensation costs with a corresponding increase in capital surplus.

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

Agreement	Grant Date	Number of Shares Grant	Vesting Conditions
Cash capital increase reserved for employee share options	October 21, 2020	8,000 thousand shares	Vested immediately

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

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

## 27. 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					
	2021		2020			
	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Company)	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Company)
Basic earnings per share						
Net profit attributed to owners of the Company	\$ 2,940,752	404,370	\$ <u>7.27</u>	\$ 532,785	295,056	\$ <u>1.81</u>
Effect of potentially dilutive ordinary shares						
Employees' compensation	-	1,629		-	993	
Convertible bonds	<u>5,856</u>	<u>15,395</u>		<u>10,966</u>	<u>19,344</u>	
Diluted earnings per share						
Net profit attributed to owners of the Company	\$ <u>2,946,608</u>	<u>421,394</u>	\$ <u>6.99</u>	\$ <u>543,751</u>	<u>315,393</u>	\$ <u>1.72</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.



## 28. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred</b>
Panasonic semiconductor business	Semiconductor business	September 1, 2020	100	<u>\$ 8,432,481</u>

The Group 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 Semiconductor Business</b>
Cash	\$ 8,358,041
Contingent consideration arrangement*	<u>74,440</u>
	<u>\$ 8,432,481</u>

\* 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 reimbursed to Panasonic based on the shareholding ratio (49%).

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

	<b>Panasonic Semiconductor Business</b>
Current assets	
Cash and cash equivalents	\$ 1,102,882
Accounts receivable and other receivables	4,469,464
Inventories	4,613,102
Prepayments	216,082
Non-current assets	
Financial asset at FVTOCI	960,800
Property, plant and equipment	6,241,162
Investment property	2,503,591
Right-of-use assets	997,787
Intangible assets	83,046
	(Continued)

	<b>Panasonic Semiconductor Business</b>
Deferred tax assets	\$ 103,259
Other assets	<u>4,639</u>
Total assets	<u>\$ 21,295,814</u>
Current liabilities	
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
Non-current liabilities	
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>
Total liabilities	<u>\$ 12,702,722</u>
Net assets	<u>\$ 8,593,092</u>

(Concluded)

d. Gain on the bargain purchase

	<b>Panasonic Semiconductor Business</b>
Fair value of identifiable net assets obtained	\$ 8,593,092
Less: Consideration transferred	<u>(8,432,481)</u>
Gain on the bargain purchase	<u>\$ 160,611</u>

The Group has completed to measure and allocate aforementioned assets and liabilities at fair value for the acquisition of Panasonic semiconductor business on June 16, 2021, NT\$(58,357) thousand was recognized in non-operating income and expenses to decrease gain on the bargain purchase in 2021.

e. Net cash outflow on the acquisition of subsidiaries

	<b>Panasonic Semiconductor Business</b>
Consideration paid in cash	\$ 8,432,481
Less: Cash and cash equivalent balances acquired	<u>(1,102,882)</u>
	7,329,599

(Continued)

**Panasonic  
Semiconductor  
Business**

Acquisition price adjustment	
Investment payable	\$ (74,440)
Business tax refund receivable	133,101
Other payable for contract (presented in provisions)	(316,438)
Effects of foreign currency exchange differences	<u>(7,324)</u>
	<u>\$ 7,064,498</u>
	(Concluded)

f. Impact of acquisitions on the results of the Group

The financial results of the acquirees from the acquisition dates (September 1, 2020) to December 31, 2020, which are included in the consolidated statements of comprehensive income, are as follows:

**Panasonic  
Semiconductor  
Business**

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.

## 29. DISPOSAL OF SUBSIDIARIES

The Group sold 100% shares of METC to the parent company (Winbond Electronics Corporation) at the consideration JPY1,462,000 thousand (NT\$357,897 thousand) on November 1, 2021. Since this equity transaction is deemed as a reorganization, the difference between consideration received and the carrying amount of the net assets of METC during actual disposal was adjusted to the capital surplus.

a. Consideration received from disposals

**METC**

Cash and cash equivalents	<u>\$ 357,897</u>
---------------------------	-------------------

b. Analysis of assets and liabilities on the date control was lost

**METC**

Current assets	
Cash and cash equivalents	\$ 298,304
Accounts receivable and other receivables	101,201
Inventories	39,835
Prepayments	6,147
	(Continued)

	<b>METC</b>
Non-current assets	
Property, plant and equipment	\$ 6,146
Intangible assets	14,728
Deferred tax assets	<u>65,349</u>
Total assets	<u>\$ 531,710</u>
Current liabilities	
Accounts payable and other payables	\$ 291,280
Current tax liabilities	17,717
Other current liabilities	<u>55,053</u>
Total liabilities	<u>\$ 364,050</u>
Net assets disposed of	<u>\$ 167,660</u>
	(Concluded)

c. Net cash inflow on disposals of subsidiaries

	<b>METC</b>
Consideration received in cash and cash equivalents	\$ 357,897
Less: Cash and cash equivalent balances disposed of	<u>(298,304)</u>
	<u>\$ 59,593</u>

### 30. 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.

### 31. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	<b>December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial assets</u>				
Financial assets at amortized cost (Note 1)	\$ 14,934,928	\$ 14,934,928	\$ 12,489,674	\$ 12,489,674
Financial assets at FVTPL				
Derivative financial assets	70,831	70,831	13,223	13,223
Financial assets at FVTOCI				
Investment in equity instruments	2,676,174	2,676,174	1,806,580	1,806,580
				(Continued)

	<b>December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>				
Financial liabilities at amortized cost (Note 2)	\$ 11,152,320	\$ 11,152,320	\$ 12,257,989	\$ 12,534,077
Financial liabilities at FVTPL				
Derivative financial liabilities	-	-	3,191	3,191 (Concluded)

Note 1: Including cash and cash equivalents, 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 market 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, the fair value of investments will decrease by \$7,797 thousand and \$8,023 thousand for the years ended December 31, 2021 and 2020, respectively.

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

	<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>

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

	<b>December 31, 2021</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>1,631</u>	\$ <u>69,200</u>	\$ <u>70,831</u>
<u>Financial assets at FVTOCI</u>				
Domestic and overseas listed shares and emerging market shares	\$ <u>257,683</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>257,683</u>
Domestic and overseas unlisted shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,418,491</u>	\$ <u>2,418,491</u>

	<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	\$ <u>-</u>	\$ <u>13,223</u>	\$ <u>-</u>	\$ <u>13,223</u>
<u>Financial assets at FVTOCI</u>				
Domestic and overseas listed shares and emerging market shares	\$ <u>313,689</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>313,689</u>
Domestic and overseas unlisted shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,492,891</u>	\$ <u>1,492,891</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	\$ <u>-</u>	\$ <u>3,191</u>	\$ <u>-</u>	\$ <u>3,191</u>

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

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, 2021 and 2020 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 1,492,891	\$ 1,056,205
Additions	69,763	-
Acquired through business combinations	-	456,117
Proceeds from capital reduction of investments	(4,500)	(2,250)
Recognized in other comprehensive income	930,100	(17,181)
Recognized in profit or loss	<u>(563)</u>	<u>-</u>
Balance at December 31	<u>\$ 2,487,691</u>	<u>\$ 1,492,891</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 was 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 risk 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 36 to the consolidated financial statements.

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\$9,044 thousand decrease and NT\$3,140 thousand decrease for the years ended December 31, 2021 and 2020, 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>2021</b>	<b>2020</b>
Cash flow interest rate risk		
Financial assets	\$ 8,413	\$ 7,749
Financial liabilities	1,500,000	3,321,210

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, 2021 and 2020 would have increased by NT\$14,916 thousand and NT\$33,135 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, to mitigate the risk of financial loss from defaults, the Group has established risk procedures and is continuously assessing the credit risk of each counterparty, sufficient collateral will be obtained when necessary. 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, 2021</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	\$ 7,690,077	\$ -	\$ -	\$ 7,690,077
Variable interest rate liabilities	245,924	200,132	912,715	1,358,771
	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>
	<u>\$ 7,936,001</u>	<u>\$ 200,132</u>	<u>\$ 2,412,715</u>	<u>\$ 10,548,848</u>

Additional information about the maturity analysis of lease liabilities:

	<b>Less than 2 Years</b>	<b>2-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
	<u>Non-derivative financial liabilities</u>			
Lease liabilities	<u>\$ 446,056</u>	<u>\$ 365,682</u>	<u>\$ 547,033</u>	<u>\$ 1,358,771</u>



	<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	\$ 7,659,385	\$ -	\$ -	\$ 7,659,385
Lease liabilities	308,294	264,121	1,231,072	1,803,487
Variable interest rate liabilities	1,821,210	-	1,500,000	3,321,210
Fixed interest rate liabilities	<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>Over 5 Years</b>	<b>Total</b>
	<u>Non-derivative financial liabilities</u>			
Lease liabilities	<u>\$ 572,415</u>	<u>\$ 500,296</u>	<u>\$ 730,776</u>	<u>\$ 1,803,487</u>

d. Transfers of financial assets

Factored accounts receivable that are not yet overdue at December 31, 2021, and 2020 was as follows:

December 31, 2021

<b>Counterparty</b>	<b>Receivables Factoring Proceeds</b>	<b>Advances Received - Unused</b>	<b>Advances Received - Used</b>	<b>Annual Interest Rates on Advances Received (Used) (%)</b>
Sumitomo Mitsui Banking Corporation	<u>\$ 98,885</u>	<u>\$ -</u>	<u>\$ 98,885</u>	<u>0.9</u>

December 31, 2020

<b>Counterparty</b>	<b>Receivables Factoring Proceeds</b>	<b>Advances Received - Unused</b>	<b>Advances Received - Used</b>	<b>Annual Interest Rates on Advances Received (Used) (%)</b>
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.

### 32. 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
Callisto Holding Limited	Associate
Miraxia Edge Technology Corporation (“METC”)	Associate
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 Cheng Construction Co., Ltd.	Related party in substance
United Industrial Gases Co., Ltd.	Related party in substance
Glorystones Corporation	Related party in substance
Waltech Advanced Engineering (Suzhou), Inc. (“Waltech”)	Related party in substance

- b. Operating activities

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
1) Operating revenue		
Related party in substance		
Waltech	\$ 3,472,193	\$ -
Others	568,035	300,887
Associate	<u>81,846</u>	<u>88,422</u>
	<u>\$ 4,122,074</u>	<u>\$ 389,309</u>
2) Purchases of goods		
Related party in substance		
TPSCo.	\$ 6,319,062	\$ 2,101,947
Others	111,089	-
Parent company	<u>372,726</u>	<u>209,957</u>
	<u>\$ 6,802,877</u>	<u>\$ 2,311,904</u>
3) Manufacturing expenses		
Related party in substance		
TPSCo.	\$ 2,037,130	\$ 720,784
Waltech	362,342	-
Others	12,194	833
Parent company	<u>671</u>	<u>369</u>
	<u>\$ 2,412,337</u>	<u>\$ 721,986</u>

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
4) Operating expenses		
Related party in substance	\$ 407,498	\$ 200,794
Parent company	39,065	21,037
Associate	<u>96,922</u>	<u>8,108</u>
	<u>\$ 543,485</u>	<u>\$ 229,939</u>
5) Dividend income		
Related party in substance		
United Industrial Gases Co., Ltd.	\$ 62,000	\$ 64,394
Nyquest Technology Co., Ltd.	<u>5,775</u>	<u>3,300</u>
	<u>\$ 67,775</u>	<u>\$ 67,694</u>
6) Other income (expenses)		
Related party in substance		
Nyquest Technology Co., Ltd.	\$ 339	\$ 218
Waltech	(213)	-
Parent company	<u>-</u>	<u>2</u>
	<u>\$ 126</u>	<u>\$ 220</u>
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
7) Accounts receivable from related parties		
Related party in substance		
Waltech	\$ 564,244	\$ -
Others	75,019	77,760
Associate	<u>17,475</u>	<u>12,817</u>
	<u>\$ 656,738</u>	<u>\$ 90,577</u>
8) Other receivables		
Related party in substance		
TPSCo.	\$ 262,957	\$ 278,957
Others	4,241	-
Associate	<u>14,359</u>	<u>214</u>
	<u>\$ 281,557</u>	<u>\$ 279,171</u>

Other receivables - related parties were collection or payment on behalf of others.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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.	\$ 396,973	\$ 788,043
Others	33,640	-
Parent company	<u>36,060</u>	<u>39,500</u>
	<u>\$ 466,673</u>	<u>\$ 827,543</u>
11) Other payables		
Related party in substance		
TPSCo.	\$ 61,302	\$ 77,373
Waltech	124,227	-
Associate		
METC	53,075	-
Parent company	<u>20,466</u>	<u>9,738</u>
	<u>\$ 259,070</u>	<u>\$ 87,111</u>
12) Guarantee deposits		
Parent company	\$ 545	\$ 545
Related party in substance		
Nyquest Technology Co., Ltd.	<u>225,869</u>	<u>-</u>
	<u>\$ 226,414</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.

13) Acquisition of property, plant and equipment

	<b>Acquisition Price</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Related party in substance	<u>\$ -</u>	<u>\$ 8,352</u>

14) Disposal of property, plant and equipment

	<u>Proceeds</u>		<u>Gain (Loss) on Disposal</u>	
	<u>For the Year Ended December</u>		<u>For the Year Ended December</u>	
	<u>31</u>		<u>31</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Related party in substance				
Waltech	\$ 886,862	\$ -	\$ 144,679	\$ -
TPSCo.	<u>150</u>	<u>-</u>	<u>117</u>	<u>-</u>
	<u>\$ 887,012</u>	<u>\$ -</u>	<u>\$ 144,796</u>	<u>\$ -</u>

The price of above transaction were determined to base on the acquisition cost of the equipment and reference to the recent quoted market price.

c. Lease arrangements - Group is lessee

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
1) Lease liabilities		
Parent company	\$ 36,172	\$ 47,969
Related party in substance	11,316	22,451
Associate	<u>-</u>	<u>7,566</u>
	<u>\$ 47,488</u>	<u>\$ 77,986</u>
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
2) Finance costs		
Parent company	\$ 441	\$ 569
Related party in substance	264	438
Associate	<u>122</u>	<u>404</u>
	<u>\$ 827</u>	<u>\$ 1,411</u>

d. Lease arrangements - Group is lessor/sublease arrangements

Sublease arrangements under operating leases

For the years ended December 31, 2021 and 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>2021</b>	<b>2020</b>
Related party in substance TPSCo.	\$ 20,459	\$ 23,504
Parent company	67	-
Associate	<u>237</u>	<u>245</u>
	<u>\$ 20,763</u>	<u>\$ 23,749</u>

2) Future lease payment receivables was as follows:

<b>Related Party Category</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Related party in substance TPSCo.	\$ 1,607,021	\$ 1,635,005
Parent company	4,369	11,133
Associate	<u>1,296</u>	<u>1,948</u>
	<u>\$ 1,612,686</u>	<u>\$ 1,648,086</u>

3) Lease income were as follows:

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Related party in substance TPSCo.	\$ 237,011	\$ 85,353
Parent company	4,198	3,838
Associate	<u>3,133</u>	<u>1,524</u>
	<u>\$ 244,342</u>	<u>\$ 90,715</u>

e. 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 to the consolidated financial statements.

Endorsements and guarantees given by related parties

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company		
Amount endorsed	<u>\$ 11,080,076</u>	<u>\$ 4,440,417</u>
Amount utilized (reported as secured bank loans)	<u>\$ -</u>	<u>\$ 276,300</u>

f. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 198,754	\$ 108,469
Post-employment benefits	3,479	2,976
Compensation costs of employee share options	<u>-</u>	<u>2,956</u>
	<u>\$ 202,233</u>	<u>\$ 114,401</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

g. Other related party transactions

On November 1, 2021, the Group sold 100% shares of METC to the parent company at the price JPY1,462,000 thousand (NT\$357,897 thousand). Since the equity transfer is a reorganization under the jointly controlled entities, the difference between consideration received and the carrying amount of the net assets of METC during actual disposal was adjusted to increase the capital surplus by NT\$190,237 thousand.

### 33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for land leases, customs tariff obligations and bank borrowings:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	\$ 1,409,239	\$ -
Buildings	702,062	-
Investment properties	425,606	-
Time deposits (accounted as refundable deposits)	<u>107,168</u>	<u>636,102</u>
	<u>\$ 2,644,075</u>	<u>\$ 636,102</u>

### 34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingent liabilities and unrecognized commitments of the Group as of the end of the reporting period, excluding those disclosed in other notes, were as follows:

L Company filed a complaint in the U.S. District Court for the District of Delaware on April 29, 2021. The plaintiff alleged that NTCA (and NTCA only) infringes one of its patents. On June 22, 2021, NTCA signed the authorization and settlement agreement. According to the agreement, L Company then withdrew the complaint in the U.S. District Court for the District of Delaware on June 30, 2021.

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 liabilities. The plaintiff applied to withdraw the complaint against the Company in the Court on June 29, 2021, and applied to withdraw the complaint against NTCA in the Court on July 7, 2021. The court has filed an order of dismissal, the case was closed.

N Company filed a complaint in the U.S. District Court for the District of Delaware on November 24, 2021. The plaintiff alleged that NTCA (not including NTC) infringes one of its patents. The Company has evaluated that there is no significant impact on its business and finances, and will conduct related litigation matters in accordance with the procedures established by the court.

### 35. OTHER ITEMS

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 concerns about the capability of the Group to be going concern, and the risk of assets impairment and fund raising.

### 36. 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					
	2021			2020		
	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	\$ 99,078	27.68	\$ 2,742,470	\$ 57,028	28.48	\$ 1,624,156
ILS	9,584	8.8912	85,210	20,800	8.8712	184,522
RMB	4,100	4.344	17,810	8,724	4.377	38,186
JPY	435,969	0.2405	104,851	48,824	0.276	13,490
<u>Financial liabilities</u>						
Monetary items						
USD	121,847	27.68	3,372,723	46,275	28.48	1,317,309
ILS	20,700	8.8912	184,048	18,706	8.8712	165,943
RMB	4,212	4.344	18,296	7,098	4.377	31,067
JPY	1,140,035	0.2405	274,179	68,971	0.276	19,057

Note: The rate foreign currencies are exchanged to New Taiwan dollars and displayed as a rate.

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange losses were NT\$24,204 thousand and NT\$6,417 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 Group.

### 37. 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		For the Year Ended December	
	2021	2020	2021	2020
General IC products	\$ 35,610,810	\$ 17,955,892	\$ 4,953,725	\$ 1,018,873
Foundry service	<u>2,515,484</u>	<u>2,047,394</u>	<u>1,140,994</u>	<u>696,660</u>
Total of segment revenue	38,126,294	20,003,286	6,094,719	1,715,533
Other revenue	<u>3,329,663</u>	<u>664,770</u>	<u>1,552,407</u>	<u>656,845</u>
Operating revenue	<u>\$ 41,455,957</u>	<u>\$ 20,668,056</u>	7,647,126	2,372,378
Unallocated expenditure				
Administrative and supporting expense			(2,884,137)	(1,358,393)
Sales and other common expenses			<u>(1,435,846)</u>	<u>(691,703)</u>
Total operating profit			3,327,143	322,282
Finance costs			(68,915)	(70,228)
Interest income			30,007	22,330
Dividend income			67,845	67,746
Gain on the bargain purchase			-	218,968
Other gains and losses			67,420	114,345
Gains (losses) on disposal of property, plant and equipment			134,893	40,433
Losses on disposals of intangible assets			(4,803)	-
Foreign exchange gains (losses)			(24,204)	(6,417)
Gains (losses) on financial instruments at fair value through profit or loss			<u>16,110</u>	<u>33,966</u>
Profit before income tax			<u>\$ 3,545,496</u>	<u>\$ 743,425</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.

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Asia	\$ 40,841,489	\$ 20,259,853	\$ 9,415,636	\$ 11,255,049
United States	388,106	199,776	23,722	60,632
Europe	225,502	203,569	-	-
Others	860	4,858	-	-
	<u>\$ 41,455,957</u>	<u>\$ 20,668,056</u>	<u>\$ 9,439,358</u>	<u>\$ 11,315,681</u>

d. Information about major customer

Single customers contributing 10% or more to the Group's operating revenue for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Customer S	\$ 13,524,520	33	\$ 4,793,626	23
Customer V	<u>5,045,639</u>	<u>12</u>	<u>3,853,466</u>	<u>19</u>
	<u>\$ 18,570,159</u>	<u>45</u>	<u>\$ 8,647,092</u>	<u>42</u>

### 38. ADDITIONAL DISCLOSURE

Transactions between Nuvoton Technology Corporation and subsidiaries are all eliminated when preparing the consolidated financial statements.

a. Following are the additional disclosures for material transactions and investments:

1)	Financings provided	None
2)	Endorsements/guarantees provided	Table 1
3)	Marketable securities held (excluding investments in subsidiaries and associates)	Table 2
4)	Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital	Table 3
5)	Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital	None
6)	Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital	None
7)	Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital	Table 4
8)	Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital	Table 5
9)	Information about the derivative financial instruments transaction	Note 7
10)	Intercompany relationships and Significant intercompany transactions	Table 8
11)	Information on investments	Table 6

b. Information on investment in mainland China

1)	The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits (losses) of investee, ending balance, amount received as dividends from the investee, and the limitation on investee.	Table 7
2)	<p>Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports.</p> <p>a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.</p> <p>b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.</p> <p>c) The amount of property transactions and the amount of the resultant gains or losses.</p> <p>d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.</p> <p>e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.</p> <p>f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.</p>	Table 7

c. Information of major shareholders: Refer to Table 9 attached.

**NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 2)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Borrowing Amount (In Thousands of Foreign Currencies)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
1	The Company	NTCJ	Subsidiary	\$ 15,554,690	\$ 2,411,350 (JPY 8,300,000) and (US\$ 15,000)	\$ 1,413,275 (JPY 4,150,000) and (US\$ 15,000)	\$ 159,306 (JPY 662,000) and (US\$ 3)	\$ -	9.09	\$ 15,554,690	Y	N	N
		NTSH	Subsidiary	15,554,690	2,302,320 (RMB 530,000)	-	-	-	-	15,554,690	Y	N	Y

Note 1: The Company's maximum amount endorsed are limited to 20% of the net equity in latest financial statements of the Company or the net value of the endorsee company, whichever is lower. The Company's limitation of maximum endorse amount as described are not limited to subsidiaries that directly or indirectly hold more than 50% of voting shares.

Note 2: The ending balance is approved by the boards of directors of the Company.

Note 3: The Company's maximum amount endorsed are based on the net equity in the latest financial statements of the Company.

**NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Shares</u> Yu-Ji Venture Capital Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	675,000	\$ 10,840	5	\$ 10,840	
	Brightek Optoelectronic Co., Ltd.	None	"	34,680	1,933	-	1,933	
	United Industrial Gases Co., Ltd.	The held company as the investee's director	"	8,800,000	598,400	4	598,400	
	Autotalks Ltd. - Preferred E. Share	None	"	3,932,816	553,600	9	553,600	
	<u>Warrants</u> Autotalks Ltd.	None	Non-current financial assets at fair value through profit or loss	-	69,200	-	69,200	
SYI	<u>Shares</u> Nyquest Technology Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	1,650,000	255,750	5	255,750	
NTCJ	<u>Shares</u> Symetrix Corporation	None	"	50,268	-	1	-	
	Tower Partners Semiconductor Co., Ltd. ("TPSCo.")	Related party in substance	"	14,700	1,255,651	49	1,255,651	Note

Note: Under the business combination arrangement, if TPSCo. turns net profit during the period of the effective date of the acquisition to March 31, 2022, the Group is required to pay Panasonic Corporation the net profit based on ownership share. Thus, the Group has no significant influence over TPSCo. during the period of the effective date of the acquisition to March 31, 2022. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income.

**NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021**

(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
NTCJ	METC	Investments accounted for using equity method	WEC	The Company's parent	4,000	\$ 313,282	-	\$ 109,206 Investment income or loss (216,893) Cash dividends paid (37,935) Cumulative translation adjustments	4,000	\$ 357,897 (JPY1,462,000)	\$ 167,660	\$ - Disposal income or loss 190,237 Capital surplus adjustments (Note)	-	\$ -

Note: NTCJ sold 100% shares of METC to the parent company (Winbond Electronics Corporation) at the consideration JPY1,462,000,000 on November 1, 2021. Since this equity transaction is deemed as a reorganization, the difference NT\$(190,237) thousand between consideration received and the carrying amount of the net assets of METC during actual disposal was adjusted to the capital surplus.

**NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021**

(Transactions between Nuvoton Technology Corporation and subsidiaries are all eliminated when preparing the consolidated financial statements. The following disclosure information is only for reference.)  
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	NTHK	Subsidiary	Sales	\$ 5,223,300	40	Net 90 days from invoice date	N/A	N/A	\$ 36,138	3	
	WEC	The Company's parent	Purchases	368,505	8	Net 30 days from invoice date	N/A	N/A	(36,060)	2	
	Nyquest	Related party in substance	Sales	264,399	2	Net 45 days from invoice date	N/A	N/A	52,397	4	
	NTCJ	Subsidiary	Purchases	292,813	6	Net 15 days end of the month	N/A	N/A	(71,813)	4	
NTCJ	The Company	Parent company	Sales	US\$ 10,527	1	Net 15 days end of the month	N/A	N/A	JPY 287,475	3	
NTHK	The Company	Parent company	Purchases	US\$ 187,021	100	Net 90 days from invoice date	N/A	N/A	US\$ (1,306)	100	
NTSG	NTCJ	Fellow subsidiary	Sales	US\$ 105,641	34	Net 10 days end of the month	N/A	N/A	US\$ 12,322	43	
NTCJ	NTSG	Fellow subsidiary	Purchases	JPY 11,336,071	25	Net 10 days end of the month	N/A	N/A	JPY (1,418,194)	10	
		Fellow subsidiary	Sales	JPY 21,243,879	23	Net 10 days end of the month	N/A	N/A	JPY 1,856,012	17	
NTSG	NTCJ	Fellow subsidiary	Purchases	US\$ 195,084	67	Net 10 days end of the month	N/A	N/A	US\$ (16,126)	65	
NTCJ	NTSH	Fellow subsidiary	Sales	JPY 4,168,163	5	Net 15 days end of the month	N/A	N/A	-	-	
NTSH	NTCJ	Fellow subsidiary	Purchases	JPY 4,168,163	100	Net 15 days end of the month	N/A	N/A	-	-	
		Fellow subsidiary	Sales	RMB 84,688	20	Net 15 days end of the month	N/A	N/A	-	-	
NTCJ	NTSH	Fellow subsidiary	Purchases	RMB 84,688	3	Net 15 days end of the month	N/A	N/A	-	-	
		Related party in substance	Purchases	JPY 24,707,241	55	Net 10 days end of the month	N/A	N/A	JPY (1,650,615)	22	
		Related party in substance	Sales	JPY 12,925,853	14	Net 10 days end of the month	N/A	N/A	JPY 2,284,284	21	
NTSG	Waltech	Related party in substance	Purchases	US\$ 3,984	1	Net 10 days end of the month	N/A	N/A	US\$ (537)	2	
NTSH	Waltech	Related party in substance	Sales	RMB 33,736	8	Net 15 days end of the month	N/A	N/A	-	-	

**NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
NTSG	NTCJ	Fellow subsidiary	US\$ 12,322 (Note 2)	10.84	\$ -	-	US\$ 12,322	\$ -
NTCJ	NTSG	Fellow subsidiary	JPY 1,856,012 (Note 2)	12.39	-	-	JPY 1,856,012	-
AMTC	NTCJ	Parent company	JPY 577,004 (Note 2)	7.02	-	-	JPY 577,004	-
NTIL	The Company	Parent company	ILS 20,700 (Note 2)	(Note 1)	-	-	ILS 20,700	-
NTCJ	Waltech TPSCo.	Related party in substance	JPY 2,284,284	15.09	-	-	JPY 2,284,284	-
		Related party in substance	JPY 1,093,377	(Note 1)	-	-	JPY 1,093,377	-

Note 1: Other receivables is not applicable to calculation of turnover rate.

Note 2: All receivables balances are eliminated.



**NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA) FOR THE YEAR ENDED DECEMBER 31, 2021**

**(TRANSACTIONS BETWEEN NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES ARE ALL ELIMINATED WHEN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS.**

**THE FOLLOWING DISCLOSURE INFORMATION IS ONLY FOR REFERENCE.)**

**(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
The Company	NTHK	Hong Kong	Sales of semiconductor	\$ 427,092	\$ 427,092	107,400,000	100	\$ 508,077	\$ 44,719	\$ 44,719	
	MML	British Virgin Islands	Investment holding	274,987	273,418	8,897,789	100	298,146	176,494	176,494	
	NIH	British Virgin Islands	Investment holding	590,953	590,953	17,960,000	100	360,342	56,889	56,889	
	SYI	Taiwan	Investment holding	38,500	38,500	3,850,000	100	277,340	5,847	5,847	
	NTIPL	India	Design, sales and service of semiconductor	30,211	30,211	600,000	100	20,532	131	131	
	NTCA	United States of America	Design, sales and service of semiconductor	190,862	190,862	60,500	100	180,225	3,427	3,427	
	NTSG	Singapore	Design, sales and service of semiconductor	1,319,054	1,094,134	45,100,000	100	1,607,079	336,971	336,971	
	NTKL	Korea	Design, sales and service of semiconductor	30,828	30,828	125,000	100	11,201	(15,029)	(15,029)	
	NTHJ	Japan	Investment holding	5,927,849	5,941,896	100	100	6,370,802	323,476	81,815	(Note 1)
	MML	GLLC	United States of America	Investment holding	1,473,559	1,472,903	-	100	297,599	176,817	176,817
NIH	NTIL	Israel	Design and service of semiconductor	46,905	46,905	1,000	100	361,619	56,985	56,985	
NTHJ	NTCJ	Japan	Design, sales and service of semiconductor	111,520	111,520	9,480	100	10,961,545	323,113	323,113	
NTCJ	METC	Japan	Design and service of semiconductor	-	55,760	-	-	-	109,206	109,206	(Note 3)
	AMTC	Japan	Design and service of semiconductor	55,760	55,760	4,000	100	278,266	137,018	137,018	

Note 1: Share of profit (loss) includes downstream and upstream transactions and the amortization cost of the difference between the original investment amount and equity.

Note 2: Refer to Table 7 for information on investment in mainland China.

Note 3: NTCJ sold its 100% shares of METC to the parent company (Winbond Electronics Corporation) on November 1, 2021.

**NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars and U.S. Dollars)**

1. Information on any investee company in mainland China, main businesses and products, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period and repatriations of investment income:

Investee Company in mainland China	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	% Ownership of Direct or Indirect Investment	Net Income of the Investee	Investment Gain (Note 1)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
NTSH	Provide project of sale in China and repairing, testing and consulting of software and leasing business	\$ 68,036 (US\$ 2,000)	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	\$ 68,036 (US\$ 2,000)	\$ -	\$ -	\$ 68,036 (US\$ 2,000)	100	\$ 177,178	\$ 177,178	\$ 300,288	\$ -
WENJ	Computer software service (except I.C. design)	16,429 (US\$ 500)	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	16,429 (US\$ 500)	-	-	16,429 (US\$ 500)	100	-	-	(2,994) (Note 2)	-
NTSZ	Computer software service (except I.C. design), wholesale business for computer, supplement and software	197,670 (US\$ 6,000)	Through investing in NTHK in the third area, which then invested in the investee in mainland China indirectly	197,670 (US\$ 6,000)	-	-	197,670 (US\$ 6,000)	100	8,805	8,805	216,692	-
Song Zhi (Suzhou)	Provide development of semiconductor and technology, consult service and equipment leasing business	8,688 (RMB 2,000)	Through investing in NTSH in the third area, which then invested in the investee in mainland China indirectly	- (Note 3)	-	-	-	100	(582)	(582)	8,104	-

Note 1: Investment profit or loss for the year ended December 31, 2021 was recognized under the basis of the financial statements audited by the Company's auditor.

Note 2: WENJ has a negative net book value as of December 31, 2021, which is reclassified to other non-current liabilities.

Note 3: NTSH directly injected the capital in Song Zhi (Suzhou).

2. Information on any investee company in mainland China, main businesses and products, paid-in capital, method of investment, limit on investment in mainland China:

Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
The Company	NT\$282,135 (US\$8,500)	NT\$282,135 (US\$8,500)	NT\$9,332,814

Note 4: Upper limit on the amount of 60% of the Company's net book value.

3. Refer to Table 8 for significant transactions with the investee in mainland China directly and indirectly through investing in companies in the third area.
4. Refer to Table 1 for handling endorsement, guarantee and collateral to the investee in Mainland China directly and indirectly through investing in companies in the third area.
5. Financing of funds to investee in mainland China directly and indirectly through investing in companies in the third area: None.
6. Other transactions with significant influence on profit or loss for the period or financial performance: None.

**NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars and Foreign Currencies)**

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms (Note)	
0	2021 The Company	NTHK NTIL NTIL NTCA	Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries	Operating revenue	\$ 5,223,300	-	13
				Operating expense	989,897	-	2
				Other payables	184,048	-	1
				Operating expense	290,515	-	1
1	NTCJ	NTSG NTSG	Transactions between subsidiaries Transactions between subsidiaries	Operating revenue	JPY 21,243,879	-	12
				Accounts receivable due from related parties	JPY 1,856,012	-	1
2	NTSG	NTCJ NTCJ	Transactions between subsidiaries Transactions between subsidiaries	Operating revenue	US\$ 105,641	-	7
				Accounts receivable due from related parties	US\$ 12,322	-	1
3	NTSH	NTCJ	Transactions between subsidiaries	Operating revenue	RMB 84,688	-	1
4	AMTC	NTCJ NTCJ	Transactions between subsidiaries Transactions between subsidiaries	Other operating revenue	JPY 2,868,191	-	2
				Accounts receivable due from related parties	JPY 577,004	-	-

Note 1: There is no significant difference between the sales conditions of parent-subsidary sales and general sales, and the rest of the transactions have no similar transactions to follow, thus the transactions between the two parties are based on the agreement.

Note 2: Significant intercompany transactions refers to transactions amounted to \$100 million.

**NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Winbond Electronics Corporation	214,954,635	51.21

Note 1: Table 9 is based on the information on the last business day of the quarter provided by the Taiwan Depository & Clearing Corporation (TDCC). The TDCC calculate the total number of ordinary shares and preferred shares held by shareholders who retain more than 5% of the Company's share (including treasury shares) that have delivered without physical registration. The number of shares in the Company's consolidated financial report and the actual number of shares delivered without physical registration may differ due to the different calculation basis.

Note 2: As per information above, if the shareholder delivers the shares to the trust, shares will be disclosed based on the trustee's account. Additionally, according to the Securities and Exchange Act, internal stakeholder whom holds more than 10% of the Company's share, which includes shares held by the stakeholder and parts delivered to the trust that have decision making rights, should be declared. For information regarding internal stakeholder declaration, please refer to the Market Observation Post System website of the Taiwan Stock Exchange Corporation.

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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 temporary increase in their credit facilities in 2021 as a key audit matter for the year ended December 31, 2021. 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 sales transactions have indeed occurred.

#### Investments Accounted for Using Equity Method

As mentioned in Note 11 to the financial statements, the balance of investments accounted for using equity method amounted to NT\$9,633,744 thousand, representing 40% 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 investments as a key audit matter for the year ended December 31, 2021.

Our audit procedures included obtaining audited financial statements of subsidiaries as of and for the year ended December 31, 2021 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 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, 2021 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 Kenny Hong and Shu-Lin Liu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 10, 2022

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, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 7,519,937	31	\$ 3,677,602	20
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,631	-	13,223	-
Accounts receivable, net (Notes 4 and 8)	1,055,505	4	800,031	4
Accounts receivable from related parties, net (Notes 4, 8 and 29)	152,839	1	106,317	1
Other receivables (Note 29)	85,846	-	547,185	3
Inventories (Notes 4 and 9)	2,616,503	11	1,892,675	10
Other current assets	<u>206,552</u>	<u>1</u>	<u>103,300</u>	<u>1</u>
Total current assets	<u>11,638,813</u>	<u>48</u>	<u>7,140,333</u>	<u>39</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	69,200	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 10)	1,164,773	5	980,973	5
Investments accounted for using equity method (Notes 4 and 11)	9,633,744	40	8,012,519	44
Property, plant and equipment (Notes 4 and 12)	637,113	3	669,361	4
Right-of-use assets (Notes 4 and 13)	233,357	1	293,107	2
Intangible assets (Notes 4 and 14)	645,692	3	561,859	3
Deferred tax assets (Notes 4 and 22)	45,000	-	73,000	-
Refundable deposits (Notes 29 and 30)	<u>112,162</u>	<u>-</u>	<u>641,151</u>	<u>3</u>
Total non-current assets	<u>12,541,041</u>	<u>52</u>	<u>11,231,970</u>	<u>61</u>
<b>TOTAL</b>	<u>\$ 24,179,854</u>	<u>100</u>	<u>\$ 18,372,303</u>	<u>100</u>
<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	1,469,214	6	1,336,225	7
Accounts payable to related parties (Note 29)	126,695	1	39,500	-
Other payables (Notes 17 and 29)	2,432,704	10	1,401,058	8
Current tax liabilities (Notes 4 and 22)	354,332	1	169,350	1
Provisions - current (Note 18)	-	-	316,438	2
Lease liabilities - current (Notes 4 and 13)	53,407	-	56,247	-
Other current liabilities	<u>191,106</u>	<u>1</u>	<u>200,358</u>	<u>1</u>
Total current liabilities	<u>4,627,458</u>	<u>19</u>	<u>3,522,367</u>	<u>19</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 15)	-	-	1,207,820	7
Long-term borrowings (Note 16)	1,500,000	6	1,500,000	8
Products guarantee based on commitment (Notes 4 and 18)	101,891	1	101,891	1
Lease liabilities - non-current (Notes 4 and 13)	151,966	1	205,902	1
Net defined benefit liabilities - non-current (Notes 4 and 19)	313,018	1	284,985	1
Guarantee deposits (Notes 4, 20 and 29)	1,917,405	8	14,544	-
Other non-current liabilities	<u>13,426</u>	<u>-</u>	<u>13,426</u>	<u>-</u>
Total non-current liabilities	<u>3,997,706</u>	<u>17</u>	<u>3,328,568</u>	<u>18</u>
Total liabilities	<u>8,625,164</u>	<u>36</u>	<u>6,850,935</u>	<u>37</u>
<b>EQUITY</b>				
Share capital (Note 21)	4,172,101	17	3,759,616	20
Certificates of bond-to-stock conversion (Note 21)	25,552	-	124,320	1
Capital surplus (Note 21)	6,871,811	28	5,796,731	32
Retained earnings (Note 21)				
Legal reserve	655,515	3	596,905	3
Unappropriated earnings	3,763,192	15	1,103,083	6
Exchange differences on translation of financial statements of foreign operations (Notes 4 and 21)	(1,044,941)	(4)	(128,352)	(1)
Unrealized gains (losses) on financial assets at fair value through other comprehensive income (Notes 4 and 21)	<u>1,111,460</u>	<u>5</u>	<u>269,065</u>	<u>2</u>
Total equity	<u>15,554,690</u>	<u>64</u>	<u>11,521,368</u>	<u>63</u>
<b>TOTAL</b>	<u>\$ 24,179,854</u>	<u>100</u>	<u>\$ 18,372,303</u>	<u>100</u>

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

# NUVOTON TECHNOLOGY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 29)	\$ 14,601,031	100	\$ 11,433,163	100
OPERATING COST (Notes 9 and 29)	<u>7,792,791</u>	<u>54</u>	<u>6,967,572</u>	<u>61</u>
GROSS PROFIT	<u>6,808,240</u>	<u>46</u>	<u>4,465,591</u>	<u>39</u>
OPERATING EXPENSES (Notes 23 and 29)				
Selling expenses	201,433	1	153,732	1
General and administrative expenses	663,902	5	792,476	7
Research and development expenses	3,346,321	23	2,870,345	25
Expected credit loss	<u>6,147</u>	<u>-</u>	<u>1,464</u>	<u>-</u>
Total operating expenses	<u>4,217,803</u>	<u>29</u>	<u>3,818,017</u>	<u>33</u>
PROFIT FROM OPERATIONS	<u>2,590,437</u>	<u>17</u>	<u>647,574</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES (Note 29)				
Finance costs	(24,870)	-	(35,205)	-
Share of (loss) profit of subsidiaries and associates accounted for using equity method	691,264	5	(290,819)	(3)
Interest income	10,748	-	15,248	-
Dividend income	62,070	-	64,446	1
Gain on the bargain purchase (Note 27)	-	-	218,968	2
Other gains and losses	(47,456)	-	5,753	-
Gains (losses) on disposal of property, plant and equipment	95	-	178	-
Foreign exchange gains (losses)	(8,646)	-	(2,569)	-
Gains (losses) on financial assets at fair value through profit or loss	<u>16,110</u>	<u>-</u>	<u>33,966</u>	<u>-</u>
Total non-operating income and expenses	<u>699,315</u>	<u>5</u>	<u>9,966</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	3,289,752	22	657,540	6
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(349,000)</u>	<u>(2)</u>	<u>(124,755)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>2,940,752</u>	<u>20</u>	<u>532,785</u>	<u>5</u>

(Continued)

# NUVOTON TECHNOLOGY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 19)	\$ (30,313)	-	\$ (19,446)	-
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	188,301	1	(73,467)	(1)
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	774,107	5	245,751	2
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(916,589)</u>	<u>(6)</u>	<u>(109,368)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>15,506</u>	<u>-</u>	<u>43,470</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 2,956,258</u>	<u>20</u>	<u>\$ 576,255</u>	<u>5</u>
<b>EARNINGS PER SHARE (Notes 4 and 25)</b>				
From continuing operations				
Basic	<u>\$ 7.27</u>		<u>\$ 1.81</u>	
Diluted	<u>\$ 6.99</u>		<u>\$ 1.72</u>	

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

(Concluded)

# NUVOTON TECHNOLOGY CORPORATION

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	Ordinary Share	Certificates of Bond-to-Stock Conversion	Capital Surplus	Retained Earnings		Other Equity		Total Equity
				Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2020	\$ 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
Compensation cost of employee share options (Notes 21 and 24)	-	-	62,240	-	-	-	-	62,240
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 10 and 21)	-	-	-	-	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 21)	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>
Appropriation of 2020 earnings (Note 21)								
Legal reserve	-	-	-	58,610	(58,610)	-	-	-
Cash dividends	-	-	-	-	(311,733)	-	-	(311,733)
Net profit for the year ended December 31, 2021	-	-	-	-	2,940,752	-	-	2,940,752
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(48,395)	(916,589)	980,490	15,506
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	2,892,357	(916,589)	980,490	2,956,258
Dividends from claims extinguished by prescriptions	-	-	10	-	-	-	-	10
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 10 and 21)	-	-	-	-	138,095	-	(138,095)	-
Adjustments to share of changes in equities of associates	-	-	190,237	-	-	-	-	190,237
Convertible bonds converted to ordinary shares (Note 15)	412,485	(98,768)	884,833	-	-	-	-	1,198,550
BALANCE AT DECEMBER 31, 2021	<u>\$ 4,172,101</u>	<u>\$ 25,552</u>	<u>\$ 6,871,811</u>	<u>\$ 655,515</u>	<u>\$ 3,763,192</u>	<u>\$ (1,044,941)</u>	<u>\$ 1,111,460</u>	<u>\$ 15,554,690</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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 3,289,752	\$ 657,540
Adjustments for:		
Depreciation expense	236,575	228,131
Amortization expense	192,134	153,528
Finance costs	24,870	35,205
Expected credit loss (gain) recognized on accounts receivable	6,147	1,464
Interest income	(10,748)	(15,248)
Dividend income	(62,070)	(64,446)
Compensation cost of employee share options	-	62,240
Share of loss (profit) of subsidiaries and associates accounted for using equity method	(691,264)	290,819
Unrealized gain (loss)	9,133	(132)
Gain on the bargain purchase	-	(218,968)
(Gains) losses on disposal of property, plant and equipment	(95)	(178)
Other income	-	(5)
Changes in operating assets and liabilities		
(Increase) decrease in financial assets at fair value through profit or loss	(7,627)	(3,570)
(Increase) decrease in accounts receivable	(261,621)	(84,139)
(Increase) decrease in accounts receivable from related parties	(46,522)	38,369
(Increase) decrease in other receivables	(45,945)	(148)
(Increase) decrease in inventories	(723,828)	(292,242)
(Increase) decrease in other current assets	(112,948)	30,120
Increase (decrease) in accounts payable	132,989	232,362
Increase (decrease) in accounts payable to related parties	87,195	14,965
Increase (decrease) in other payables	676,823	129,401
Increase (decrease) in provisions	(316,438)	-
Increase (decrease) in other current liabilities	(9,252)	145,109
Increase (decrease) in net defined benefit liabilities	(2,280)	(1,256)
Cash flows from (used in) operations	<u>2,364,980</u>	<u>1,338,921</u>
Income tax paid	(136,018)	(23,961)
Interest paid	(17,666)	(21,343)
Interest received	7,999	18,611
Dividend received	<u>62,070</u>	<u>64,446</u>
Net cash flows generated from (used in) operating activities	<u>2,281,365</u>	<u>1,376,674</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through profit or loss	(69,763)	-
Acquisition of intangible assets	(155,147)	(317,727)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	4,500	2,250
Acquisition of investments accounted for using equity method	(144,389)	(6,968,331)

(Continued)

# NUVOTON TECHNOLOGY CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Dividends received from investments accounted for using equity method	\$ 2,918	\$ 2,695
Acquisition of property, plant and equipment	(141,298)	(202,301)
Proceeds from disposal of property, plant and equipment	95	184
(Increase) decrease in refundable deposits paid	528,989	(559,862)
(Increase) decrease in other receivables - time deposits	<u>-</u>	<u>249,900</u>
Net cash flows generated from (used in) investing activities	<u>25,905</u>	<u>(7,793,192)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	-	1,000,000
Proceeds from issuance of bonds	-	1,998,428
Repayments of the principal portion of lease liabilities	(56,063)	(54,570)
Proceeds from guarantee deposits received	1,902,861	12,958
Dividends paid to owners of the Company	(311,733)	(345,065)
Proceeds from issuance of ordinary shares	<u>-</u>	<u>3,031,168</u>
Net cash flows generated from (used in) financing activities	<u>1,535,065</u>	<u>5,642,919</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,842,335	(773,599)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,677,602</u>	<u>4,451,201</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,519,937</u>	<u>\$ 3,677,602</u>

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

(Concluded)

# NUVOTON TECHNOLOGY CORPORATION

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(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 51% and 55% of the ownership interest in the Company as of December 31, 2021 and 2020, 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 10, 2022.

### 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)

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.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: 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 IAS 41 “Agriculture” will be applied prospectively to the fair value measurements 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 2: 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 3: 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 4: 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 has assessed that the application of other standards and interpretations will not have a material impact on the company’s financial position and financial performance.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after 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 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 net 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:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. 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:

- a. Liabilities held primarily for the purpose of trading;
- b. 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
- c. 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 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 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 28 to the financial statements.

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 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 Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation 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 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.

### 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. On 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.

### 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.

#### b. Financial liabilities

##### 1) 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.

##### 2) 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 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.

d. 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.

## **Guarantee Deposit**

The Company guarantee deposit mainly consists of cash received under deposit agreements with customers to ensure they have access to the Company specified capacity. When the contract expires, the guarantee deposits will be refunded to customers by offsetting related accounts receivable or returned.

## **Revenue Recognition**

The Company 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 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.

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 recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. 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>2021</b>	<b>2020</b>
Cash and cash in bank	\$ 7,044,937	\$ 2,694,602
Repurchase agreements collateralized by bonds	<u>475,000</u>	<u>983,000</u>
	<u>\$ 7,519,937</u>	<u>\$ 3,677,602</u>

Please refer to Note 30 to the financial statements for the amount of refundable deposits pledged to secure land leases, customs tariff obligations and borrowings.

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

	<u>December 31</u>	
	2021	2020
<u>Financial assets - current</u>		
Held for trading		
Foreign exchange forward contracts and Cross-currency swap contracts	\$ 1,631	\$ 4,128
Right of redemption of convertible bonds (Notes 15)	<u>-</u>	<u>9,095</u>
	<u>\$ 1,631</u>	<u>\$ 13,223</u>
<u>Financial assets - non-current</u>		
Mandatorily measures at FVTPL		
Foreign warrants	<u>\$ 69,200</u>	<u>\$ -</u>
<u>Financial liabilities - current</u>		
Held for trading		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 3,191</u>

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

	Currencies	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2021</u>			
Sell forward exchange contracts	USD/NTD	2022.01.06-2022.01.27	USD18,000/NTD499,871
<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

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

## 8. ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	2021	2020
<u>Accounts receivable (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 1,232,519	\$ 924,376
Less: Allowance for impairment loss	<u>(24,175)</u>	<u>(18,028)</u>
	<u>\$ 1,208,344</u>	<u>\$ 906,348</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 by the Company 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 (including related parties) based on the Company's provision matrix.

December 31, 2021

	<b>Not Overdue</b>	<b>Overdue under 30 Days</b>	<b>Overdue 31-90 Days</b>	<b>Overdue 91-180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate	2%	2%	10%	20%	50%	
Gross carrying amount	\$ 1,210,149	\$ 22,370	\$ -	\$ -	\$ -	\$ 1,232,519
Loss allowance (lifetime ECL)	<u>(23,728)</u>	<u>(447)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,175)</u>
Amortized cost	<u>\$ 1,186,421</u>	<u>\$ 21,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,208,344</u>

December 31, 2020

	<b>Not Overdue</b>	<b>Overdue under 30 Days</b>	<b>Overdue 31-90 Days</b>	<b>Overdue 91-180 Days</b>	<b>Over 180 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 (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>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 18,028	\$ 16,564
Add: Net remeasurement of loss allowance	<u>6,147</u>	<u>1,464</u>
Balance at December 31	<u>\$ 24,175</u>	<u>\$ 18,028</u>

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

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Raw materials and supplies	\$ 169,848	\$ 128,893
Work-in-process	1,529,944	1,368,594
Finished goods	903,303	390,062
Inventories in transit	<u>13,408</u>	<u>5,126</u>
	<u>\$ 2,616,503</u>	<u>\$ 1,892,675</u>

The operating cost for the years ended December 31, 2021 and 2020 was NT\$7,792,791 thousand and NT\$6,967,572 thousand, respectively. The inventory write-downs, obsolescence and disposal of inventories for the years ended December 31, 2021 and 2020 were NT\$(5,656) thousand and NT\$(72,715) thousand, respectively.

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

Investments in equity instruments at FVTOCI:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Listed shares and emerging market shares		
Brightek Optoelectronic Co., Ltd.	\$ 1,933	\$ 894
Unlisted shares		
United Industrial Gases Co., Ltd.	598,400	396,000
Yu-Ji Venture Capital Co., Ltd.	10,840	14,479
Autotalks Ltd. - Preferred E. Share	<u>553,600</u>	<u>569,600</u>
	<u>\$ 1,164,773</u>	<u>\$ 980,973</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 decided 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.

Dividends of NT\$62,070 thousand and NT\$64,446 thousand were recognized during 2021 and 2020, respectively.

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2021		2020	
Investments in subsidiaries	<u>\$ 9,633,744</u>		<u>\$ 8,012,519</u>	

	December 31			
	2021		2020	
	Carrying Value	Ownership Percentage	Carrying Value	Percentage of Ownership (%)
<u>Non-listed companies</u>				
Marketplace Management Ltd. (“MML”)	\$ 298,146	100	\$ 120,740	100
Nuvoton Technology Corporation America (“NTCA”)	180,225	100	181,972	100
Nuvoton Investment Holding Ltd. (“NIH”)	360,342	100	319,938	100
Nuvoton Electronics Technology (H.K.) Limited (“NTHK”)	508,077	100	481,285	100
Song Yong Investment Corporation (“SYI”)	277,340	100	99,346	100
Nuvoton Technology India Private Ltd. (“NTIPL”)	20,532	100	21,389	100
Nuvoton Technology Holdings Japan (“NTHJ”)	6,370,802	100	5,675,964	100
Nuvoton Technology Singapore Pte. Ltd. (“NTSG”)	1,607,079	100	1,083,105	100
Nuvoton Technology Korea Limited (“NTKL”)	<u>11,201</u>	100	<u>28,780</u>	100
	<u>\$ 9,633,744</u>		<u>\$ 8,012,519</u>	

In March and June 2020, the Company established NTSG and NTKL. As of December 31, 2021, the original investment amount were \$1,319,054 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 2021 consolidated financial statements note 28.

## 12. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2021	2020
Buildings	\$ 194,776	\$ 203,545
Machinery and equipment	408,606	432,696
Other equipment	28,601	32,593
Construction in progress and prepayments for purchase of equipment	<u>5,130</u>	<u>527</u>
	<u>\$ 637,113</u>	<u>\$ 669,361</u>

	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 3,698,880	\$ 11,444,709	\$ 202,659	\$ 527	\$ 15,346,775
Additions	15,439	114,987	8,690	6,058	145,174
Disposals	(1,160)	(36,960)	-	-	(38,120)
Reclassified	3,095	(1,640)	-	(1,455)	-
Balance at December 31, 2021	<u>3,716,254</u>	<u>11,521,096</u>	<u>211,349</u>	<u>5,130</u>	<u>15,453,829</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2021	3,495,335	11,012,013	170,066	-	14,677,414
Disposals	(1,160)	(36,960)	-	-	(38,120)
Depreciation expense	27,224	137,516	12,682	-	177,422
Reclassified	79	(79)	-	-	-
Balance at December 31, 2021	<u>3,521,478</u>	<u>11,112,490</u>	<u>182,748</u>	<u>-</u>	<u>14,816,716</u>
Carrying amount at December 31, 2021	<u>\$ 194,776</u>	<u>\$ 408,606</u>	<u>\$ 28,601</u>	<u>\$ 5,130</u>	<u>\$ 637,113</u>
<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	549	867	-	(1,416)	-
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 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	-	-	-	-	-
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>

### 13. LEASE ARRANGEMENTS

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Land	\$ 173,211	\$ 198,547
Buildings	51,862	80,789
Other equipment	<u>8,284</u>	<u>13,771</u>
	<u>\$ 233,357</u>	<u>\$ 293,107</u>

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	\$ <u>-</u>	\$ <u>6,402</u>
Depreciation for right-of-use assets		
Land	\$ 25,055	\$ 25,211
Buildings	28,612	28,254
Other equipment	<u>5,486</u>	<u>5,613</u>
	<u>\$ 59,153</u>	<u>\$ 59,078</u>
Income from the subleasing of right-of-use assets (presented in other income)	<u>\$ (10,834)</u>	<u>\$ (5,660)</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amounts</u>		
Current	<u>\$ 53,407</u>	<u>\$ 56,247</u>
Non-current	<u>\$ 151,966</u>	<u>\$ 205,902</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	1.76%-2.06%	1.76%-2.06%
Buildings	0.79%-1.61%	0.79%-1.61%
Other equipment	1.07%-1.09%	1.07%-1.44%

For the years ended December 31, 2021 and 2020, the interest expense under lease liabilities amounted to NT\$3,751 thousand and NT\$4,605 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 29 to the financial statements).

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 analysis of lease payments receivable under operating subleases is as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Year 1	\$ 6,509	\$ 5,545
Year 2	2,140	5,718
Year 3	60	1,762
Year 4	-	-
Year 5	-	-
Year 6 onwards	<u>-</u>	<u>-</u>
	<u>\$ 8,709</u>	<u>\$ 13,025</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>2021</b>	<b>2020</b>
Expenses relating to short-term leases	<u>\$ 14,618</u>	<u>\$ 3,623</u>
Total cash outflow for leases	<u>\$ (74,548)</u>	<u>\$ (62,862)</u>

The Company leases certain buildings, machines 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>2021</b>	<b>2020</b>	
Deferred technical assets	\$ 515,407	\$ 476,752	
Other intangible assets	<u>130,285</u>	<u>85,107</u>	
	<u>\$ 645,692</u>	<u>\$ 561,859</u>	
	<b>Deferred Technical Assets</b>	<b>Other Intangible Assets</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2021	\$ 1,476,718	\$ 96,272	\$ 1,572,990
Additions	<u>204,467</u>	<u>71,500</u>	<u>275,967</u>
Balance at December 31, 2021	<u>1,681,185</u>	<u>167,772</u>	<u>1,848,957</u>

(Continued)

	<b>Deferred Technical Assets</b>	<b>Other Intangible Assets</b>	<b>Total</b>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2021	\$ 999,966	\$ 11,165	\$ 1,011,131
Amortization expense	<u>165,812</u>	<u>26,322</u>	<u>192,134</u>
Balance at December 31, 2021	<u>1,165,778</u>	<u>37,487</u>	<u>1,203,265</u>
Carrying amount at December 31, 2021	<u>\$ 515,407</u>	<u>\$ 130,285</u>	<u>\$ 645,692</u>
<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>
<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> (Concluded)

## 15. BONDS PAYABLE

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Unsecured domestic convertible bonds	\$ _____	<u>\$ 1,207,820</u>

In May 2020, the Company issued 20 thousand units, \$100,000 per unit, maturity after 7 years, 0% NTD-denominated unsecured convertible bonds, with an aggregate principal amount of NT\$2,000,000 thousand. The terms of issuance, amounts and interest rate as follows:

- The conversion price was set at NT\$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 distributed cash dividends in August 2021, the conversion price should be adjusted according to issuance and conversion measures, the conversion price was adjusted to NT\$38 since August 22, 2021. All convertible bonds were converted into ordinary shares as of December 31, 2021.
- 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.
- 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	(2,024,656)
Interest charged at an effective interest rate of 1.22%	<u>21,028</u>
Liability component at December 31, 2021	<u>\$ -</u>

## 16. BORROWINGS

### Long-term Borrowings

	Period	Interest Rate	December 31	
			2021	2020
<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>1,000,000</u>
			<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

The proceeds of the Company's unsecured loan was used to invest in Autotalks Ltd. and acquire Panasonic's semiconductor business in Japan.

## 17. OTHER PAYABLES

	December 31	
	2021	2020
Payable for salaries or employee benefits	\$ 1,019,626	\$ 405,166
Payable for royalties	473,483	350,023
Payable for investment	285,923	74,400
Payable for subsidiaries service fees (Note 29)	195,387	183,160
Payable for software	61,983	40,869
Payable for purchase of equipment	60,133	56,257
Others	<u>336,169</u>	<u>291,183</u>
	<u>\$ 2,432,704</u>	<u>\$ 1,401,058</u>

## 18. PROVISIONS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Employee benefits	\$ <u>          -</u>	\$ <u>316,438</u>
<u>Non-current</u>		
Warranties	\$ <u>101,891</u>	\$ <u>101,891</u>

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 2021 and 2020, the Company contributed amounts equal to 2% 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 amounts included in the balance sheets in respect of the Company's defined benefit plans are as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Present value of defined benefit obligation	\$ 990,835	\$ 985,752
Fair value of plan assets	<u>(677,817)</u>	<u>(700,767)</u>
Net defined benefit liabilities	<u>\$ 313,018</u>	<u>\$ 284,985</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Asset)</b>
Balance at January 1, 2020	<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 greater (less) than the realized rate of return	-	(22,052)	(22,052)
Actuarial (gain) loss - changes in demographic assumptions	29,040	-	29,040
Actuarial (gain) loss - experience 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>
Service cost			
Current service cost	7,679	-	7,679
Net interest expense (income)	<u>3,833</u>	<u>(2,716)</u>	<u>1,117</u>
Recognized in profit or loss	<u>11,512</u>	<u>(2,716)</u>	<u>8,796</u>
Remeasurement			
Actuarial (gain) loss - the discount rate greater (less) than the realized rate of return	-	(9,903)	(9,903)
Actuarial (gain) loss - changes in demographic assumptions	16,877	-	16,877
Actuarial (gain) loss - changes in financial assumptions	15,538	-	15,538
Actuarial (gain) loss - experience adjustments	<u>7,801</u>	<u>-</u>	<u>7,801</u>
Recognized in other comprehensive income	<u>40,216</u>	<u>(9,903)</u>	<u>30,313</u>
Contributions from the employer	-	(11,076)	(11,076)
Benefits paid	<u>(46,645)</u>	<u>46,645</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 990,835</u>	<u>\$ (677,817)</u>	<u>\$ 313,018</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>2021</b>	<b>2020</b>
Analysis by function		
Operating cost	\$ 4,621	\$ 5,113
Selling expenses	101	98
General and administrative expenses	729	900
Research and development expenses	<u>3,345</u>	<u>3,636</u>
	<u>\$ 8,796</u>	<u>\$ 9,747</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>2021</b>	<b>2020</b>
Discount rate(s)	0.7%	0.4%
Expected rate(s) of salary increase	1.5%-2.5%	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>2021</b>	<b>2020</b>
Discount rate(s)		
0.25% increase	<u>\$ (19,979)</u>	<u>\$ (20,875)</u>
0.25% decrease	<u>\$ 20,603</u>	<u>\$ 21,556</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 20,253</u>	<u>\$ 21,232</u>
0.25% decrease	<u>\$ (19,744)</u>	<u>\$ (20,670)</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>2021</b>	<b>2020</b>
Expected contributions to the plans for the next year	<u>\$ 11,298</u>	<u>\$ 11,386</u>
Average duration of the defined benefit obligation	8.2 years	8.6 years

## 20. GUARANTEE DEPOSITS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Capacity guarantee	\$ 1,879,725	\$ -
Others	<u>37,680</u>	<u>14,544</u>
	<u>\$ 1,917,405</u>	<u>\$ 14,544</u>

When the contract expires, the capacity guarantee deposits will be refunded to customers by offsetting related accounts receivable or returned, since the aforementioned contract's period all exceeds one year, guarantee deposits are accounted as non-current liabilities.

## 21. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<u>2021</u>	<u>2020</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>417,210</u>	<u>375,962</u>
Shares issued and fully paid	<u>\$ 4,172,101</u>	<u>\$ 3,759,616</u>
Par value (in New Taiwan dollars)	<u>\$ 10</u>	<u>\$ 10</u>

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

As of December 31, 2021 and 2020, the Company has issued 31,372 thousand and 20,839 thousand shares of ordinary shares due to the conversion of unsecured convertible bonds, the registration of 2,555 thousand and 12,432 thousand ordinary shares issuance has not been completed as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the balance of the Company's capital account amounted to NT\$4,172,101 thousand and NT\$3,759,616 thousand, divided into 417,210 thousand ordinary shares and 375,962 thousand ordinary shares with a par value of NT\$10.

b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</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	\$ 5,088,159
Conversion of bonds	1,481,180	596,347
<u>May only be used to offset a deficit</u>		
Cash capital increase reserved for employee share options	112,160	112,160
Overdue dividends unclaimed	62	52
Share of changes in capital surplus of associates or joint ventures (disposals of subsidiaries)	190,237	-
<u>May not be used for any purpose</u>		
Employee share options	<u>13</u>	<u>13</u>
	<u>\$ 6,871,811</u>	<u>\$ 5,796,731</u>

\* 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 23.

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 dividends per share for 2020 and 2019 had been resolved by the Company's Board of Directors on March 16, 2021 and March 12, 2020, respectively. The number of ordinary shares outstanding and dividends per share for 2020 were affected by convertible bonds converted to ordinary shares. The appropriations of earnings for 2020 and 2019 were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Year 2020</u>	<u>For Year 2019</u>	<u>For Year 2020</u>	<u>For Year 2019</u>
Legal reserve	\$ 58,610	\$ 55,183		
Cash dividends	<u>311,733</u>	<u>345,065</u>	\$ 0.76	\$ 1.20
	<u>\$ 370,343</u>	<u>\$ 400,248</u>		

Except for the cash dividends distributed by the Company's board meeting on March 16, 2021, the rest of the 2020 appropriation of earnings were proposed by the Company's board meeting and resolved by the shareholders regular meeting on August 20, 2021.

The 2019 appropriation of earnings was proposed by the Company's board meeting on March 12, 2020 and resolved by the shareholders regular meeting on May 29, 2020.

The Company's board meeting on February 10, 2022, the appropriation of earnings for 2021 was not initiated.

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, 2021 and 2020, other comprehensive loss was NT\$916,589 thousand and NT\$109,368 thousand, respectively.

2) Unrealized valuation gains (losses) on financial assets at FVTOCI

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 269,065	\$ 169,544
Recognized for the year	980,490	181,920
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	<u>(138,095)</u>	<u>(82,399)</u>
Balance at December 31	<u>\$ 1,111,460</u>	<u>\$ 269,065</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. 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>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 321,000	\$ 136,000
Adjustment for prior years' tax and effects of estimated difference	-	(11,245)
Deferred tax		
In respect of the current year	<u>28,000</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 349,000</u>	<u>\$ 124,755</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Income tax expense from continuing operations at the statutory rate	\$ 658,000	\$ 132,000
Tax effect of adjustment item		
Permanent differences	(12,000)	32,000
Others	<u>(169,000)</u>	<u>30,000</u>
Current income tax	477,000	194,000
Unused investment credits	(128,000)	(58,000)
Adjustment for prior year's income tax	<u>-</u>	<u>(11,245)</u>
Income tax expense recognized in profit or loss	<u>\$ 349,000</u>	<u>\$ 124,755</u>

As the shareholders have not yet resolved the appropriation of earnings for 2021, the potential income tax consequences of the 2021 unappropriated earnings are not reliably determinable.

### c. Current tax liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Income tax payable	<u>\$ 354,332</u>	<u>\$ 169,350</u>

### d. Deferred tax assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Deferred tax assets		
Allowance for inventory valuation and obsolescence loss and others	<u>\$ 45,000</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.

### 23. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31					
	2021			2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits expense						
Short-term employment benefits	\$ 917,626	\$ 1,782,812	\$ 2,700,438	\$ 747,289	\$ 1,262,040	\$ 2,009,329
Post-employment benefits	30,715	55,286	86,001	30,097	52,121	82,218
Remuneration to directors	-	37,984	37,984	-	8,990	8,990
Compensation cost of employee share options	-	-	-	16,945	45,295	62,240
Depreciation	138,453	98,122	236,575	129,316	98,815	228,131
Amortization	19,242	172,892	192,134	33,362	120,166	153,528

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, 2021 and 2020, which were approved by the Company's board of directors on February 10, 2022 and February 18, 2021, respectively, were as follows:

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Employees' cash compensation	\$ 212,242	6	\$ 42,422	6
Remuneration of directors	35,374	1	7,070	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, 2020 and 2019.

Information on the employees' compensation and remuneration to directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

### 24. SHARE-BASED PAYMENT ARRANGEMENTS

The Company's board of directors resolved to reserve 10% of the shares from the issuance of 80,000 thousand shares approved by the FSC on September 25, 2020 to be subscribed for by its employees. The number of shares subscribed for by the employees was affirmed on October 21 2020. 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 \$62,240 thousand which was recorded as compensation costs with a corresponding increase in capital surplus.

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

Agreement	Grant Date	Number of Shares Grant	Vesting Conditions
Cash capital increase reserved for employee share options	October 21, 2020	8,000 thousand shares	Vested immediately

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

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

## 25. 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					
	2021			2020		
	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Company)	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Company)
Basic earnings per share						
Net profit attributed to owners of the Company	\$ 2,940,752	404,370	\$ 7.27	\$ 532,785	295,056	\$ 1.81
Effect of potentially dilutive ordinary shares						
Employees' compensation	-	1,629		-	993	
Convertible bonds	5,856	15,395		10,966	19,344	
Diluted earnings per share						
Net profit attributed to owners of the Company	\$ 2,946,608	421,394	\$ 6.99	\$ 543,751	315,393	\$ 1.72

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.

## 26. 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.

## 27. BUSINESS COMBINATIONS

The Company's acquired the semiconductor business of Panasonic Corporation on September 1, 2020, please refer to Note 28 to the 2021 consolidated financial statements.

## 28. FINANCIAL INSTRUMENT

### a. Categories of financial instruments

	December 31			
	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Financial assets at amortized cost (Note 1)	\$ 8,926,289	\$ 8,926,289	\$ 5,772,286	\$ 5,772,286
Financial assets at FVTPL				
Derivative financial assets	70,831	70,831	13,223	13,223
Financial assets at FVTOCI				
Investment in equity instruments	1,164,773	1,164,773	980,973	980,973
<u>Financial liabilities</u>				
Financial liabilities at amortized cost (Note 2)	7,441,199	7,441,199	5,495,452	5,771,540
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, 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 market 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, the fair value of investments will decrease by NT\$7,797 thousand and NT\$8,023 thousand for the years ended December 31, 2021 and 2020, respectively.

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

	<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)	\$ 1,483,908	\$ -	\$ -	\$ 1,483,908

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

Fair value hierarchy

	<b>December 31, 2021</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	\$ -	\$ 1,631	\$ 69,200	\$ 70,831
<u>Financial assets at FVTOCI</u>				
Domestic listed shares and emerging market shares	\$ 1,933	\$ -	\$ -	\$ 1,933
Domestic and overseas unlisted shares	\$ -	\$ -	\$ 1,162,840	\$ 1,162,840

	<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 listed shares and emerging market shares	\$ 894	\$ -	\$ -	\$ 894
Domestic and overseas unlisted shares	\$ -	\$ -	\$ 980,079	\$ 980,079
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	\$ -	\$ 3,191	\$ -	\$ 3,191

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

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, 2021 and 2020 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 980,079	\$ 1,056,205
Additions	69,763	-
Proceeds from capital reduction of investments	(4,500)	(2,250)
Recognized in other comprehensive income	187,261	(73,876)
Recognized in profit or loss	(563)	-
Balance at December 31	<u>\$ 1,232,040</u>	<u>\$ 980,079</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 was 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 33.

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\$9,590 thousand decrease and NT\$3,886 thousand decrease for the years ended December 31, 2021 and 2020, 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>2021</b>	<b>2020</b>
Cash flow interest rate risk		
Financial assets	\$ 5,713	\$ 5,049
Financial liabilities	1,500,000	1,500,000

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, 2021 and 2020 would have increased by NT\$14,943 thousand and NT\$14,950 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, to mitigate the risk of financial loss from defaults, The Company has established risk procedures and is continuously assessing the credit risk of each counterparty, sufficient collateral will be obtained when necessary. 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, 2021</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	\$ 4,023,794	\$ -	\$ -	\$ 4,023,794
Lease liabilities	56,303	41,086	117,515	214,904
Variable interest rate liabilities	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>
	<u>\$ 4,080,097</u>	<u>\$ 41,086</u>	<u>\$ 1,617,515</u>	<u>\$ 5,738,698</u>



Additional information about the maturity analysis for lease liabilities:

	<b>Less than 2 Years</b>	<b>2-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Lease liabilities	<u>\$ 97,389</u>	<u>\$ 85,895</u>	<u>\$ 31,620</u>	<u>\$ 214,904</u>
<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	\$ 2,773,088	\$ -	\$ -	\$ 2,773,088
Variable interest rate liabilities	60,000	56,465	159,007	275,472
Fixed interest rate liabilities	-	-	1,500,000	1,500,000
	<u>-</u>	<u>-</u>	<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 2 Years</b>	<b>2-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Lease liabilities	<u>\$ 116,465</u>	<u>\$ 102,640</u>	<u>\$ 56,367</u>	<u>\$ 275,472</u>

## 29. 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
Nuvoton Technology Singapore Pte. Ltd. (NTSG)	Subsidiary
Atfields Manufacturing Technology Corp. (AMTC)	Subsidiary
Winbond Electronics Corporation Japan (“WECJ”)	Associate

(Continued)

<u>Related Party</u>	<u>Relationship with the Company</u>
Miraxia Edge Technology Corporation (METC)	Associate
Callisto Holding Limited	Associate
Glorystone Inc.	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
Waltech Advanced Engineering (Suzhou), Inc. (“Waltech”)	Related party in substance
	(Concluded)

b. Operating activities

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
1) Operating revenue		
Subsidiary		
NTHK	\$ 5,223,300	\$ 4,084,959
Others	181,243	81,850
Related party in substance	264,475	200,281
Associate	<u>81,343</u>	<u>88,422</u>
	<u>\$ 5,750,361</u>	<u>\$ 4,455,512</u>
2) Purchases of goods		
Parent company	\$ 368,505	\$ 209,957
Subsidiary		
NTCJ	292,813	-
Others	165	-
Related party in substance	<u>20,287</u>	<u>-</u>
	<u>\$ 681,770</u>	<u>\$ 209,957</u>
3) Manufacturing expenses		
Parent company	\$ 671	\$ 369
Walton Advanced Engineering Inc.	<u>12,193</u>	<u>833</u>
	<u>\$ 12,864</u>	<u>\$ 1,202</u>
4) Operating expenses		
Subsidiary		
NTIL	\$ 989,897	\$ 857,575
NTCA	290,515	310,515
Others	3,161	3,776
Parent company	39,065	21,037
Related party in substance	10,880	10,780
Associate	<u>2,752</u>	<u>125</u>
	<u>\$ 1,336,270</u>	<u>\$ 1,203,808</u>

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
5) Dividend income		
Related party in substance		
United Industrial Gases Co., Ltd.	<u>\$ 62,000</u>	<u>\$ 64,394</u>
6) Other income		
Parent company	<u>\$ -</u>	<u>\$ 2</u>
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
7) Accounts receivable from related parties		
Subsidiary		
NTHK	\$ 36,138	\$ 17,518
NTCA	41,732	23,541
Others	5,077	1,641
Related party in substance		
Nyquest	52,397	50,780
Others	20	20
Associate	<u>17,475</u>	<u>12,817</u>
	<u>\$ 152,839</u>	<u>\$ 106,317</u>
8) Other receivables		
Subsidiary		
NTCJ	\$ 14,009	\$ 98
Others	78	-
Associate	<u>5,223</u>	<u>214</u>
	<u>\$ 19,310</u>	<u>\$ 312</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		
Subsidiary		
NTCJ	\$ 71,813	\$ -
Others	58	-
Parent company	36,060	39,500
Related party in substance	<u>18,764</u>	<u>-</u>
	<u>\$ 126,695</u>	<u>\$ 39,500</u>

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
11) Other payables		
Subsidiary		
NTIL	\$ 184,048	\$ 174,487
Others	11,339	8,673
Parent company	20,466	9,738
Related party in substance	<u>-</u>	<u>11,395</u>
	<u>\$ 215,853</u>	<u>\$ 204,293</u>

12) Guarantee deposits		
Parent company	\$ 545	\$ 545
Related party in substance		
Nyquest	<u>225,869</u>	<u>-</u>
	<u>\$ 226,414</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>2021</b>	<b>2020</b>
Related party in substance	<u>\$ -</u>	<u>\$ 8,352</u>

d. Lease arrangements - Company is lessee

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
1) Lease liabilities		
Parent company	\$ 36,172	\$ 47,969
Related party in substance	<u>11,316</u>	<u>22,451</u>
	<u>\$ 47,488</u>	<u>\$ 70,420</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>

2) Finance costs

Parent company	\$ 441	\$ 569
Related party in substance	<u>264</u>	<u>438</u>
	<u>\$ 705</u>	<u>\$ 1,007</u>

e. Lease arrangements - Company is lessor/sublease arrangements

Sublease arrangements under operating leases

For the year ended December 31, 2021, 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:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ <u>67</u>	\$ <u>-</u>

2) Future lease payment receivables was as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ 4,369	\$ 11,133
Subsidiary	<u>180</u>	<u>90</u>
	<u>\$ 4,549</u>	<u>\$ 11,223</u>

3) Lease income was as follows:

	<u>For the Year Ended December 31</u>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ 4,198	\$ 3,838
Subsidiary	<u>60</u>	<u>60</u>
	<u>\$ 4,258</u>	<u>\$ 3,898</u>

f. Endorsements and guarantees

The chairman of the Company is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Refer to Note 13 to the financial statements.

For the year ended December 31, 2021, the Company will provide endorsement guarantees and property guarantees for NTSB and NTCJ, respectively, for their financing to financial institutions.

g. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 93,617	\$ 64,569
Compensation costs of employee share options	-	2,956
Post-employment benefits	<u>933</u>	<u>822</u>
	<u>\$ 94,550</u>	<u>\$ 68,347</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for land leases, customs tariff obligations and bank borrowings:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Time deposits (accounted as refundable deposits)	<u>\$ 107,168</u>	<u>\$ 636,102</u>

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingent liabilities and unrecognized commitments of the Company he end of the reporting period, excluding those disclosed in other notes, were as follows:

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 plaintiff applied to withdraw the complaint against the Company in the Court on June 29, 2021, and applied to withdraw the complaint against NTCA in the Court on July 7, 2021. The court has filed an order of dismissal, the case was closed.

### 32. OTHER ITEMS

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 Company evaluated that there is no significant impact on the overall business operation and financial position of the Company. There are no concerns about the capability of the Company to be going concern, and the risk of assets impairment and fund raising.

### 33. 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:

	<u>December 31</u>					
	<u>2021</u>			<u>2020</u>		
	<u>Foreign Currencies (Thousand)</u>	<u>Exchange Rate</u>	<u>New Taiwan Dollars (Thousand)</u>	<u>Foreign Currencies (Thousand)</u>	<u>Exchange Rate</u>	<u>New Taiwan Dollars (Thousand)</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 92,850	27.68	\$ 2,570,076	\$ 54,023	28.48	\$ 1,538,568
ILS	9,513	8.8912	84,586	20,730	8.8712	183,900
JPY	315,372	0.2405	75,847	48,824	0.2763	13,490
EUR	188	31.32	5,882	75	35.02	2,639
RMB	1,202	4.344	5,221	4,369	4.377	19,122

(Continued)

	December 31					
	2021			2020		
	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)
Investments accounted for using equity method						
USD	\$ 83,359	27.68	\$ 2,307,371	\$ 61,419	28.48	\$ 1,749,220
INR	55,193	0.3720	20,532	54,858	0.3899	21,389
KRW	480,736	0.0233	11,201	1,098,477	0.0262	28,780
JPY	26,489,821	0.2405	6,370,802	20,542,758	0.2763	5,675,964
<u>Financial liabilities</u>						
Monetary items						
USD	116,770	27.68	3,232,183	41,439	28.48	1,180,183
ILS	20,700	8.8912	184,048	18,706	8.8712	165,943
JPY	1,140,035	0.2405	274,179	68,971	0.2763	19,057
EUR	325	31.32	10,186	114	35.02	3,981
						(Concluded)

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange losses were NT\$8,646 thousand and NT\$2,569 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.

#### 34. 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.

#### 35. ADDITIONAL DISCLOSURE

a. Following are the additional disclosures for material transactions and investments:

1)	Financings provided	None
2)	Endorsements/guarantees provided	Table 1
3)	Marketable securities held (excluding investments in subsidiaries and associates)	Table 2
4)	Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital	Table 3
5)	Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital	None
6)	Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital	None
7)	Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital	Table 4
8)	Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital	Table 5
9)	Information about the derivative financial instruments transaction	Note 7
10)	Information on investments	Table 6

b. Information on investment in mainland China

1)	The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits (losses) of investee, ending balance, amount received as dividends from the investee, and the limitation on investee.	Table 7
2)	<p>Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports.</p> <p>a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.</p> <p>b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.</p> <p>c) The amount of property transactions and the amount of the resultant gains or losses.</p> <p>d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.</p> <p>e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.</p> <p>f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.</p>	Table 7

c. Information of major shareholders: Refer to Table 8 attached.



**NUVOTON TECHNOLOGY CORPORATION**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 2)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Borrowing Amount (In Thousands of Foreign Currencies)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
1	The Company	NTCJ	Subsidiary	\$ 15,554,690	\$ 2,411,350 (JPY 8,300,000) and (US\$ 15,000)	\$ 1,413,275 (JPY 4,150,000) and (US\$ 15,000)	\$ 159,306 (JPY 662,000) and (US\$ 3)	\$ -	9.09	\$ 15,554,690	Y	N	N
		NTSH	Subsidiary	15,554,690	2,302,320 (RMB 530,000)	-	-	-	-	15,554,690	Y	N	Y

Note 1: The Company's maximum amount endorsed are limited to 20% of the net equity in latest financial statements of the Company or the net value of the endorsee company, whichever is lower. The Company's limitation of maximum endorse amount as described are not limited to subsidiaries that directly or indirectly hold more than 50% of voting shares.

Note 2: The ending balance is approved by the boards of directors of the Company.

Note 3: The Company's maximum amount endorsed are based on the net equity in the latest financial statements of the Company.

**NUVOTON TECHNOLOGY CORPORATION**

**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Shares</u> Yu-Ji Venture Capital Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	675,000	\$ 10,840	5	\$ 10,840	
	Brightek Optoelectronic Co., Ltd.	None	"	34,680	1,933	-	1,933	
	United Industrial Gases Co., Ltd.	The held company as the investee's director	"	8,800,000	598,400	4	598,400	
	Autotalks Ltd. - Preferred E. Share	None	"	3,932,816	553,600	9	553,600	
	<u>Warrants</u> Autotalks Ltd.	None	Non-current financial assets at fair value through profit or loss	-	69,200	-	69,200	
SYI	<u>Shares</u> Nyquest Technology Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	1,650,000	255,750	5	255,750	
NTCJ	<u>Shares</u> Symetrix Corporation	None	"	50,268	-	1	-	
	Tower Partners Semiconductor Co., Ltd. ("TPSCo.")	Related party in substance	"	14,700	1,255,651	49	1,255,651	Note

Note: Under the business combination arrangement, if TPSCo. turns net profit during the period of the effective date of the acquisition to March 31, 2022, NTCJ is required to pay Panasonic Corporation the net profit based on ownership share. Thus, NTCJ has no significant influence over TPSCo. during the period of the effective date of the acquisition to March 31, 2022. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income.

**NUVOTON TECHNOLOGY CORPORATION**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
NTCJ	METC	Investments accounted for using equity method	WEC	The Company's parent	4,000	\$ 313,282	-	\$ 109,206 Investment income or loss (216,893) Cash dividends paid (37,935) Cumulative translation adjustments	4,000	\$ 357,897 (JPY 1,462,000)	\$ 167,660	\$ - Disposal income or loss 190,237 Capital surplus adjustments (Note)	-	\$ -

Note: NTCJ sold 100% shares of METC to the parent company (Winbond Electronics Corporation) at the consideration JPY1,462,000,000 on November 1, 2021. Since this equity transaction is deemed as a reorganization, the difference NT\$(190,237) thousand between consideration received and the carrying amount of the net assets of METC during actual disposal was adjusted to the capital surplus.

TABLE 4

**NUVOTON TECHNOLOGY CORPORATION**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	NTHK	Subsidiary	Sales	\$ 5,223,300	40	Net 90 days from invoice date	N/A	N/A	\$ 36,138	3	
	WEC	The Company's parent	Purchases	368,505	8	Net 30 days from invoice date	N/A	N/A	(36,060)	2	
	Nyquest	Related party in substance	Sales	264,399	2	Net 45 days from invoice date	N/A	N/A	52,397	4	
	NTCJ	Subsidiary	Purchases	292,813	6	Net 15 days end of the month	N/A	N/A	(71,813)	4	
NTCJ	The Company	Parent company	Sales	US\$ 10,527	1	Net 15 days end of the month	N/A	N/A	JPY 287,475	3	
NTHK	The Company	Parent company	Purchases	US\$ 187,021	100	Net 90 days from invoice date	N/A	N/A	US\$ (1,306)	100	
NTSG	NTCJ	Fellow subsidiary	Sales	US\$ 105,641	34	Net 10 days end of the month	N/A	N/A	US\$ 12,322	43	
NTCJ	NTSG	Fellow subsidiary	Purchases	JPY 11,336,071	25	Net 10 days end of the month	N/A	N/A	JPY (1,418,194)	10	
		Fellow subsidiary	Sales	JPY 21,243,879	23	Net 10 days end of the month	N/A	N/A	JPY 1,856,012	17	
NTSG	NTCJ	Fellow subsidiary	Purchases	US\$ 195,084	67	Net 10 days end of the month	N/A	N/A	US\$ (16,126)	65	
NTCJ	NTSH	Fellow subsidiary	Sales	JPY 4,168,163	5	Net 15 days end of the month	N/A	N/A	-	-	
NTSH	NTCJ	Fellow subsidiary	Purchases	JPY 4,168,163	100	Net 15 days end of the month	N/A	N/A	-	-	
		Fellow subsidiary	Sales	RMB 84,688	20	Net 15 days end of the month	N/A	N/A	-	-	
NTCJ	NTSH	Fellow subsidiary	Purchases	RMB 84,688	3	Net 15 days end of the month	N/A	N/A	-	-	
		Related party in substance	Purchases	JPY 24,707,241	55	Net 10 days end of the month	N/A	N/A	JPY (1,650,615)	22	
		Related party in substance	Sales	JPY 12,925,853	14	Net 10 days end of the month	N/A	N/A	JPY 2,284,284	21	
NTSG	Waltech	Related party in substance	Purchases	US\$ 3,984	1	Net 10 days end of the month	N/A	N/A	US\$ (537)	2	
NTSH	Waltech	Related party in substance	Sales	RMB 33,736	8	Net 15 days end of the month	N/A	N/A	-	-	

**NUVOTON TECHNOLOGY CORPORATION**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
NTSG	NTCJ	Fellow subsidiary	US\$ 12,322	10.84	\$ -	-	US\$ 12,322	\$ -
NTCJ	NTSG	Fellow subsidiary	JPY 1,856,012	12.39	-	-	JPY 1,856,012	-
AMTC	NTCJ	Parent company	JPY 577,004	7.02	-	-	JPY 577,004	-
NTIL	The Company	Parent company	ILS 20,700	(Note)	-	-	ILS 20,700	-
NTCJ	Waltech. TPSCo.	Related party in substance Related party in substance	JPY 2,284,284 JPY 1,093,377	15.09 (Note)	- -	- -	JPY 2,284,284 JPY 1,093,377	- -

Note: Other receivables is not applicable to calculation of turnover rate.

**NUVOTON TECHNOLOGY CORPORATION**

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note	
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount				
The Company	NTHK	Hong Kong	Sales of semiconductor	\$ 427,092	\$ 427,092	107,400,000	100	\$ 508,077	\$ 44,719	\$ 44,719		
	MML	British Virgin Islands	Investment holding	274,987	273,418	8,897,789	100	298,146	176,494	176,494		
	NIH	British Virgin Islands	Investment holding	590,953	590,953	17,960,000	100	360,342	56,889	56,889		
	SYI	Taiwan	Investment holding	38,500	38,500	3,850,000	100	277,340	5,847	5,847		
	NTIPL	India	Design, sales and service of semiconductor	30,211	30,211	600,000	100	20,532	131	131		
	NTCA	United States of America	Design, sales and service of semiconductor	190,862	190,862	60,500	100	180,225	3,427	3,427		
	NTSG	Singapore	Design, sales and service of semiconductor	1,319,054	1,094,134	45,100,000	100	1,607,079	336,971	336,971		
	NTKL	Korea	Design, sales and service of semiconductor	30,828	30,828	125,000	100	11,201	(15,029)	(15,029)		
	NTHJ	Japan	Investment holding	5,927,849	5,941,896	100	100	6,370,802	323,476	81,815		(Note 1)
	MML	GLLC	United States of America	Investment holding	1,473,559	1,472,903	-	100	297,599	176,817		176,817
NIH	NTIL	Israel	Design and service of semiconductor	46,905	46,905	1,000	100	361,619	56,985	56,985		
NTHJ	NTCJ	Japan	Design, sales and service of semiconductor	111,520	111,520	9,480	100	10,961,545	323,113	323,113		
NTCJ	METC	Japan	Design and service of semiconductor	-	55,760	-	-	-	109,206	109,206	(Note 3)	
	AMTC	Japan	Design and service of semiconductor	55,760	55,760	4,000	100	278,266	137,018	137,018		

Note 1: Share of profit (loss) includes downstream and upstream transactions and the amortization cost of the difference between the original investment amount and equity.

Note 2: Refer to Table 7 for information on investment in mainland China.

Note 3: NTCJ sold its 100% shares of METC to the parent company (Winbond Electronics Corporation) on November 1, 2021.

**NUVOTON TECHNOLOGY CORPORATION**

**INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars and U.S. Dollars)**

1. Information on any investee company in mainland China, main businesses and products, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period and repatriations of investment income:

Investee Company in mainland China	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	% Ownership of Direct or Indirect Investment	Net Income of the Investee	Investment Gain (Note 1)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
NTSH	Provide project of sale in China and repairing, testing and consulting of software and leasing business	\$ 68,036 (US\$ 2,000)	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	\$ 68,036 (US\$ 2,000)	\$ -	\$ -	\$ 68,036 (US\$ 2,000)	100	\$ 177,178	\$ 177,178	\$ 300,288	\$ -
WENJ	Computer software service (except I.C. design)	16,429 (US\$ 500)	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	16,429 (US\$ 500)	-	-	16,429 (US\$ 500)	100	-	-	(2,994) (Note 2)	-
NTSZ	Computer software service (except I.C. design), wholesale business for computer, supplement and software	197,670 (US\$ 6,000)	Through investing in NTHK in the third area, which then invested in the investee in mainland China indirectly	197,670 (US\$ 6,000)	-	-	197,670 (US\$ 6,000)	100	8,805	8,805	216,692	-
Song Zhi (Suzhou)	Provide development of semiconductor and technology, consult service and equipment leasing business	8,688 (RMB 2,000)	Through investing in NTSH in the third area, which then invested in the investee in mainland China indirectly	- (Note 3)	-	-	-	100	(582)	(582)	8,104	-

Note 1: Investment profit or loss for the year ended December 31, 2021 was recognized under the basis of the financial statements audited by the Company's auditor.

Note 2: WENJ has a negative net book value as of December 31, 2021, which is reclassified to other non-current liabilities.

Note 3: NTSH directly injected the capital in Song Zhi (Suzhou).

2. Information on any investee company in mainland China, main businesses and products, paid-in capital, method of investment, limit on investment in mainland China:

Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
The Company	NT\$282,135 (US\$8,500)	NT\$282,135 (US\$8,500)	NT\$9,332,814

Note 4: Upper limit on the amount of 60% of the Company's net book value.

3. Refer to Table 6 of the Consolidated Financial Statements for significant transactions with the investee in mainland China directly and indirectly through investing in companies in the third area.
4. Refer to Table 1 for handling endorsement, guarantee and collateral to the investee in Mainland China directly and indirectly through investing in companies in the third area.
5. Financing of funds to investee in mainland China directly and indirectly through investing in companies in the third area: None.
6. Other transactions with significant influence on profit or loss for the period or financial performance: None.

**TABLE 8****NUVOTON TECHNOLOGY CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Winbond Electronics Corporation	214,954,635	51.21

Note 1: Table 8 is based on the information on the last business day of the quarter provided by the Taiwan Depository & Clearing Corporation (TDCC). The TDCC calculate the total number of ordinary shares and preferred shares held by shareholders who retain more than 5% of the Company's share (including treasury shares) that have delivered without physical registration. The number of shares in the Company's financial report and the actual number of shares delivered without physical registration may differ due to the different calculation basis.

Note 2: As per information above, if the shareholder delivers the shares to the trust, shares will be disclosed based on the trustee's account. Additionally, according to the Securities and Exchange Act, internal stakeholder whom holds more than 10% of the Company's share, which includes shares held by the stakeholder and parts delivered to the trust that have decision making rights, should be declared. For information regarding internal stakeholder declaration, please refer to the Market Observation Post System website of the Taiwan Stock Exchange Corporation.



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	2021	2020	Difference	
			Change (amount)	Change (%)
Current assets	22,000,452	18,360,546	3,639,906	20
Property, plant and equipment	5,248,513	6,547,107	(1,298,594)	(20)
Intangible assets	983,329	802,691	180,638	23
Other assets	6,176,096	6,612,357	(436,261)	(7)
Total assets	34,408,390	32,322,701	2,085,689	6
Current liabilities	9,818,988	11,550,328	(1,731,340)	(15)
Non-current liabilities	9,034,712	9,251,005	(216,293)	(2)
Total liabilities	18,853,700	20,801,333	(1,947,633)	(9)
Capital Stock	4,197,653	3,883,936	313,717	8
Capital surplus	6,871,811	5,796,731	1,075,080	19
Retained earnings	4,418,707	1,699,988	2,718,719	160
Other interests	66,519	140,713	(74,194)	(53)
Total equity	15,554,690	11,521,368	4,033,322	35
Reasons for changes exceeding 20%:				
1. Current assets: Increase in current assets was mainly due to the receipt of upfront fee for capacity reservation in 2021.				
2. Property, plant and equipment: Decrease in property, plant and equipment was mainly due to the sale of fixed assets.				
3. Intangible assets: Increase in intangible assets was mainly due to the purchase of intangible assets for business needs.				
4. Retained earnings: Increase in retained earnings was mainly due to increase in profits.				
5. Other interests: Decrease in other interests was mainly due to decrease in exchange differences resulting from translating the financial statements in foreign operations and increase in unrealized valuation gains from financial assets measured at fair value through other comprehensive income.				

## II. Analysis of financial performance (consolidated)

Unit: NT\$1,000

Item\Year	2021	2020	Change (amount)	Percentage of change (%)
Operating revenue	41,455,957	20,668,056	20,787,901	101
Operating cost	<u>24,599,840</u>	<u>12,961,144</u>	<u>11,638,696</u>	90
Gross profit	16,856,117	7,706,912	9,149,205	119
Operating expenses	<u>13,528,974</u>	<u>7,384,630</u>	<u>6,144,344</u>	83
Operating profits	3,327,143	322,282	3,004,861	932
Non-operating income and expenses	<u>218,353</u>	<u>421,143</u>	<u>(202,790)</u>	(48)
Pre-tax profit	3,545,496	743,425	2,802,071	377
Income tax expense	<u>604,744</u>	<u>210,640</u>	<u>394,104</u>	187
Net profit of the term	2,940,752	532,785	2,407,967	452
Other comprehensive income of the term	<u>15,506</u>	<u>43,470</u>	<u>(27,964)</u>	(64)
Total comprehensive income of the term	<u>2,956,258</u>	<u>576,255</u>	<u>2,380,003</u>	413
Reasons for changes exceeding 20%:				
<p>The increases and decreases exceeding 20% were mainly due to the Company's acquisition of semiconductor businesses of Panasonic Corporation . Both of them produced significant impact on the performance of various financial items in the consolidated statements.</p>				

## III. Cash flow analysis

Unit: NT\$1,000

Cash balance, beginning	Annual net cash flow from operating activities	Cash outflow due to investing and financing activities	Cash surplus (deficit)	Remedial measures for cash deficit	
				Investment plans	Financing plans
5,881,733	4,110,432	(293,134)	9,699,031	-	-
<p>1. Analysis on the cash flow changes of the current year:</p> <p>(1) Operating activities: Mainly due to operating profits in 2021.</p> <p>(2) Investing activities: Mainly due to decrease in refundable deposits made in 2021.</p> <p>(3) Financing activities: Mainly due to repayment of long-term debt and receipt of upfront fee for capacity reservation in 2021.</p> <p>2. Remedial actions for cash deficit and liquidity analysis: Not applicable.</p> <p>3. Cash flow analysis for the coming year (note):</p> <p>Net cash inflow from operating activities of the Company and subsidiaries for the coming year is estimated at NT\$1.23 billion, and net cash outflow due to investing and financing activities is estimated at NT\$3.17 billion; mainly to be used on capital expenditures.</p>					

Note: These are unaudited figures.

IV. Effect of major capital spending on financial position and business operation in the past 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 currently operates mainly on own funds. Thus changes in interest rates are not expected to produce significant impact on the operations of the Company. The Company maintains friendly relations with multiple financial institutions that offer preferred interest rates when the need for capital arises; changes in interest rates are not expected to produce significant impact on Company's cost of operation. However the Company will continue to watch closely the effect of interest rate movement on Company 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:

As domestic and global inflation turned for the worse in 2021, the Company will actively manage and control cost and operating expenditures to reduce the impact of inflation on operations.

#### (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 provided endorsement and guarantee for financing and loans from financial institutions for its wholly-owned subsidiary due to the subsidiary's financing needs for its operating activities in 2021. 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 "Procedures for the Acquisition or Disposal of Assets Procedures," "Procedures for Lending Funds to Other Parties," "Rules for 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 2022 R&D expenditure for the preceding application products is estimated at NT\$9.3 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 applicable 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: Not applicable

(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 considerations given to product quality, preferred purchasing price, and stable supply at the time of shortage. Still for purchase management, the Company maintains at least two suppliers to 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:

- (1) The Company and NTCA received a complaint delivered by the court on June 29, 2020. The plaintiff claimed in the complaint filed with the California Superior Court that the gasoline generator produced by HD Power Systems Inc. exploded while in use and caused damage to the plaintiff. The plaintiff requested Nuvoton Technology and NTCA, and other related companies to bear liabilities of compensation. The plaintiff withdrew its complaint against Nuvoton Technology on June 29, 2021 and withdrew its complaint against NTCA on July 7, 2021. The court has accepted the withdrawal filing and issued a dismissal order.

With the exception of the aforementioned legal cases, there were no major legal cases in which the Company is a principal as of the date of this 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:

- (1) Company L filed a patent infringement suit in the United States District Court for the District of Delaware against NTCA (excluding Nuvoton Technology) on April 29, 2021. NTCA has signed a licensing and settlement agreement with Company L on June 22, 2021. Company L then withdrew the suit from the United States District Court for the District of Delaware on June 30, 2021 according to the agreement.
- (2) The Company NTCA received a complaint delivered by the court on June 29, 2020. The plaintiff claimed in the complaint filed with the California Superior Court that the gasoline generator produced by HD Power Systems Inc. exploded while in use and caused damage to the plaintiff. The plaintiff requested Nuvoton Technology and NTCA, and other related companies to bear liabilities of compensation. The plaintiff withdrew its complaint against Nuvoton Technology on June 29, 2021 and withdrew its complaint against NTCA on July 7, 2021. The court has accepted the withdrawal filing and issued a dismissal order.
- (3) Company N filed a patent infringement suit in the United States District Court for the District of Delaware against NTCA (excluding Nuvoton Technology) on November 24, 2021. Company N has applied to withdraw this suit in February 2022. The case is concluded.

With the exception of the aforementioned legal cases, 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 date of this 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:

The Company was free of any situation described above in the past year and up to the date of report.

VII. Other important matters: N/A.

## Chapter 6 Special Disclosures

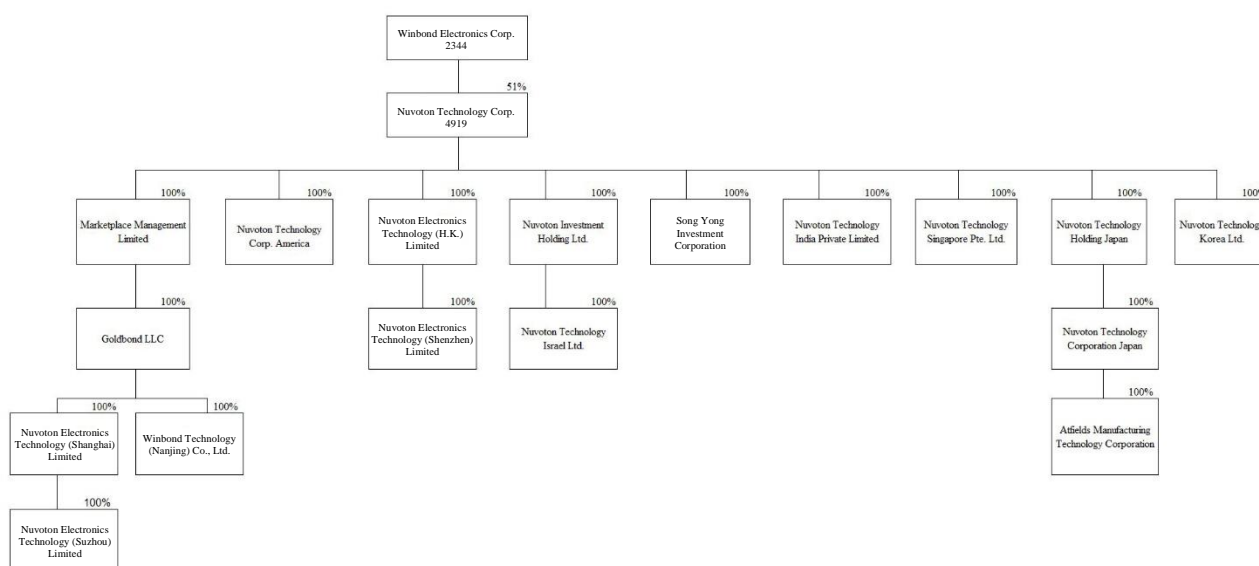
### I. Profiles on affiliates and subsidiaries

#### (I) Consolidated Operation Report of Affiliates

##### 1. Affiliate organization chart

December 31, 2021

Affiliates organization chart



##### 2. Profiles of affiliates

December 31, 2021; Unit: NT\$1,000/foreign currency \$1,000

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	4,197,653	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\$8,898	Investment business
Goldbond LLC	2000.09.22	1912 Capitol Ave, Cheyenne, WY 82001	USD\$44,775	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	USD45,100	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
Nuvoton Electronics Technology (Suzhou) Limited	2020.12.04	4F, Building 1, No. 379, Tayuan Road, Suzhou New District, Suzhou, P.R. China	RMB2,000	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, 2021; 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	551,000	0%
	Director	Yung Chin	11,778,797	0%
	Independent Director	Francis Tsai	-	-
	Independent Director	Allen Hsu	-	-
	Independent Director	Jerry Hsu	-	-
	Independent Director	Ta-Chuan Cho	-	-
	Independent Director	Wei-Hsin Ma	-	-
	Independent Director	Chih-Chen Lin	-	-
	Independent Director	Walsin Lihwa Corporation institutional representative - Wen-Hu Pan	883,848,423	22%
	Independent Director	Gin Hsin Investment Co., Ltd. institutional representative: Yuan-Mou Su	240,003,072	6%
	President	Pei-Ming Chen	395,044	0%

Enterprise name	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
Nuvoton Technology Corp.	Chairman	Winbond Electronics Corp. Representative - Yuan-Mou Su	214,954,635	51%
	Director	Arthur Yu-Cheng Chiao	-	-
	Director	Chin Xin Investment Corp. Representative - Yung Chin	5,440,219	1%
	Director	Ken-Shew Lu	-	-
	Director	Chi-Lin Wea	-	-
	Independent Director	Allen Hsu	-	-
	Independent Director	Royce Yu-Chun Hong	-	-
	Independent Director	David Shu-Chyuan Tu	-	-
	Independent Director	Jerry Hsu	-	-
	President	Yuan-Mou Su (Note 1)	-	-
Marketplace Management Limited	Director	Nuvoton Technology Corp. institutional representative - Arthur Yu-Cheng Chiao	8,897,789	100%
		Nuvoton Technology Corp. institutional representative - Hung-Wen Huang		
	Director	Nuvoton Technology Corp. institutional representative - Tung-Yi Chan		
Goldbond LLC	Managerial officer (Note 2)	Marketplace Management Limited institutional appointee -Yu-Cheng Chiao	Note 3	100%
	Managerial officer (Note 2)	Marketplace Management Limited institutional appointee - Jessica C. Huang		
	Managerial officer (Note 2)	Marketplace Management Limited institutional appointee - Hung-Wen Huang		
Nuvoton Electronics Technology (Shanghai) Limited	Chairman	Goldbond LLC institutional representative - Hsin-Lung Yang	Note 3	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 3	-	
Winbond Technology (Nanjing) Co., Ltd.	Chairman	Goldbond LLC institutional representative: Ren-Lie Lin	Note 3	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 - Yuan-Mou Su Nuvoton Technology Corporation institutional representative - Vivian Yeh	60,500	100%
	Director	Nuvoton Technology Corp. representative - Yung Chin		
	Director	Nuvoton Technology Corp. institutional representative - Ren-Lie Lin		
	Director	Nuvoton Technology Corp. representative - Yung Chin		
	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 Corp. institutional representative - Karen K Chiao	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 - Yo-Song Cheng		
	President	Jo-Wei Fu		

Enterprise name	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
Nuvoton Electronics Technology (Shenzhen) Limited	Chairman	Nuvoton Electronics Tech. (H.K.) Ltd. Institutional representative - Mense Wu	Note 3	100%
	Director	Nuvoton Electronics Tech. (H.K.) Ltd. institutional representative - Patrick Wang		
	Director	Nuvoton Electronics Tech. (H.K.) Ltd. Institutional representative - Yoshitaka Kinoshita		
	Director	Nuvoton Electronics Tech. (H.K.) Ltd. Institutional representative - Hsin-Lung Yang		
	Director	Nuvoton Electronics Tech. (H.K.) Ltd. Institutional representative - Yue-Fang Chung		
	Supervisor	Nuvoton Electronics Tech. (H.K.) Ltd. Institutional representative - Jen-Lieh Lin		
	President	Jo-Wei Fu	Note 3	-
Nuvoton Investment Holding Ltd.	Director	Nuvoton Technology Corp. institutional representative - Arthur Yu-Cheng Chiao	17,960,000	100%
	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	1,000	100%
	Director	Nuvoton Investment Holding Ltd. institutional representative - Ren-Lie Lin		
	Director	Nuvoton Investment Holding Ltd. Institutional representative - Yuan-Mou Su		
	Director	Nuvoton Investment Holding Ltd. institutional representative: Hung-Wen Huang		
	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	3,850,000	100%
	Director	Nuvoton Technology Corp. institutional representative - Arthur Yu-Cheng Chiao		
	Director	Nuvoton Technology Corp. institutional representative - Hsiu-Fen Lai		
	Supervisor	Nuvoton Technology Corp. institutional representative - Jen-Lieh Lin		
Nuvoton Technology India Private Limited	Chairman	Nuvoton Technology Corp. institutional representative - Hsi-Jung Tsai	600,000	100%
	Director	Nuvoton Technology Corporation institutional representative: Jitendra Patil		
	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	45,100,000	100%
	Director	Nuvoton Technology Corp. institutional appointee - Patrick Wang		
	Director	Nuvoton Technology Corp. institutional appointee - Mense Wu		
	Director	Nuvoton Technology Corp. institutional appointee - Yoshitaka Kinoshita		
	Director	Nuvoton Technology Corp. institutional appointee - Yi-Tsai Hsu		
	President	Yi-Tsai Hsu	-	-
Nuvoton Technology Korea Ltd.	Representative		125,000	100%
	Director	Nuvoton Technology Corp. institutional appointee - Patrick Wang		
	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		

Enterprise name	Title	Name or representative	Shares held				
			No. of shares	Shareholding ratio			
Nuvoton Technology Corporation Japan	Chairman	Nuvoton Technology Holdings Japan institutional appointee - Yuan-Mou Su	9,480	100%			
	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 - Karen K Chiao					
	Director	Nuvoton Technology Holdings Japan institutional appointee - Hsiu-Fen Lai					
	Director	Nuvoton Technology Holdings Japan institutional appointee - Yoshitaka Kinoshita					
	Director	Sakae Suzuki					
	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	-	-
Nuvoton Electronics Technology (Suzhou) Limited	Chairman	Nuvoton Electronics Technology (Shanghai) Limited institutional representative - Jessica Huang	Note 3	100%			
	Director	Nuvoton Electronics Technology (Shanghai) Limited institutional representative - Yo-Song Cheng					
	Director	Nuvoton Electronics Technology (Shanghai) Limited institutional representative - Hsiu-Fen Lai					
	Supervisor	Nuvoton Electronics Technology (Shanghai) Limited institutional representative - Hung-Wen Huang					
		President			Jo-Wei Fu	Note 3	-

Note 1: Chairman and CEO Yuan-Mou Su is appointed the acting President starting November 15, 2021.

Note 2: Goldbond LLC is a company with a manager system.

Note 3: 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. Overall businesses covered by affiliates

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. Profiles and business status of affiliates

December 31, 2021; 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	125,944,579	43,500,466	82,444,113	57,532,802	14,678,137	13,594,643	3.42
Nuvoton Technology Corp.	4,197,653	24,179,854	8,625,164	15,554,690	14,601,031	2,590,437	2,940,752	7.27
Marketplace Management Limited	246,291	298,407	261	298,146	19,408	19,084	19,084	2.14
Goldbond LLC	1,239,367	301,069	3,470	297,599	19,768	19,407	19,407	Note 1
Nuvoton Electronics Technology (Shanghai) Limited	71,914	119,402	20,906	98,496	1,784,276	(11,392)	177,178	Note 1
Winbond Technology (Nanjing) Co., Ltd.	17,574	47	3,041	(2,994)	0	0	0	Note 1
Nuvoton Technology Corporation America	167,464	248,192	67,967	180,225	432,071	15,842	3,427	56.64
Nuvoton Electronics Technology (H.K.) Limited	381,163	618,593	98,526	520,067	5,423,421	43,010	44,719	0.42
Nuvoton Electronics Technology (Shenzhen) Limited	201,709	256,595	27,913	228,682	200,363	4,402	8,805	Note 1
Nuvoton Investment Holding Ltd.	497,133	362,382	2,040	360,342	56,985	56,889	56,889	3.17
Nuvoton Technology Israel Ltd.	9	671,730	310,111	361,619	991,185	74,187	56,985	56,985
Song Yong Investment Corporation	38,500	277,535	195	277,340	6,137	5,917	5,847	1.52
Nuvoton Technology India Private Limited	22,320	20,608	76	20,532	3,165	151	131	0.22
Nuvoton Technology Singapore Pte. Ltd.	1,248,368	2,553,140	946,061	1,607,079	8,611,470	414,371	336,971	7.47
Nuvoton Technology Korea Ltd.	29,125	13,095	1,894	11,201	0	(14,980)	(15,029)	(120.23)
Nuvoton Technology Holdings Japan	1,203	7,251,306	677	7,250,629	0	323,476	323,476	3,234,764.26
Nuvoton Technology Corporation Japan	96,200	16,491,155	5,529,610	10,961,545	22,868,191	86,999	323,113	34,083.63
Atfields Manufacturing Technology Corporation	48,100	411,005	132,739	278,266	1,217,073	202,501	137,018	34,254.41
Chairman of Miraxia Edge Technology Corporation	0	0	0	0	1,131,865	160,204	109,206	27,301.50
Nuvoton Electronics Technology (Suzhou) Limited	8,688	8,104	0	8,104	0	(595)	(582)	Note 1

Note 1: 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.

Note 2: NTCI sold 100% equity of METC to Winbond Corporation on November 1, 2021. Thus only its income (loss) for January - October is shown.

(II) Consolidated Financial Statement of Affiliates: Please see pp. 128~200



(III) Affiliation Report:

1. Statement of Affiliation Report

Statement of Affiliation Report

The Company's 2021 (January 1 ~ December 31, 2021) 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 notes to the financial statements of the period. It is hereby declared

Company name Nuvoton Technology Corp.

Legal Representative: Yuan-Mou Su

February 10, 2022

## 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 managerial officers	
		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	51.21	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 trading 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\$)	Credit period	Unit price (NT\$)	Credit period		Balance	Ratio of total accounts receivable (payable) and notes	Amount	Handling method	Allowance for bad debts	
Purchase	372,726	9%	-	-	30 days on a monthly basis	-	30 to 120 days on a monthly basis	-	(36,060)	2%	-	-	-	

### (2) Property transaction status:

Unit: NT\$1,000

Transaction type	Asset	Transaction/fact date	Amount	Term of payment/delivery	Payment	Gain/Loss on disposal	Reason for counterparty being a control company	Previous transfer				Transaction decision	Pricing basis	Purpose and utilization of acquisition/disposal	Other agreements
								Owner	Relationship with the Company	Transfer date	Amount				
Disposal	Equity	2021.11	357,897	Payoff on the date of transaction	Paid in full	0 (note)	Normal agreement	-	-	-	-	Decision of the board of directors	Based on the book value provided by the seller	Normal	N/A

Note: The equity transaction pertains to reorganization. Thus the difference between sales price and shareholders' equity is reconciled in capital surplus.

### (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 2019.11.16~12.31

### (5) Endorsements and guarantees: N/A

II. Progress of private placement of securities during the latest year and up to the date of report:  
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 Subparagraph 2, Paragraph 3, Article 36 of Securities and Exchange Act in the past year and up to the date of report: N/A

Nuvoton Technology Corp.

Legal Representative: Yuan-Mou Su