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Nidec Chaun-Choung Technology Corporation
(Original: Chaun-Choung Technology Corporation)

2020
Annual Report

(Translation Version)

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One. Letter to Shareholders

Dear Shareholders, Ladies and Gentlemen:

We, on behalf of the Board and employees of Nidec Chaun-Choung Technology Corporation, would like to thank all our shareholders for your support and care. We hereby present the Company's 2020 business performance and 2021 operational plans to our beloved shareholders.

I. The 2020 Business Report

(I) The implementation results of the 2020 Business Plan

The Company generated consolidated net revenues totaling NT\$9,123,421 thousands in 2020, up 6% from the NT\$8,586,172 thousands in 2019. Pre-tax profit was concluded at NT\$1,076,963 thousands, up 11% from the NT\$967,857 thousands in 2019; net income amounted to NT\$782,398 thousands, representing an EPS of NT\$9.06 that were 12% higher than the previous year with net income NT\$701,534 and EPS of NT\$8.12. The function of High-end PC, game consoles and electronic products become more sophisticated and high performance, and the higher demand for heat cooling, the products with high power cooling drives the sustained growth of the Company.

The overview of heat cooling industry nowadays, as the related technology of Cloud, Artificial Intelligence (AI) and 5G has developed maturely gradually, the application of heat cooling products focused on personal devices related to PC industry has expanded to the fields of smart phones, Cloud Data Centers, IoT, automobiles, communications, information computing facilities as well as smart home appliances. The overall demand for heat cooling products and the market size have continued to grow quickly. In order to meet the diversified demands of the market, NCCI provides a wider array of cooling related products. The Company will continue to deepen the relationship of the existing customers and actively develop the heat cooling solutions in the fields of Handheld devices, Gaming consoles, high power air cooling systems as well as liquid cooling systems to satisfy the market demands. To invest the product development driven by related applications such as AI, IoT and 5G is the goal of the Company, in addition, comprehensively enhancing the connection with the key global regions / customers to strengthen the services for existing customers and develop new customers.

Besides well-known of cooling devices for the smart phones, laptops and servers have been getting lighter, slimmer and higher efficiency in performance. Nidec Chaun-Choung has successfully developed a number of cooling solutions for electronic products which are also in mass production in recent years, such as Gaming NB with overclocking thermal modules, Action Cameras with slim and light heat sink components, high-density & High Performance Computing (HPC) workstation-grade server thermal modules and Advanced Driver Assistance Systems (ADAS) with liquid-cooling solutions. Further, the technology of the products with copper vapor chamber developed by Nidec Chaun-Choung, no matter is ultra-slim vapor chamber or high-performance vapor chamber, the technology is maturity and has been recognized by major cell phone and network communication customers around the world with successful launch into the market and mass production. Recently, based on this successful experience, Nidec Chaun-Choung is endeavouring towards the research and development of more stringent requirement cooling solutions, such as vehicle-mounted, electrical and electronic

products, which require higher performance in cooling, stronger strength, lighter in weight. The usage of new materials will be based on the successfully developed copper production process, which will further extend to new equipment and new production technology. Refine key welding and vacuum technology to overcome the physical bottleneck of design and manufacturing for different materials. It is expected to achieve ultra-slim thickness of less than 0.3 mm and high performance with a pressure resistance of more than 300 pounds as a unique cooling solution for particular demands.

It is the third year after joining the Nidec Group, the Company has officially changed name as “Nidec Chaun-Choung Technology Corporation” in this January. We are striving for being the leader in comprehensive cooling solutions. Through technology support from our Japanese headquarter, the synergy has already yielded. Furthermore, the construction of the plant in Vietnam is expected to be completed in first half of this year. This will not only upgrade the overall production capacity of the whole group but also diversify the risk of concentration at only one production site. This will be favorable for the adjustment of the production line of the group to satisfy the demands and expectations of different customers. In terms of product strategy, the Company will continue exploring slimmer, smaller, more structurally robust and more heat cooling-efficient solutions in response to the trend of more diversified cooling applications. The Company will concentrate on the applications such as Artificial Intelligence (AI), Internet of Things (IoT), Cloud, 5G, High Performance Computing (HPC), smart home appliances and automobiles, with using air cooling and liquid cooling solutions to satisfy the market demands and expand the operational scale. As for the uncertainties are trade wars between major economies, risks of global security change, fluctuations in raw material prices, increased operation costs such as labor and product price competition. The Company will accelerate the optimization of production process to improve production capacity and productivity, continue the innovation in technology, products and applications, with the suitable rearrangement of the production sites for assurance of core competence and synergy to surpass industry peers.

(II) Budget execution: according to the “Regulations Governing the Publication of Financial Forecasts of Public Companies”, the Company is not required to disclose information regarding budget execution and analysis in 2020, as the Company did not release the information of financial forecasts in 2020.

(III) Revenue, Expenditure and profitability analysis

Currency unit: NTD thousands

| Item | | Year | 2019 | 2020 |
|--|---|------|-----------|-----------|
| Financial Income and Expenditure | Operating Revenue | | 8,586,172 | 9,123,421 |
| | Gross Profit from Operation | | 1,858,195 | 1,982,682 |
| | Net Profit | | 701,534 | 782,398 |
| Profitability | Return on Assets (%) | | 9.91 | 9.80 |
| | Return on Equity (%) | | 17.76 | 18.47 |
| | Pre-tax Profit as a percentage of Paid-up Capital (%) | | 112.09 | 124.73 |
| | Net profit rate (%) | | 8.17 | 8.57 |
| | Basic Earnings per Share (NT\$) | | 8.12 | 9.06 |

(IV) Research and Development

1. Research and Development Expenses in the last two years

Currency unit: NTD thousands

| Item | Year | 2019 | 2020 |
|---|------|---------|---------|
| R&D Expenses | | 343,725 | 327,933 |
| As a Percentage of Current Year Revenue (%) | | 4.00 | 3.59 |

2. Research and Development Outcomes

- (1) Mobile devices - The new generation high-performance NCCI Gen2 VC bonding technology has been introduced to mass production.
- (2) Personal computers - The development of Intel Gen11 CPU (Tiger Lake/ Rocket Lake Platform) solution was completed.
- (3) High-power servers - The development of the new generation Sapphire Rapids Platform solution was completed.
- (4) High-end game consoles - The development of the cooling solution was completed.

II. Summary of 2021 Business Plan

(I) Operational Guidelines

1. Integrate internal management systems of the Company, obtain timely information to improve the efficiency and quality of decisions making.
2. Combining the resources of Nidec to expand global competitiveness as well as vision and speed up future market expansion.
3. Continuously intensify the development of the supply chain and effectively control the flexibility of supply via VMI management.
4. Proactively establish good relationships with customers, satisfy various needs requesting by customers. Improve the timeliness of customer complaint handling, adopt corrective and preventive action and implement indeed.
5. Focus on market information gathering, including industry trends, financial information for decision making.
6. Make ongoing improvements for automation and production equipment, optimize the production efficiency, and enhance profitability.
7. Strengthen product innovation and R&D plans; collaborate with research institutions moderately to secure the sources of new and high-tech technologies in the medium and long term of the Company.
8. Carry out the optimization of various transformation, strengthen the intergration and management of information systems, simplify the operation process, install auxiliary tools to improve efficiency and enhance the output per capita.
9. Strengthen the supply chain and production of the factory in Vietnam for laying the growth foundation of new fields such as 5G and vehicles.

(II) Expected Sales Volume and Basis

The Company's main products include heat pipes, vapor chambers, thermal modules, and heat sinks. These products are mainly used in PCs, servers, network communications, and smart phones. In addition to stabilizing the existing market share of cooling components used in PCs, Servers and Network communications, the company will actively explore potential customers of existing product lines and business development in new product applications in 2021.

(III) Important Production and Sales Policies

1. Production Policies: The industrial characteristics of heat cooling products are few standardization, frequent design changes and urgent orders. Therefore, the Company enforces the strict inventory management, reducing inventory and increasing inventory turnover. In addition, the Company also invests extensively in automatic production equipment as a mean to reduce labor requirements, and actively explores ways to improve production quality, simplify production process, design common materials for cost reduction in order to offer more competitive price of products.
2. Sales Policies: In addition to expanding market shares in local and foreign markets, the Company will also gradually increase investment in vapor chamber production capacity depending on the market supply and demand situation. In addition, the Company will strengthenly develop overseas distribution channels, establish agency sales channels to further expand the international market exposure.

III. Future Development Strategies

- (I) Set short/medium/long term goals and visions.
- (II) Take actions toward accomplishing the prescribed goals and visions, and track performance on a regular basis for strategies flexible adjustments.
- (III) Close cooperation with Nidec to broaden the scope of product services and industry field developing, which will help obtain comparative advantages of each product lines among the industry peers.
- (IV) Enhance the quality and energy of R&D, and share the achievements and revenue growth performance with customers.
- (V) Speed up production capacity expansion to satisfy future market demand.
- (VI) Actively upgrade the automated production process to improve efficiency and get effective cost control.
- (VII) Make continuous improvements on product quality and achieve the goal of zero defects.
- (VIII) Continue to strengthen the industry's environmental protection policies, energy conservation, carbon emission, create a friendly environment as well as employment terms for the compliance with RBA (EICC) and the fulfillment of social responsibilities, to realize our vision of a low-carbon/carbon-free industry.

IV. Impacts of the Competitive Environment, Regulatory Environment, and the Overall Business Environment

The Company has been susceptible to impacts of external competition, regulations, and macroeconomic environment since it was first founded. Faced with market competition, new laws issued by the securities authority, foreign environmental protection regulations,

and the rapid change of global operating environment, the Company's operating performance has been indeed affected. In response to the above environmental changes, the Company will take actions to ensure the financial reports are prepared according to new securities laws and request all products produced by suppliers and the Company are compliant with foreign environmental protection regulations. Besides, the Company will endeavor to strengthen the integration of supply chain, enhance the percentage of self-manufacturing components, improve production processes, expand production capacity to make cost reduction, and timely grasp customers' order demands to enable proper planning of raw material purchases, and thereby improve overall competitiveness of the Company.

We give you

Our best regards for the future ahead

Chairman: Junichi Nagai

CEO: Junichi Nagai

Head of Accounting: Mei-Hua Chen

Two. Company Profile

1. Date of Incorporation: The Company was incorporated on December 14, 1973.
2. Company History

(I) Major Events of the Company

| Date | Item |
|------|---|
| 1973 | <ul style="list-style-type: none"> · Mr. Zong Wu founded Chaun Choung Enterprise Co., Ltd. with a capital of NT\$300,000 to engage in the production and processing of aluminum alloy products. |
| 1995 | <ul style="list-style-type: none"> · Collaborated with Industrial Technology Research Institute (ITRI) on the development of “heat pipes” that was a key component for NB thermal modules. |
| 1997 | <ul style="list-style-type: none"> · Began mass production of “micro heat pipes,” a key component for NB thermal modules that was developed in collaboration with ITRI in 1995. · Expanded the R&D team to commence the design of NB thermal modules. |
| 1998 | <ul style="list-style-type: none"> · Commenced mass production and shipment of NB thermal modules. · Certified for ISO 9001 quality assurance. |
| 1999 | <ul style="list-style-type: none"> · The Company was renamed as Chaun Choung Technology Corporation, in addition to aluminum alloy product production and processing, the Company began to engage in the design and production of heat transfer/conduction components for IT products. · Awarded with the Taiwan Excellence Award (high performance heat transfer component - heat pipe) (NB CPU thermal module). |
| 2000 | <ul style="list-style-type: none"> · Invested in CONQUER WISDOM CO., LTD (British Virgin Islands) with 100% shareholdings obtained. · Purchased office building located at 12F, No. 123-1 and 10F, No. 111, Shing Te Road, Sanchung City, in response to business operation and future growth. |
| 2001 | <ul style="list-style-type: none"> · Approved by the Investment Commission, Ministry of Economic Affairs, to invest in Kunshan Jue-Choung Electronics Co., Ltd. in China indirectly with 100% shareholdings obtained through CONQUER WISDOM CO., LTD. |
| 2002 | <ul style="list-style-type: none"> · Approved for registration to trade on the Emerging Stock Market on April 2, 2002. |
| 2003 | <ul style="list-style-type: none"> · The Company’s stock was listed for trading on the Taipei Exchange (TPEX) on January 14, 2003. · The high-performance micro vapor chamber heat transfer component development project was approved by the Ministry of Economic Affairs on April 30, 2003. |
| 2004 | <ul style="list-style-type: none"> · Certified for ISO14001 and OHSAS18001 Environmental Health and Safety Management System. |
| 2005 | <ul style="list-style-type: none"> · The new plant of Kunshan Jue-Choung Electronics Co., Ltd., the subsidiary, was completed. |
| 2008 | <ul style="list-style-type: none"> · Adjusted the Company’s investment structure in China to invest in GLOBE STAR ENTERPRISE LIMITED through CONQUER WISDOM CO., LTD (an investment at a third location), which then indirectly invested in Kunshan Jue-Choung Electronics Co., Ltd. in China with 100% shareholdings obtained. |

| Date | Item |
|------|---|
| 2009 | Began mass production of “vapor chambers,” a key component for servers. |
| 2010 | <ul style="list-style-type: none"> · The Company’s stock was listed for trading on the Taiwan Stock Exchange (TWSE) on September 16, 2010. |
| 2011 | <ul style="list-style-type: none"> · Approved by the Investment Commission, Ministry of Economic Affairs, to invest in GLOBE STAR ENTERPRISE LIMITED by investing additional capital in CONQUER WISDOM CO., LTD, which then indirectly invested in Chongqing Cyun Siang High-Tech Co., Ltd. in China with 100% shareholdings obtained. |
| 2013 | <ul style="list-style-type: none"> · Received the TOP 5000 Outstanding Enterprise Award. |
| 2014 | <ul style="list-style-type: none"> · Acquired property for an area of 400-ping located in Sanchung District, New Taipei City, for the expanded production of ultra-thin heat pipes and vapor chambers. |
| 2015 | <ul style="list-style-type: none"> · Juzhong Electronics Co., Ltd., the subsidiary, was awarded with three-certificate of “Corporate Carbon Footprint, Product Carbon Labeling, and Carbon Neutral.” |
| 2017 | <ul style="list-style-type: none"> · The new plant of Chongqing Cyun Siang High-Tech Co., Ltd., the subsidiary, was completed. · Kunshan Jue-Choung Electronics Co., Ltd., the subsidiary, acquired 100% shareholdings of Dongguan Chiuan-Vector Industrial Co., Ltd. |
| 2018 | <ul style="list-style-type: none"> · Received commendations from the Ministry of Economic Affairs for long standing in business (40+ years) and contribution to industrial and commercial development and employment. · November 2018 – Nidec Corporation (Japan) acquired 41,444,831 common stock shares from the Company for a 48% shareholding. |
| 2019 | <ul style="list-style-type: none"> · A total re-election of Directors and Supervisors was held in January 2019 with majority director seats acquired by Nidec Corporation and it has become the ultimate controller of the Company and subsidiaries. · July 2019 – The headquarters of Chaun-Choung Technology Corp. was relocated from Yingying Building on Shing Te Road to Zhongxing North Street. |
| 2020 | <ul style="list-style-type: none"> · January 2020 – The board of directors approved the establishment of a subsidiary, Nidec Chaun Choung Vietnam Corporation, with an initiated charter capital of US\$10 million in order to engage in major investment projects in Vietnam. · March 2020 – Nidec Chaun Choung Vietnam Corporation has incorporated. · The Company’s name was changed from “Chaun-Choung Technology Corporation” to “Nidec Chaun-Choung Technology Corporation” according to the resolution passed in the Extraordinary Shareholders Meeting in December 2020. |
| 2021 | <ul style="list-style-type: none"> · The insiders of director, Yo Chang Investment Co., Ltd., supervisor, Yi Cen Investment Co., Ltd., sold a total of 6,883,410 shares to Nidec Corporation in January 2021. · The name change registration of the Company was approved by the Ministry of Economic Affairs on January 8, 2021. · The board of directors resolved to have the stock abbreviation changed from “CCI” to ”NCCI” on January 20, 2021. |

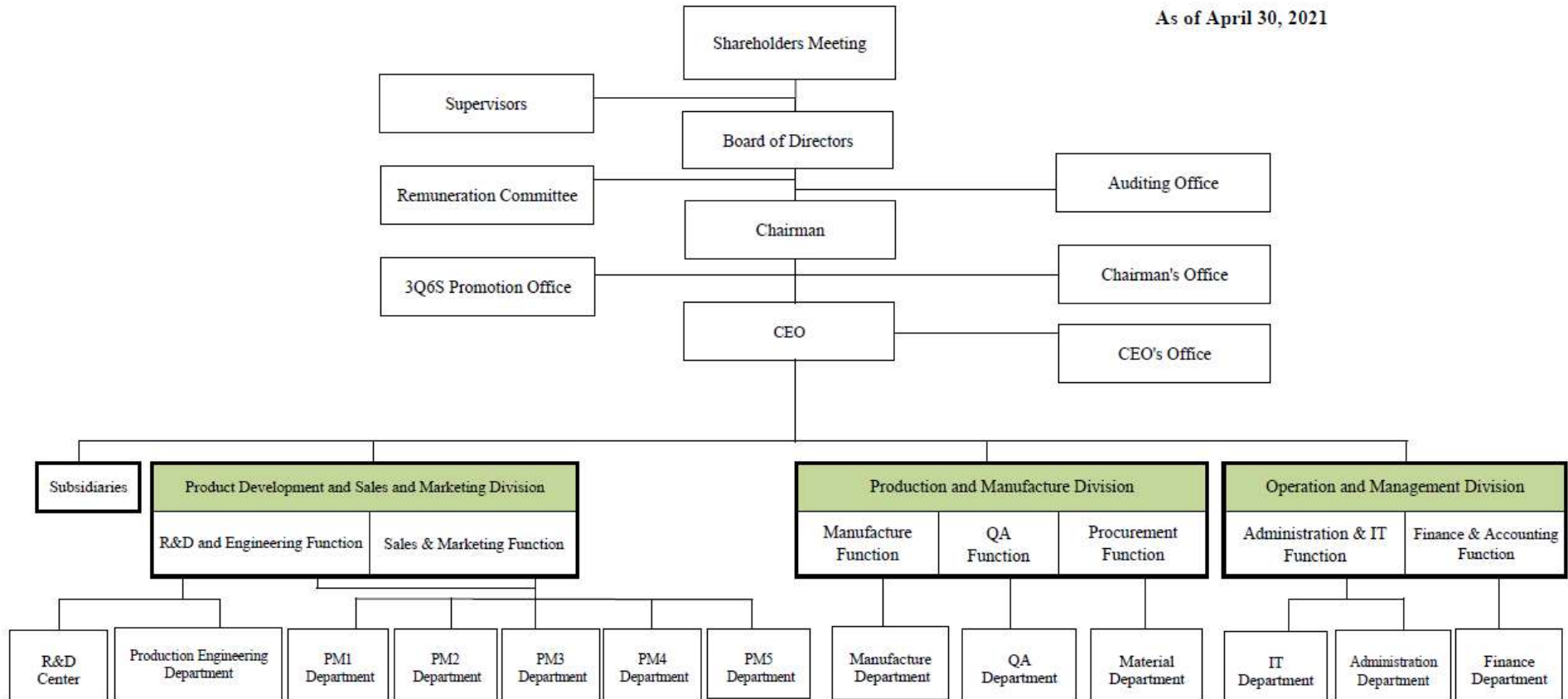
| Date | Item |
|------|--|
| | <ul style="list-style-type: none"> • The renamed stock shares have been traded in stock market since March 8, 2021. • An additional amount of US\$24.904 million was invested in the subsidiary, Nidec Chaun Choung Vietnam Corporation, in March 2021. The said subsidiary was with a paid-in capital of US\$34.904 million thereafter. |

- (II) Mergers, acquisitions, investments in affiliated companies, and reorganization handled in the last financial year and up to the publication date of this annual report: In order to conduct a major investment in Vietnam, the board of directors of the Company makes a resolution to set up a new subsidiary Nidec Chaun Choung Vietnam Corporation (NCCV) on January 14, 2020. The initiated charter capital is USD 10 million, and NCCV has incorporated on March 31, 2020. According to Corporate Law of Vietnam, Nidec Chaun-Choung Technology Corporation will contribute the charter capital USD 10 million by cash within 90 days from the issuance date of the Certificate of Business registration of NCCV. Then, an additional amount of US\$24.904 million was invested in NCCV in March 2021. The paid-in charter capital of NCCV was US\$34.904 million as of the annual report publication date.
- (III) Details of shares transferred by Directors, Supervisors, or Shareholders with more than 10% shareholding in the last year and up to the publication date of this annual report: Please refer to P.88-P.91 of the annual report: Details of shares transferred or pledged by Directors, Supervisors, Managerial Officers, and Shareholders with more than 10% shareholding.
- (IV) Changes in management, business operation, business activities, or other events with significant impact on shareholders' equity in the last Year and up to the publication date of this annual report: None.

Three. Corporate Governance Report

I. Organization

As of April 30, 2021



(II) Responsibilities of Main Departments

| Department Name | Main Responsibilities |
|--|---|
| Chairman's Office | <ol style="list-style-type: none"> 1. The draft and management of Nidec Chaun-Choung Group's business strategy, business objectives, and business operation. 2. The collection of various marketing information and industry intelligence. 3. Marketing strategy planning. 4. The planning and execution of new business units, such as, investing in new businesses, setting up subsidiaries, or organizing new departments. 5. Decision-making on important operational and financial matters. 6. The planning and execution of stock affairs; announcement in accordance with law or disclosure of material information. 7. The preparation and operation of the board meeting and shareholders meeting. |
| CEO's Office (Chief Executive Officer's Office) | <ol style="list-style-type: none"> 1. Pay attention to the business situation and the requirements and expectations of stakeholders. Formulate business strategies, plan the Company's operations guidelines, and implement board resolutions in response to the risks and opportunities; also, establish the Company's operating systems and supervise daily operations. 2. Handle internal relations, external public relations, and inter-departmental communication and coordination. 3. Responsible for the design and implementation of the Company's internal control system. 4. Ensure that the Company's quality and environmental safety and health management system comply with customers' or international standards, and continue to have it operated effectively. 5. The Company's production reformation and promotion (such as, equipment automation and Internet of Things). 6. Review, amendment, and draft of contracts and legal documents, compliance with laws and regulations, and contract implementation and consultation. 7. Protection of intellectual property rights and litigation. |
| Internal Audit Office | <ol style="list-style-type: none"> 1. Evaluate the soundness, rationality, and effectiveness of the Company's internal control system and various management systems. 2. Evaluate the efficiency of various plans or policies implemented by various units within the Company. 3. Reasonably confirm that each unit and each transaction cycle is with a good record, and whether it can properly prevent the waste, fraud, or inefficiency of cash, securities, or the use of other assets. 4. Review the audit reports and self-assessment reports presented by all units and subsidiaries, and follow up on the improvement of the internal control nonconformities and abnormal matters. 5. Cooperate with external institutions (Financial Supervisory Commission, counseling securities firm, accounting firm, and other relevant units) to audit internal control system. 6. Handle the announcement and declaration matters in accordance with the provisions of the Financial Supervisory Commission. |
| 3Q6S Promotion Office | <ol style="list-style-type: none"> 1. The Group's 3Q6S activities management, execution, and tracking 2. Formulate 3Q6S standardized specification (Handbook) targeting on all matters for the compliance of the entire Group, including the subsequent substantiation and implementation. |

| Department Name | Main Responsibilities |
|-----------------------------------|--|
| | 3. The inventory management, application management, and requisition demand of the Company's stationery and general supplies. 4. The Company's other 3Q6S related affairs |
| R&D Center | 1. Nidec Chaun-Choung Group's R&D resource utilization and laboratories management. 2. R&D for liquid cooling system and key components. 3. Next-generation chip cooling solution development (such as, AI deep learning chips and high-power graphics card thermal solutions, etc.). 4. Promotion and exploration of new thermal solutions. 5. Responsible for the development of new heat pipe structures. 6. Responsible for the development of the new vapor chamber structure. 7. Responsible for research and development of new products / new materials / new applications. 8. Develop products that meet customers' quality / hazardous substance free (HSF). 9. Gather hazardous substance free (HSF) management related information to comply with international laws and customers' requirements. 10. Supervise relevant product design, application development, etc. required by customers in the project department. |
| Production Engineering Department | 1. Responsible for the production process design, machinery equipment, fixtures, and automation development when the product development is completed and ready for production, integrated with the cost, quality control, and other elements to achieve maximum efficiency and efficacy in mass production. 2. Maintenance of production equipment 3. Assist to transfer the developed manufacturing process to each subsidiary or factory. 4. Coordinate and guide the Production Engineering Department of each subsidiary or factory to optimize the process and equipment. 5. Realize process improvement, equipment optimization, etc. to maximize yield rate. 6. Develop equipment specifications and operating instructions |
| Project Management Department | (Marketing) 1. Sales planning, coordination, sales performance evaluation, and collection of customers' accounts payable. 2. Customer credit assessment and market information gathering, analysis, composition, and reporting. 3. Development of new customers and new market. 4. Establish benign interactive communication with customers (including customer property) and customer complaint analysis and handling. 5. Planning and implementation of product marketing. 6. Collect customers' quality / hazardous substance free (HSF) requirements. (R&D) 1. Product blueprint planning and R&D plan execution. 2. Thermal/heat transfer technology and new product application development. 3. Study new market demands and update technical information. 4. Client model design and implementation. |
| Manufacturing Department | 1. Responsible for the manufacturing and production of vapor chamber, heat pipes, thermal modules, and heat sinks. |

| Department Name | Main Responsibilities |
|------------------------------|--|
| | <ol style="list-style-type: none"> 2. Produce products that meet customers' quality / hazardous substance free (HSF) requirement. 3. Production planning, arrange production line / capacity / staff deployment. 4. Train, guide, and supervise operators to achieve the best efficiency. 5. Ensure that products are delivered on time and as specified quality. |
| Quality Assurance Department | <ol style="list-style-type: none"> 1. Responsible for the establishment of quality policies, implementation of quality systems, and auditing and improvement of quality operations. 2. Provides quality-related recommendations to the management; assists and coordinates with various departments in the execution of the quality policy and promotes quality enhancement activities as well as education and training in order to provide more satisfactory services to customers. 3. Responsible for the introduction, supervision, and verification of the quality / hazardous substance free (HSF) in products, raw materials, and manufacturing processes. |
| Material Department | <ol style="list-style-type: none"> 1. Responsible for the procurement of raw materials, various equipment, etc., to achieve a procurement strategy for suitable quality, quantity, time, and price. 2. Procurement of raw materials, work-in-process products, and finished products that meet customers' quality / hazardous substance free requirement. 3. Control and record the storage and inventory of materials, and maintain the integrity of the inventory in the factory area to have the supply met the demand. 4. Contractor assessment and performance management is to meet customers' quality / hazardous substance free (HSF) requirement. 5. Contact window for supplier property |
| IT Department | <ol style="list-style-type: none"> 1. Monitors IT trends, develops IT policies, and promotes IT transformation. 2. Plans and coordinates IT transformation efforts to ensure effective use of resources. 3. Establish relevant information systems that meet customers' quality / hazardous substance free (HSF) requirement. |
| Administration Department | <ol style="list-style-type: none"> 1. Planning and implementation of personnel system and performance evaluation. 2. Staff education and training as well as salary management. 3. Provide general administrative services and management, stationery supplies procurement, asset repairs, and repair and maintenance of the utilities, air conditioning, communications and other supply systems inside the plant, and provide a suitable operating environment. 4. Data maintenance and management of fixed assets. 5. Responsible for the planning, management, and related law and regulations review for the Company's environmental safety and health affairs. 6. The preparation and operation of the Remuneration Committee. 7. Responsible for the Company's internal control, ISO and RBA documents issuance and management. 8. R&D project management (such as, project code preparation), the Group's material code management, BOM review and processing. |
| Finance Department | <ol style="list-style-type: none"> 1. Provides operational information and performs difference analysis. 2. Investments and assessing, planning, and implementing long-term and short-term investment activities. |

II. Profile of the Directors, Supervisors, General Manager, Vice Presidents, Assistant Vice Presidents, and Heads of Various Departments and Branches

(I) Profile of the Directors and Supervisors

1. Profile of the Directors and Supervisors

April 30, 2021 Unit: shares

| Title | Nationality or Place of Registration | Name | Gender | Date of Elected/Appointed | Term | Date of First Elected | Shareholding when Elected | | Current Shareholding | | Shares Held by Spouse and Underage Children | | Shares Held by Proxy | | Main Career (Academic) Achievements | Concurrent Duties in the Company and in Other Companies | Spouse or Relatives in the 2nd degree of kinship Acting as Directors, Supervisors, or Department Heads | | | Remarks |
|----------|--------------------------------------|--|--------|---------------------------|------|-----------------------|---------------------------|-------------------------|----------------------|-------------------------|---|-------------------------|----------------------|-------------------------|--|--|--|----------------|----------------|---------|
| | | | | | | | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | | | Title | Name | Relationship | |
| Chairman | Japan | Nidec Corporation | - | 2019.1.29 | 3 yr | 2019.1.29 | 41,444,831 | 48.00% | 70,893,982 | 82.11% | 0 | 0.00% | 0 | 0.00% | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | None |
| | | Representative: Junichi Nagai | Male | 2019.1.29 | 3 yr | 2019.1.29 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Bachelors of Economics, Yokohama National University, Japan General Manager of Overseas Business Department of Nidec Corporation | CEO of Nidec Chaun-Choung Technology Corporation Chairman of subsidiaries–NJCI, NCSI, NCCV | None | None | None | Note 1 |
| Director | Japan | Nidec Corporation | - | 2019.1.29 | 3 yr | 2019.1.29 | 41,444,831 | 48.00% | 70,893,982 | 82.11% | 0 | 0.00% | 0 | 0.00% | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | None |
| | | Representative: Eiji Miyamoto (Note 2) | Male | 2021.4.1 | 3 yr | 2021.4.1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Bachelor of Electrical Engineering, School of Engineering, Central Institute of Technology, Japan The chief of R&D 2, Development department 2 of GMS Business Unit of Small Precision Motor & Solutions Business Unit of Nidec Corporation | Executive Director of Nidec Corporation General Manager of Development Division 2 of Small Precision Motor & Solutions Business Unit of Nidec Corporation Director of Nidec Servo Corporation, Director of Nidec Taiwan Corporation, Director of Nidec America Corporation, Director of Nidec (Dalian) Limited, Director of Nidec (Dongguan) Limited | None | None | None | None |
| Director | Japan | Nidec Corporation | - | 2019.1.29 | 3 yr | 2019.1.29 | 41,444,831 | 48.00% | 70,893,982 | 82.11% | 0 | 0.00% | 0 | 0.00% | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | None |
| | | Representative: Yasuhiro Mase | Male | 2021.4.1 | 3 yr | 2021.4.1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Bachelor of Japanese Language and Literature, College of Liberal Art, Shihshu University, Japan | CFO of Nidec Chaun-Choung Technology Corporation Director of subsidiaries–NJCI, NCSI, NCCV | None | None | None | None |

| Title | Nationality or Place of Registration | Name | Gender | Date of Elected/ Appointed | Term | Date of First Elected | Shareholding when Elected | | Current Shareholding | | Shares Held by Spouse and Underage Children | | Shares Held by Proxy | | Main Career (Academic) Achievements | Concurrent Duties in the Company and in Other Companies | Spouse or Relatives in the 2nd degree of kinship Acting as Directors, Supervisors, or Department Heads | | | Remarks | |
|----------------------|--------------------------------------|--------------------------------------|--------|----------------------------|------|-----------------------|---------------------------|-------------------------|----------------------|-------------------------|---|-------------------------|----------------------|-------------------------|---|---|--|----------------|----------------|---------|------|
| | | | | | | | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | | | Title | Name | Relationship | | |
| | | (Note3) | | | | | | | | | | | | | Single-year Master of Business Administration (MBA) of Indian Institute of Management, Ahmedabad, India General Manager and Leader of the Revenue Management Team, the Global Performance Management Department of Nidec Corporation | | | | | | |
| Director | Japan | Nidec Corporation | - | 2019.1.29 | 3 yr | 2019.1.29 | 41,444,831 | 48.00% | 70,893,982 | 82.11% | 0 | 0.00% | 0 | 0.00% | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | None | |
| | | Representative: Mitsuru Tsuyoshi | Male | 2019.1.29 | 3 yr | 2019.1.29 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Bachelor of Chinese Studies, Osaka University of Foreign Studies, Japan | Chairman of Nidec Taiwan Corporation COO of Nidec Management Shanghai Corporation Director of Nidec (Hong Kong) Co., Ltd. | None | None | None | None | None |
| Director | Japan | Nidec Corporation | - | 2019.1.29 | 3 yr | 2019.1.29 | 41,444,831 | 48.00% | 70,893,982 | 82.11% | 0 | 0.00% | 0 | 0.00% | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | None | |
| | | Representative: Hidetoshi Matsuhashi | Male | 2019.1.29 | 3 yr | 2019.1.29 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Bachelor of Economics, University of Toyama, Japan CFO of GMS Business Unit of Small Precision Motor & Solutions Business Unit of Nidec Corporation | Division General Manager of Production of Small Precision Motor & Solutions Business Unit of Nidec Corporation Supervisor of Nidec (Zhejiang) Corporation, Supervisor of Nidec (Dongguan) Ltd., Supervisor of Nidec (Shaoguan) Ltd., Supervisor of Nidec Vietnam Corporation | None | None | None | None | None |
| Independent Director | Republic of China | Ke-Wei Hsu | Male | 2019.1.29 | 3 yr | 2019.1.29 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Bachelor of Law, National Taiwan University Master of Law, University of Pennsylvania MBA, University of Pennsylvania Wharton School Senior Consultant of Jones Day | Legal Consultant of Wende Pharmaceuticals Co., Ltd. | None | None | None | None | None |

| Title | Nationality or Place of Registration | Name | Gender | Date of Elected/ Appointed | Term | Date of First Elected | Shareholding when Elected | | Current Shareholding | | Shares Held by Spouse and Underage Children | | Shares Held by Proxy | | Main Career (Academic) Achievements | Concurrent Duties in the Company and in Other Companies | Spouse or Relatives in the 2nd degree of kinship Acting as Directors, Supervisors, or Department Heads | | | Remarks |
|----------------------|--------------------------------------|----------------|--------|----------------------------|------|-----------------------|---------------------------|-------------------------|----------------------|-------------------------|---|-------------------------|----------------------|-------------------------|--|--|--|------|--------------|---------|
| | | | | | | | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | | | Title | Name | Relationship | |
| Independent Director | Republic of China | Ya-Ping Chiang | Female | 2019.1.29 | 3 yr | 2006.6.9 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Department of Financial Taxation, National Chung Hsing University Finance Manager of Dongguan Donsha Baofong Hardware and Plastics Plant Certified Public Accountant | - | None | None | None | None |
| Supervisor | Japan | Isao Takahashi | Male | 2019.1.29 | 3 yr | 2019.1.29 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Bachelor of Economics, Doshisha University, Japan Chief Manager of Accounting Department of Nidec Corporation | General Manager of Accounting Department of Nidec Corporation Director of Nidec Management Shanghai Corporation, Director of Nidec Europe B.V., Director of Nidec India Private Limited, Director of Nidec Motor Corporation Supervisor of Nidec (Shanghai) International Trading Co., Ltd., Supervisor of Nidec (Beijing) Co., Ltd., Supervisor of Nidec (Shenzhen) Co., Ltd., Supervisor of Nidec (H.K.) Co., Ltd., Supervisor of Nidec Korea Corporation, Supervisor of Nidec Taiwan Corporation, Supervisor of Nidec ASI Japan Corporation, Supervisor of Nidec Motor Holdings Corporation | None | None | None | None |

Note 1: If the Chairman of the company and the President or equivalent (the top managerial officer) are the same person, relatives of each other, such as, spouse or the relative in the 1st of kinship, should explain the reasons, rationality, necessity, and corresponding measures (such as, increasing the number of independent directors, and there should be more than half of the directors who are not an employee or managerial officer, etc.) related information:

Nidec Corporation (hereinafter referred to as “Nidec”), after having completed the public acquisition of the Company in November 2018, has become the parent company of the Company. The Company held an extraordinary shareholders meeting on January 29, 2019 to re-elect the directors and supervisors entirely. Mr. Nagai Junichi, the representative appointed by Nidec, was elected as the Chairman. Nidec, the parent company, bases on the purpose of supervising the Company’s operation, has appointed Mr. Nagai Junichi to serve as the Company’s chief executive officer, who will plan the Company’s business strategy, operating goals, marketing strategy and planning, also, be responsible for the planning and execution of new business units, as well as the decision-making of important operations and financial matters. It is a common management model for multinational enterprises. The Chairman usually communicates the current status of operations and future operating policies with the directors through the board

of directors, and implements corporate governance. In the future, the Company will also plan to establish additional independent director seats according to operational needs in order to enhance the functions of the board of directors and strengthen the supervision mechanism.

Note 2: Mr. Masashi Takao, the representative of the legal person director, appointed by Nidec Corporation, was replaced by Mr. Eiji Miyamoto on April 1, 2021.

Note 3: Mr. Kazuhito Kaise, the representative of the legal person director, appointed by Nidec Corporation, was replaced by Mr. Yasuhiro Mase on April 1, 2021.

Note 4: The legal person director, Yo Chang Investment Co., Ltd., had transferred more than 1/2 shareholding held at the time of election during the term of office (January 4, 2021). According to Article 197 of the Company Act, the legal person director was dismissed ipso facto on January 4, 2021. Also, the appointed representatives, Ms. Shih-Ling Wu and Mr. Chien-Hung Wu, were dismissed ipso facto.

Note 5: The legal person supervisor, Yi Cen Investment Co., Ltd., had transferred more than 1/2 shareholding held at the time of election during the term of office (January 4, 2021). According to Article 227 of the Company Act, the legal person supervisor was dismissed ipso facto on January 4, 2021. Also, the appointed representative, Mr. Chun-Yu Yen, was dismissed ipso facto.

2. If the directors and supervisors are representatives of corporate shareholders, the name of the corporate shareholder and the name and shareholding ratio of the top-10 shareholders of the corporate shareholder:

April 30, 2021

| Name of Corporate Shareholder | Major Shareholders of the Corporate Shareholder | Shareholding Percentage |
|-------------------------------|--|-------------------------|
| Nidec Corporation | Shigenobu Nagamori | 8.30% |
| | The Master Trust Bank of Japan, Ltd. (trust account) | 6.92% |
| | Custody Bank of Japan, Ltd. (trust account) | 4.16% |
| | The Bank of Kyoto, Ltd. | 4.16% |
| | S.N. Kosan, LLC. | 3.40% |
| | SSBTC Client Omnibus Account | 3.17% |
| | The Bank of New York Mellon | 2.61% |
| | The Bank of Mitsubishi UFJ, Ltd. | 2.49% |
| | JP Morgan Chase Bank | 2.30% |
| | Nippon Life Insurance Company | 2.21% |

3. If the Major Shareholders of Major Corporate Shareholders is a legal person, the information of the major shareholders:

April 30, 2021

| Name of Corporate Shareholder | Major Shareholders of the Corporate Shareholder | Shareholding Percentage |
|--------------------------------------|--|-------------------------|
| The Master Trust Bank of Japan, Ltd. | Mitsubishi UFJ Trust & Banking Corporation | 46.50% |
| | Nippon Life Insurance Company | 33.50% |
| | Meiji Yasuda Life Insurance Company | 10.00% |
| | The Norinchukin Trust & Banking Co., Ltd. | 10.00% |
| Custody Bank of Japan, Ltd. | Sumitomo Mitsui Trust Holdings, Inc. | 33.30% |
| | Mizuho Financial Group, Inc. | 27.00% |
| | Resona Bank, Limited | 16.70% |
| | The Dai-ichi Life Insurance Company, Limited | 8.00% |
| | Asahi Mutual Life Insurance Company | 5.00% |
| | Meiji Yasuda Life Insurance Company | 4.50% |
| | Japan Post Insurance Co., Ltd. | 3.50% |
| Fukoku Mutual Life Insurance Company | 2.00% | |
| The Bank of Kyoto, Ltd. | The Master Trust Bank of Japan, Ltd. (trust account) | 4.95% |
| | Nippon Life Insurance Company | 4.01% |
| | Tokio Marine & Nichido Fire Insurance Co., Ltd. | 3.42% |
| | Meiji Yasuda Life Insurance Company | 3.30% |
| | Japan Trustee Services Bank, Ltd. (trust account) | 3.01% |
| | The Bank of New York Mellon 140051 (Standing proxy: Mizuho Bank, Ltd., Settlement Business Department) | 2.45% |
| | Northern Trust Co. (AVFC) Re Silchester | 2.16% |

| | | |
|----------------------------------|--|---------|
| | International Investors International Value Equity Trust (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Service) | |
| | Kyocera Corporation | 2.11% |
| | The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust – OMRON Corporation account) | 2.02% |
| | Japan Trustee Services Bank, Ltd. (trust account 5) | 1.90% |
| The Bank of Mitsubishi UFJ, Ltd. | Mitsubishi UFJ Financial Group Inc. (MUFG) | 100.00% |
| JP Morgan Chase Bank | JP Morgan Chase & Co. | 100.00% |

4. Professional knowledge and independence of directors and supervisors

April 30, 2021

| Name | Qualifications | Compliance With independence (Note) | | | | | | | | | | | | Concurrently severing as an independent director of other public offering companies | |
|--|----------------|-------------------------------------|---|---|---|---|---|---|---|---|----|----|----|---|---|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | | |
| Nidec Corporation Representative: Junichi Nagai | | | | √ | | | √ | √ | √ | √ | √ | √ | √ | √ | 0 |
| Nidec Corporation Representative: Eiji Miyamoto | | | | √ | | √ | | | √ | | √ | √ | √ | | 0 |
| Nidec Corporation Representative: Yasuhiro Mase | | | | √ | | √ | | √ | √ | √ | √ | √ | √ | | 0 |
| Nidec Corporation Representative: Mitsuru Tsuyoshi | | | | √ | | √ | √ | √ | | √ | √ | √ | √ | | 0 |
| Nidec Corporation Representative: Hidetoshi Matsuhashi | | | | √ | | √ | | | √ | | √ | √ | √ | | 0 |
| Ke-Wei Hsu | | | | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | 0 |
| Ya-Ping Chiang | | √ | | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | 0 |
| Isao Takahashi | | | | √ | | √ | | | √ | | √ | √ | √ | √ | 0 |

Note: Please tick the box “√” if the Director or Supervisor met the following conditions at any time during active duty and two years prior to the date elected.

- (1) Not employed by other companies or any of their affiliated companies.
- (2) Not a Director or Supervisor of the company or any of the affiliated companies (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary).
- (3) Not a natural-person shareholder who holds shares, together with those held by the principal’s spouse, minor children, or held by the person under any other’s name, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranking in the top 10 in shareholdings.
- (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 stated in preceding paragraph (1) or the persons in preceding paragraph (2) and (3).
- (5) Not a director, supervisor, or employee (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary) of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, is ranked in the top 5 in shareholding, or designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act.
- (6) Not a director, supervisor, or employee of other companies that are controlled by the person who also controls the majority of the Company’s director seats or voting shares (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance

with this Act or with the law of the country of the parent or subsidiary).

- (7) Not a director (or governor), supervisor, or person holding an equivalent position of the Company and that person in any of those positions at another company or institution are the same person or are spouses (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary).
- (8) Not a director (or governor), supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (if the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company, the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary).
- (9) Not a professional individual who, or an owner, partner, director (or governor), supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or its affiliates, or that provides commercial, legal, financial, accounting or related services to the Company or its affiliates for which the provider in the last 2 years has received accumulative compensation less than NT\$500,000, or a spouse thereof. Provided that this restriction does not apply to a member of the Remuneration Committee, Public Tender Offer Review Committee, or Special Committee for Merger/Consolidation and Acquisition, who exercises powers pursuant to the Securities and Exchanges Act, the Business Mergers and Acquisitions Act, or related law and regulations.
- (10) Not a spouse or a relative in 2nd degree of kinship of any other Director.
- (11) There is not any circumstance as stated in Article 30 of the Company Act.
- (12) There is not any circumstance as stated in Article 27 of the Company Act, which stipulates that the government, legal person, or their representatives shall be elected.

(II) Profile of the Directors, Supervisors, General Manager, Vice Presidents, Assistant Vice Presidents, and Heads of Various Departments and Branches

April 30, 2020; Unit: Shares

| Title | Nationality | Name | Gender | Date Elected/ Appointed | Shareholding | | Shares Held by Spouse and Underage Children | | Shares Held by Proxy | | Main Career (Academic) Achievements | Concurrent Positions in Other Companies | Spouse or Relatives in the 2nd degree of kinship Acting as a Managerial Officer | | | Remarks |
|-----------------|-------------------|---------------|--------|----------------------------|--------------|-------------------------|---|-------------------------|----------------------|-------------------------|--|--|---|-------------|--|---------|
| | | | | | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | | | Title | Name | Relationship | |
| CEO | Japan | Junichi Nagai | Male | 2019.2.1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Bachelors of Economics, Yokohama National University, Japan General Manager of Overseas Business Department of Nidec Corporation | Chairman of subsidiaries—NJCI, NCSI, NCCV | None | None | None | Note 1 |
| CAO | Republic of China | Shih-Ling Wu | Female | 2019.1.29 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | MBA and Master of Accounting, State University of New York Deputy Manager of Finance Department of Taiwan Mobile Co., Ltd. Deputy Manager of Finance Department of Radium Life Tech Co., Ltd. Chairman's Assistant & Chairman of Chaun-Choung Technology Corporation | Director of Conquer Wisdom Co., Ltd. Chairman of Nidec Chaun-Choung Technology America, Inc. Supervisor of Yi Cen Investment Corporation | Assistant Vice President of CEO's Office | Yi-Chang Wu | Relatives in the 2nd degree of kinship | None |
| CFO (Note 2) | Japan | Yasuhiro Mase | Male | 2021.4.1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Bachelor of Japanese Language and Literature, College of Liberal Art, Shihshu University, Japan Single-year Master of Business Administration (MBA) of Indian Institute of Management, Ahmedabad, India General Manager and Leader of the Revenue Management Team, the Global Performance Management Department of Nidec Corporation | Director of subsidiaries—NJCI, NCSI, NCCV | None | None | None | None |

| Title | Nationality | Name | Gender | Date Elected/ Appointed | Shareholding | | Shares Held by Spouse and Underage Children | | Shares Held by Proxy | | Main Career (Academic) Achievements | Concurrent Positions in Other Companies | Spouse or Relatives in the 2nd degree of kinship Acting as a Managerial Officer | | | Remarks |
|--|-------------------|------------------|--------|----------------------------|--------------|-------------------------|---|-------------------------|----------------------|-------------------------|---|--|---|------|--------------|---------|
| | | | | | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | | | Title | Name | Relationship | |
| Product Development & Promotion Division – Senior Vice President | Republic of China | Chien-Hung Wu | Male | 2014.3.26 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Bachelor of Business Management of Tamkang University Assistant Vice President of Chaun-Choung Technology Corporation | Vice Chairman of Nidec Chaun-Choung Technology America, Inc. Chairman of GLOBE STAR ENTERPRISE LTD. | None | None | None | None |
| Vice President | Republic of China | Meng-Cheng Huang | Male | 2014.3.26 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | PhD. of Mechanical Engineering, National Taiwan University | None | None | None | None | |
| Vice President | Republic of China | Chih-Ren Lin | Male | 2011.9.1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | MBA, University of South Australia (UniSA) Senior Manager of Purchasing and Senior Manager of Quality Assurance of Dell Taiwan B.V. Assistant Vice President of Quality Assurance Department of Chaun-Choung Technology Corporation | None | None | None | None | |
| R&D Center – Vice President | Republic of China | Cheng-Tu Wang | Male | 2007.8.30 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Master of Mechanical Engineering, National Taiwan University of Science and Technology Assistant Vice President, Manager of R&D Center of Chaun-Choung Technology Corporation | None | None | None | None | |

| Title | Nationality | Name | Gender | Date Elected/ Appointed | Shareholding | | Shares Held by Spouse and Underage Children | | Shares Held by Proxy | | Main Career (Academic) Achievements | Concurrent Positions in Other Companies | Spouse or Relatives in the 2nd degree of kinship Acting as a Managerial Officer | | | Remarks |
|---|-------------------|----------------|--------|----------------------------|--------------|-------------------------|---|-------------------------|----------------------|-------------------------|--|---|---|--------------|--|---------|
| | | | | | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | | | Title | Name | Relationship | |
| Quality Assurance Department – Vice President | Republic of China | Yu-min Fan | Male | 2020.2.3 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Master of Ordnance System Engineering, Zhongzheng Institute of Technology Director of Quality Assurance of CosmoSupplyLab Ltd. (Dongguan, China) Senior Director of Quality and After-sales Service, Director of Quality Control of Hongda International Electronics (China) Co., Ltd. | None | None | None | None | None |
| Material Department – Vice President | Republic of China | Tung-Chieh Pan | Male | 2020.6.22 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Graduated from Electrical Engineering Department, Kuang Wu Industry & Technology Junior College Manager, Senior Manager, and Director of Production Engineering Technology and Purchasing Unit of Inventec Group | None | None | None | None | None |
| Manufacturing and Production Engineering – Vice President | Republic of China | Li-Min Yang | Male | 2020.11.9 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Williams Business College, Sydney, Australia Director of SHZBG, Hon-Hai Group | None | None | None | None | None |
| CEO's Office – Assistant Vice President | Republic of China | Yi-Chang Wu | Male | 2015.8.10 | 0 | 0.00% | 1,340 | 0.00% | 0 | 0.00% | Master of Telecommunication Engineering, College of Electrical and Computer Engineering, National Chiao Tung University Senior Manager of LCBU of Quanta Computer Incorporated Planning Manager of General Manager's Office, AVP of Material Department of Chaun-Choung Technology Corporation | Chairman of Yi Cen Investment Co., Ltd. | CAO | Shih-Ling Wu | Relatives in the 2nd degree of kinship | None |

| Title | Nationality | Name | Gender | Date Elected/ Appointed | Shareholding | | Shares Held by Spouse and Underage Children | | Shares Held by Proxy | | Main Career (Academic) Achievements | Concurrent Positions in Other Companies | Spouse or Relatives in the 2nd degree of kinship Acting as a Managerial Officer | | | Remarks |
|--|-------------------|----------------|--------|----------------------------|--------------|-------------------------|---|-------------------------|----------------------|-------------------------|--|---|---|------|--------------|---------|
| | | | | | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | | | Title | Name | Relationship | |
| PM1 – Assistant Vice President | Republic of China | Hung-Lin Cheng | Male | 2019.1.1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Master of Mechanical Engineering Department, Yuanzhi University R&D Engineer, Marketing Manager of Product Development Division of Chaun-Choung Technology Corporation | None | None | None | None | None |
| PM2 – Assistant Vice President | Republic of China | Ya-Chin Chih | Female | 2019.1.1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Media Administration Department, Shih Hsin University Secretary of General Manager and Marketing Manager of Product Development Division of Chaun-Choung Technology Corporation | None | None | None | None | None |
| PM3 – Assistant Vice President | Republic of China | Zhi-ye Shen | Male | 2019.7.22 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Bachelor of Chemical Engineering, National Tsinghua University Vice President of Kuang Ho Technology Co., Ltd. | None | None | None | None | None |
| PM4 – Assistant Vice President | Republic of China | Chih-Wei Hsu | Female | 2020.11.9 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Bachelor of Japanese Language and Literature, Soochow University Director of Marketing Business Development of Image and Video Solutions Division, Customer Service Manager of Lite-On Technology Co., Ltd. | None | None | None | None | None |
| Material Department – Assistant Vice President | Japan | Kenji Matsui | Male | 2021.1.4 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Master of Engineering (Specialized in Materials Development Engineering), Graduate School of Science and Engineering, Kyushu University, Japan General Manager of Purchasing, Production Management Department of GMS Business Unit, Small Precision Motor & Solutions Business Unit of Nidec Corporation | None | None | None | None | None |

| Title | Nationality | Name | Gender | Date Elected/ Appointed | Shareholding | | Shares Held by Spouse and Underage Children | | Shares Held by Proxy | | Main Career (Academic) Achievements | Concurrent Positions in Other Companies | Spouse or Relatives in the 2nd degree of kinship Acting as a Managerial Officer | | | Remarks |
|---|-------------------|---------------|--------|----------------------------|--------------|-------------------------|---|-------------------------|----------------------|-------------------------|---|---|---|------|--------------|---------|
| | | | | | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | | | Title | Name | Relationship | |
| Product Development & Promotion Division – Assistant Vice President | Republic of China | Ruo-Ying Wang | Female | 2021.1.25 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Bachelor of International Trade Department of Soochow University Manager of the Logistics Center, Levis Taiwan Manager of the Logistics Management, Jusda Company, Foxconn Group | None | None | None | None | None |
| R&D Center – Assistant Vice President | Republic of China | Shao-Qian Lu | Male | 2021.4.1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Master of Aerospace Mechanical Engineering, University of Texas at Arlignan Deputy Manager of PM1 Department of Chaun-Choung Technology Corporation Chief Engineer of Chi Lin Technology Co., Ltd. | None | None | None | None | None |
| Finance Department – Manager (Finance & Accounting Officer) | Republic of China | Mei-Hua Chen | Female | 2020.8.10 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Bachelor of Accounting, Soochow University Graduated from the 16th Term of the Law Credit Hour Class of NTU School of Professional Education and Continuing Studies Financial Manager and Special Assistant of General Manager of Imperial Hotel Taipei Assistant Vice President of KPMG Assurance Services Co., Ltd. Manager of Audit Department of PwC Taiwan | None | None | None | None | None |

Note 1: If the Chairman of the company and the President or equivalent (the top managerial officer) are the same person, relatives of each other, such as, spouse or the relative in the 1st of kinship, should explain the reasons, rationality, necessity, and corresponding measures (such as, increasing the number of independent directors, and there should be more than half of the directors who are not an employee or managerial officer, etc.) related information: Please refer to II (I), 1. Note 1 in the attached table of “Profile of the Directors and Supervisors.”

Note 2: Mr. Kazuhito Kaise resigned from the position of Chief Finance Officer of the Company due to personal career planning on April 1, 2021. Mr. Yasuhiro Mase is his successor.

Note 3: Mr. Masashi Takao applied for retirement on April 1, 2021 to retire from the position of Chief Technical Officer of the Company. His successor is not yet appointed by the Company.

III. Remuneration paid to the Directors, Supervisors, General Manager, and Vice Presidents in the Last Year (2020)

(I) Director Remuneration (including Independent Directors)

Currency unit: NT\$1,000

| Title | Name | Director Remuneration | | | | | | | | Ratio of the total amount (Sum of A, B, C, and D) to Net Income | | Remuneration received due to the identity of employees | | | | | | | | Ratio of the total amount (Sum of A, B, C, D, E, F, & G) to Net Income | | Remuneration received from the invested companies and the parent company other than the subsidiaries (Note 1) | |
|--|--|-----------------------|--|-------------|--|---------------------------|--|--------------------------------|--|---|--|--|--|-------------|--|---------------------------|-----------------------|--|-----------------------|--|--|---|--|
| | | Remuneration (A) | | Pension (B) | | Director compensation (C) | | Business practice expenses (D) | | | | Salaries, bonuses, special expenses, etc. (E) | | Pension (F) | | Employee compensation (G) | | | | | | | |
| | | The Company | All companies Included in the financial statements | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | | All Companies Included in the Financial Statements | | The Company | All Companies Included in the Financial Statements | | |
| | | | | | | | | | | | | | | | | Amount paid in cash | Amount paid in shares | Amount paid in Cash | Amount paid in Shares | | | | |
| Directors | Nidec Corporation Representative: Junichi Nagai | | | | | | | | | | | | | | | | | | | | | | |
| | Yo Chang Investment Co., Ltd. Representative: Shih-Ling Wu | | | | | | | | | | | | | | | | | | | | | | |
| | Yo Chang Investment Co., Ltd. Representative: Ta-Chi Kuo (Note 1) | | | | | | | | | | | | | | | | | | | | | | |
| | Yo Chang Investment Co., Ltd. Representative: Chien-Hung Wu (Note 1) | 0 | 0 | 0 | 0 | 0 | 0 | 51 | 51 | 0.01% | 0.01% | 17,899 | 18,723 | 75 | 75 | 2,060 | 0 | 2,060 | 0 | 2.57% | 2.67% | 26,787 | |
| | Nidec Corporation Representative: Masashi Takao | | | | | | | | | | | | | | | | | | | | | | |
| Nidec Corporation Representative: Kazuhito Kaise | | | | | | | | | | | | | | | | | | | | | | | |
| Nidec Corporation Representative: Mitsuru Tsuyoshi | | | | | | | | | | | | | | | | | | | | | | | |
| Nidec Corporation Representative: Hidetoshi Matsuhashi | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Directors | Ke-Wei Hsu | 0 | 0 | 0 | 0 | 2,200 | 2,200 | 54 | 54 | 0.29% | 0.29% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.29% | 0.29% | 0 | |
| | Ya-Ping Chiang | | | | | | | | | | | | | | | | | | | | | | |

1. Please describe the policy, systems, standards, and structure of remuneration of independent directors; also, describe the relationship with the amount of remuneration according to the responsibilities, risks, and time invested:

The remuneration of the Company's independent directors, in addition to the transportation allowance for attending the board meetings, also includes director compensation that is paid for factors, such as, the Company's operating performance, the payment level of the industry, the degree of independent directors' participation in the Company's operations, and the risks they bear. It is proposed to the board of directors for resolutions after consulting with the Remuneration Committee.

2. In addition to the disclosure in the aforementioned table, the remuneration received by the directors of the Company for providing services to all the companies in the financial statement (such as, serving as consultants but not employees) in the most recent year: None

Note 1: The representative of the corporate director, Yo Chang Investment Co., Ltd., was changed from Mr. Ta-Chi Kuo to Mr. Chien-Hung Wu on July 1, 2020. Mr. Ta-Chi Kuo also resigned from the position of General Manager and Chief Executive Officer of the Company on July 1, 2020.

Note 2: It refers to the remuneration received by the directors of the Company who are expatriates or executives of the parent company.

Note 3: The Japanese directors of the Company do not collect the compensation of directors and supervisors in Taiwan; also, those who serve as an employee will not collect a bonus and employee compensation either.

Director and Independent Director Remuneration Bracket

| Director Remuneration Bracket of the Company | Name of Director | | | |
|--|--|--|--|---|
| | The total remuneration amount of the first 4 items (A+B+C+D) | | The total remuneration amount of the first 7 items (A+B+C+D+E+F+G) | |
| | The Company | All companies included in the financial statements (H) | The Company | The parent company and all invested companies (I) |
| Less than NT\$1,000,000 | Junichi Nagai, Shih-Ling Wu, Ta-Chi Kuo, Masashi Takao, Kazuhito Kaise, Chien-Hung Wu Mitsuru Tsuyoshi, Hidetoshi Matsuhashi | Junichi Nagai, Shih-Ling Wu, Ta-Chi Kuo, Masashi Takao, Kazuhito Kaise, Chien-Hung Wu Mitsuru Tsuyoshi, Hidetoshi Matsuhashi | Ta-Chi Kuo, Mitsuru Tsuyoshi, Hidetoshi Matsuhashi | Mitsuru Tsuyoshi |
| NT\$1,000,000(inclusive) - NT\$2,000,000(non-inclusive) | Ke-Wei Hsu, Ya-Ping Chiang | Ke-Wei Hsu, Ya-Ping Chiang | Ke-Wei Hsu, Ya-Ping Chiang | Ta-Chi Kuo, Ke-Wei Hsu, Ya-Ping Chiang |
| NT\$2,000,000(inclusive) - NT\$3,500,000(non-inclusive) | - | - | Chien-Hung Wu, Kazuhito Kaise | Chien-Hung Wu |
| NT\$3,500,000(inclusive) - NT\$5,000,000(non-inclusive) | - | - | Junichi Nagai, Shih-Ling Wu, Masashi Takao | Shih-Ling Wu |
| NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive) | - | - | - | Hidetoshi Matsuhashi |
| NT\$ 10,000,000 (inclusive) – NT\$ 15,000,000 (non-inclusive) | - | - | - | Junichi Nagai, Masashi Takao, Kazuhito Kaise |
| NT\$ 15,000,000 (inclusive) – NT\$ 30,000,000 (non-inclusive) | - | - | - | - |
| NT\$ 30,000,000 (inclusive) – NT\$ 50,000,000 (non-inclusive) | - | - | - | - |
| NT\$ 50,000,000 (inclusive) – NT\$ 100,000,000 (non-inclusive) | - | - | - | - |
| More than NT\$100,000,000 | - | - | - | - |
| Total | 10 seats | 10 seats | 10 seats | 10 seats |

(II) Supervisor Remuneration

Currency unit: NT\$1,000

| Title | Name | Supervisor Remuneration | | | | | | Ratio of the total amount (Sum of A, B, and C) to Net Income (%) | | Remuneration received from the invested companies and the parent company other than the subsidiaries |
|------------|---|-------------------------|--|------------------|--|--------------------------------|--|--|--|--|
| | | Remuneration (A) | | Compensation (B) | | Business practice expenses (C) | | The Company | All Companies Included in the Financial Statements | |
| | | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | | | |
| Supervisor | Yi Cen Investment Co., Ltd. Representative: Chun-Yu Yen | 0 | 0 | 1,100 | 1,100 | 51 | 51 | 0.15% | 0.15% | 5,800 |
| Supervisor | Isao Takahashi | | | | | | | | | |

Note 1: The Japanese supervisor of the Company does not collect the compensation of directors and supervisors in Taiwan.

Supervisor Remuneration Bracket

| Supervisor Remuneration Bracket of the Company | Name of Supervisor | |
|--|--|--|
| | The total remuneration amount of the first 3 items (A+B+C) | |
| | The Company | All companies included in the financial statements (D) |
| Less than NT\$1,000,000 | Isao Takahashi | – |
| NT\$1,000,000(inclusive) - NT\$2,000,000(non-inclusive) | Chun-Yu Yen | Chun-Yu Yen |
| NT\$2,000,000(inclusive) - NT\$3,500,000(non-inclusive) | – | – |
| NT\$3,500,000(inclusive) -NT\$5,000,000(non-inclusive) | – | – |
| NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (non-inclusive) | – | Isao Takahashi |
| NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (non-inclusive) | – | – |
| NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (non-inclusive) | – | – |
| NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (non-inclusive) | – | – |
| NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive) | – | – |
| NT\$ 100,000,000 and Above | – | – |
| Total | 2 seats | 2 seats |

(III) Remuneration to General Manager and Vice Presidents

Currency unit: NT\$1,000

| Title | Name | Salary (A) | | Pension (B) | | Bonuses and Allowances (C) | | Employee Remuneration (D) | | | | Ratio of the total amount (Sum of A, B, C, and D) to Net Income (%) | | Remuneration received from the invested companies and the parent company other than the subsidiaries (Note 1) |
|-----------------------|-------------------------|-------------|--|-------------|--|----------------------------|--|---------------------------|-----------------------|--|-----------------------|---|--|---|
| | | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | | All Companies Included in the Financial Statements | | The Company | All Companies Included in the Financial Statements | |
| | | | | | | | | Amount Paid in Cash | Amount Paid in Shares | Amount Paid in Cash | Amount Paid in Shares | | | |
| CEO | Junichi Nagai | | | | | | | | | | | | | |
| General Manager & COO | Ta-Chi Kuo (Note 2) | | | | | | | | | | | | | |
| CAO | Shih-Ling Wu | | | | | | | | | | | | | |
| CTO | Masashi Takao | | | | | | | | | | | | | |
| CFO | Kazuhito Kaise | | | | | | | | | | | | | |
| Senior Vice President | Chien-Hung Wu | | | | | | | | | | | | | |
| Vice President | Meng-Cheng Huang | 27,420 | 28,243 | 576 | 576 | 2,310 | 2,310 | 3,860 | 0 | 3,860 | 0 | 4.37% | 4.47% | 20,691 |
| Vice President | Chih-Ren Lin | | | | | | | | | | | | | |
| Vice President | Chi-feng Hsieh (Note 3) | | | | | | | | | | | | | |
| Vice President | Cheng-Tu Wang | | | | | | | | | | | | | |
| Vice President | Yu-min Fan (Note 4) | | | | | | | | | | | | | |
| Vice President | Tung-Chieh Pan (Note 5) | | | | | | | | | | | | | |
| Vice President | Zong-Du Huang (Note 6) | | | | | | | | | | | | | |
| Vice President | Li-Min Yang (Note 7) | | | | | | | | | | | | | |

Note 1: It refers to the remuneration received by the directors of the Company who are expatriates of the parent company.

Note 2: Mr. Ta-Chi Kuo resigned from the position of General Manager and Chief Operating Officer of the Company on July 1, 2020.

Note 3: Mr. Chi-feng Hsieh resigned from the position of Vice President of the Company on September 9, 2020, and then acts as the Chief Operating Officer of the subsidiary, Nidec Chaun Choung Vietnam Corporation.

Note 4: Mr. Yu-min Fan, the Vice President, took office on February 3, 2020.

Note 5: Mr. Tung-Chieh Pan, the Vice President, took office on June 22, 2020.

Note 6: Mr. Zong-Du Huang, the Vice President, took office on September 1, 2020 and then resigned on November 20, 2020.

Note 7: Mr. Li-Min Yang, the Vice President, took office on November 9, 2020.

Note 8: The Japanese managerial officers of the Company do not collect the bonus and employee compensation in Taiwan.

General Manager and Vice Presidents Remuneration Bracket

| General Manager and Vice President Remuneration Bracket | Name of the General Manager and Vice President | |
|---|---|--|
| | The Company | Parent company and all invested companies (E) |
| Less than NT\$1,000,000 | Ta-Chi Kuo, Li-Min Yang Zong-Du Huang | Li-Min Yang, Zong-Du Huang |
| NT\$1,000,000(inclusive) -NT\$2,000,000(non-inclusive) | Meng-Cheng Huang, Chi-feng Hsieh Tung-Chieh Pan | Ta-Chi Kuo, Meng-Cheng Huang Chi-feng Hsieh, Tung-Chieh Pan |
| NT\$2,000,000(inclusive) -NT\$3,500,000(non-inclusive) | Kazuhito Kaise, Chien-Hung Wu, Chih-Ren Lin, Cheng-Tu Wang Yu-min Fan | Chien-Hung Wu, Chih-Ren Lin Cheng-Tu Wang, Yu-min Fan |
| NT\$3,500,000(inclusive) -NT\$5,000,000(non-inclusive) | Junichi Nagai, Shih-Ling Wu Masashi Takao | Shih-Ling Wu |
| NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (non-inclusive) | — | — |
| NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (non-inclusive) | — | Junichi Nagai, Masashi Takao Kazuhito Kaise |
| NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (non-inclusive) | — | — |
| NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (non-inclusive) | — | — |
| NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive) | — | — |
| NT\$ 100,000,000 and Above | — | — |
| Total | 14 seats | 14 seats |

(IV) Names of managerial officers entitled to employee compensation and amount entitled

December 31, 2020; Currency unit: NT\$1,000

| Item | Title | Name | Amount Paid in Shares | Amount Paid in Cash (Note 3) | Total | Ratio of total amount to net income (%) |
|---------------------|--|-------------------------|-----------------------|------------------------------|-------|---|
| Managerial officers | CEO | Junichi Nagai | 0 | 9,321 | 9,321 | 1.19% |
| | General Manager & COO | Ta-Chi Kuo (Note 1) | | | | |
| | CAO | Shih-Ling Wu | | | | |
| | CTO | Masashi Takao | | | | |
| | CFO | Kazuhito Kaise | | | | |
| | Senior Vice President | Chien-Hung Wu | | | | |
| | Vice President | Meng-Cheng Huang | | | | |
| | Vice President | Chih-Ren Lin | | | | |
| | Vice President | Chi-feng Hsieh (Note 2) | | | | |
| | Vice President | Cheng-Tu Wang | | | | |
| | Vice President | Yu-min Fan | | | | |
| | Vice President | Tung-Chieh Pan | | | | |
| | Vice President | Zong-Du Huang (Note 3) | | | | |
| | Vice President | Li-Min Yang | | | | |
| | Assistant Vice President | Yi-Chang Wu | | | | |
| | Assistant Vice President | Hung-Lin Cheng | | | | |
| | Assistant Vice President | Ya-Chin Chih | | | | |
| | Assistant Vice President | Zhi-ye Shen | | | | |
| | Assistant Vice President | Chih-Wei Hsu | | | | |
| | Manager (Finance and Accounting Officer) | Mei-Hua Chen | | | | |

Note 1: Mr. Ta-Chi Kuo resigned from the position of General Manager and Chief Operating Officer of the Company on July 1, 2020.

Note 2: Mr. Chi-feng Hsieh resigned from the position of Vice President of the Company on September 9, 2020, and then acts as the Chief Operating Officer of the subsidiary, Nidec Chaun Choung Vietnam Corporation.

Note 3: Mr. Zong-Du Huang, the Vice President, took office on September 1, 2020 and then resigned on November 20, 2020.

Note 4: The Company's board of directors resolved to distribute 2020 employees' compensation for an amount of NT\$28,847,335 on March 24, 2021. As of the annual report publication date, the Company's proposed distribution of employees' compensation to each managerial officer had not yet been determined. Therefore, the amount of employees' compensation proposed to be distributed this year is an estimation based on the actual amount distributed to the managerial officers last year.

Note 5: The Japanese managerial officers of the Company do not collect the bonus and employee compensation in Taiwan.

(V) Compare and explain the analysis of the ratio of the total remuneration paid by the Company and all companies in the consolidated financial statements to the Company's Directors, Supervisors, General Manager and Vice President in the last two years to the net income on the standalone financial reports; also, explain the remuneration policies, standards and portfolio, procedures for remuneration determination, and correlation with the operating performance and future risks.

1. Analysis of the ratio of the total remuneration paid to the Company's Directors, Supervisors, General Manager and Vice President in the last two years to the net income on the standalone financial reports:

| Title \ Item | Ratio of the total remuneration paid by the Company and all companies in the consolidated financial statements to the Company's Directors, Supervisors, General Manager and Vice Presidents to the net income on the standalone financial statements | | | |
|-------------------------------------|--|--|-------------|--|
| | 2019 | | 2020 | |
| | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements |
| Directors | 5.50% | 5.84% | 4.80% | 4.90% |
| Supervisors | | | | |
| General Manager and Vice Presidents | | | | |

2. The remuneration policies, standards and portfolio, procedures for remuneration determination, and correlation with the operating performance and future risks:

(1) It is clearly defined in Article 20 of the Articles of Incorporation that if there is a net income in the current year, the employee compensation shall be appropriated for an amount not less than 3% of the net income; also, the board of directors may resolve to have an amount appropriated for not more than 3% of the net income as compensation to directors and supervisors. Directors and supervisors' compensation is determined by considering the factors, such as, the Company's annual operating performance, the payment level of the industry, the degree of directors' and supervisors' participation in the Company's operations, and performance and contribution. The proposal for compensation is reviewed by the Remuneration Committee and then discussed by the board of directors for distribution; also, it is presented in the Shareholders' Meeting thereafter.

(2) The remuneration of the Company's General Manager and Vice Presidents includes salary, bonus, employee compensation, etc., referring to the salary level of the same position in the industry, combined with seniority, degree of responsibility, personal work performance and goal achievement, and overall contribution to the Company's performance. In addition, refer to the Company's operating performance of the year, possible risks in the future business operation and development trends of the industry, and the salary and welfare levels of the industry for the distribution of a reasonable remuneration. The content and rationality of the remuneration are reviewed by the Remuneration Committee and then discussed and approved by the board of directors; also, review the remuneration system in time according to the operating conditions and relevant law and regulations in order to seek a balance between the Company's sustainable operation and risk control.

(3) The Company's remuneration policy is to have the Company's financial status, operating results, and future fund needs considered for an overall planning; also, future risk assessment is also taken into consideration in order to minimize the possibility of risk occurrence.

IV. Corporate Governance

(I) Operation of the board of directors

The Company had 9 meetings of the board of directors held in 2020 and the attendance of the directors and supervisors is as follows:

| Title | Name | Actual attendance (times) | Number of attendance by proxy | Actual attendance rate (%) | Remarks |
|----------------------|---|---------------------------|-------------------------------|----------------------------|---|
| Chairman | Nidec Corporation Representative: Junichi Nagai | 9 | 0 | 100% | |
| Vice Chairman | Yo Chang Investment Co., Ltd. Representative: Shih-Ling Wu | 9 | 0 | 100% | |
| Director | Yo Chang Investment Co., Ltd. Representative: Chien-Hung Wu | 4 | 0 | 100% | The representative of the corporate director was newly designated to take office on July 1, 2020 with 4 board meetings had to attend. |
| Director | Nidec Corporation Representative: Masashi Takao | 7 | 2 | 78% | |
| Director | Nidec Corporation Representative: Kazuhito Kaise | 9 | 0 | 100% | |
| Director | Nidec Corporation Representative: Mitsuru Tsuyoshi | 9 | 0 | 100% | |
| Director | Nidec Corporation Representative: Hidetoshi Matsuhashi | 8 | 0 | 89% | |
| Independent Director | Ke-Wei Hsu | 9 | 0 | 100% | |
| Independent Director | Ya-Ping Chiang | 9 | 0 | 100% | |
| Supervisor | Yi Cen Investment Co., Ltd. Representative: Chun-Yu Yen | 9 | 0 | 100% | |
| Supervisor | Isao Takahashi | 7 | 0 | 78% | |
| Director | Yo Chang Investment Co., Ltd. Representative: Ta-Chi Kuo | 4 | 1 | 80% | The representative of the corporate director was dismissed on July 1, 2020 due to the corporate director changed the representative and 5 board meetings had to attend. |

Other relevant information:

I. The board of directors in any of the following situations shall clearly describe the board meeting date, term, content of the proposal, the opinions of all independent directors and the Company's handling of the opinions of independent directors:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act

| Title | Name | Actual attendance (times) | Number of attendance by proxy | Actual attendance rate (%) | Remarks |
|--|--|---------------------------|-------------------------------|----------------------------|---------|
| Date of Board Meeting | The content of proposal and resolution results | | | | |
| The 8th meeting of the 17th term January 14, 2020 | Proposals: <ul style="list-style-type: none"> • Amendment of “Performance Evaluation Measures for Board of Directors and Functional Committee” (the original name is “Performance Evaluation Measures for Board of Directors”.) • Amendment of the Company’s “Delegation of Authorization”. • The establishment of new subsidiary in Vietnam. • The year-end bonus of 2019 for top managements of the Company. | | | | |
| | Opinions of the independent directors: No objection or reservation. The opinions of independent directors handled by the Company: Not applicable. Resolution results: The proposal was approved unanimously by the directors presented after being consulted by the chairman (acting chairman). | | | | |
| The 9th meeting of the 17th term March 25, 2020 | Proposals: <ul style="list-style-type: none"> • Contract out the plant construction of Vietnamese subsidiary, Nidec Chaun Choung Vietnam Corporation. • Appointment of CPA for the fiscal year of 2020. • Amendment of “the Procedure for Board of Directors Meetings” of the Company. • Amendment of “the Procedure for the Acquisition or Disposal of Assets” of the Company. • Amendment of “Cycle for Finance” and “the regulations of Budget Management” of the Company. • Amendment of “the procedure for preparation of financial statements” of the Company. | | | | |
| | Opinions of the independent directors: No objection or reservation. The opinions of independent directors handled by the Company: Not applicable. Resolution results: The proposal was approved unanimously by the directors presented after being consulted by the chairman. | | | | |
| The 11th meeting of the 17th term May 11, 2020 | Proposals: <ul style="list-style-type: none"> • Amendment of Internal Control System-“Cycle for Purchase and Payment” of the Company. • The disposition of real estate and parking spaces of the Company. | | | | |
| | Opinions of the independent directors: No objection or reservation. The opinions of independent directors handled by the Company: Not applicable. Resolution results: The proposal was approved unanimously by the directors presented after being consulted by the chairman. | | | | |
| The 12th meeting of the 17th term June 22, 2020 | Proposals: <ul style="list-style-type: none"> • Amendment of Internal Control System-“Cycle for Electronic Computer (IT and MIS)” of the Company. • Amendment of Internal Control System-“Cycle for Sale and Receipt” of the Company. • Amendment of Internal Control System-“Cycle for Production” of the Company. • Amendment of Internal Control System-“Cycle for Research and Development (R&D)” of the Company. • The Company is planning to apply for a loan from the Group Enterprise. • The allocation of 2019 employees’, directors and supervisors’ compensation. | | | | |
| | Opinions of the independent directors: No objection or reservation. The opinions of independent directors handled by the Company: Not applicable. Resolution results: The proposal was approved unanimously by the directors presented after being consulted by the chairman. | | | | |
| The 13th meeting of the 17th term August 10, 2020 | Proposals: <ul style="list-style-type: none"> • Amendment of Internal Control System-“Cycle for Purchase and Payment” of the Company. • The capital increase for Vietnamese subsidiary Nidec Chaun Choung | | | | |

| Title | Name | Actual attendance (times) | Number of attendance by proxy | Actual attendance rate (%) | Remarks |
|---|------|---------------------------|-------------------------------|----------------------------|---|
| | | | | | Vietnam Corporation. • The change of financial and accounting officer of the Company. Opinions of the independent directors: No objection or reservation. The opinions of independent directors handled by the Company: Not applicable. Resolution results: The proposal was approved unanimously by the directors presented after being consulted by the chairman. |
| The 16th meeting of the 17th term December 4, 2020 | | | | | Proposals: • The Company is planning to loan funds to the subsidiary Nidec Chaun Choung Vietnam Corporation. Opinions of the independent directors: No objection or reservation. The opinions of independent directors handled by the Company: Not applicable. Resolution results: The proposal was approved unanimously by the directors presented after being consulted by the chairman. |

(II) Any other documented objections or reservations raised by independent director against board resolutions in relation to matters other than those described above: None.

II. For the recusal taken by the directors for the proposal with a conflict of interest, the name of directors, the content of the proposal, the reason for taking recusal, and the participation in voting should be detailed:

(I) Date of Board meeting: January 14, 2020 (the 8th meeting of the 17th term)

1. Contents of proposal: Passed the year-end bonus of 2019 for top managements of the Company.

2. Directors who take a recusal: Shih-Ling Wu and Ta-Chi Kuo.

3. Reasons for taking a recusal and participation in voting: For the aforementioned proposal involving the 2019 year-end bonus to directors who were also managerial officers of the Company, the above-mentioned 2 directors had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The proposal was approved by the directors presented unanimously after being consulted by the chairman.

(II) Date of Board meeting: June 22, 2020 (the 12th meeting of the 17th term)

1. Contents of the proposal: Passed to apply for a loan from the Group Enterprise.

2. Directors who take a recusal: Junichi Nagai, Masashi Takao, Kazuhito Kaise, Mitsuru Tsuyoshi and Hidetoshi Matsuhashi.

3. Reasons for taking a recusal and participation in voting: The aforementioned proposal involved the loan application to the parent company, Nidec Corporation. The aforementioned directors were the representatives of corporate directors appointed by Nidec Corporation. They had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The proposal was approved by the directors presented unanimously after being consulted by the acting chairman.

(III) Date of Board Meeting: June 22, 2020 (the 12th meeting of the 17th term)

1. Contents of the proposal: Passed the allocation of 2019 employees', directors and supervisors' compensation.

2. Directors who take a recusal: Shih-Ling Wu, Ta-Chi Kuo, Ke-Wei Hsu and Ya-Ping Chiang.

3. Reasons for taking a recusal and participation in voting: For the aforementioned proposal involving the 2019 remuneration to directors and who were also managerial officers of the Company, the above-mentioned 4 directors had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The proposal was approved by the directors presented unanimously after being consulted by the chairman.

III. The self-evaluation (or peer evaluation) of the board of directors:

| Evaluation cycle | Evaluation period | Evaluation scope | Evaluation method | Evaluation content |
|-------------------------|---|--|---|--|
| Implemented once a year | Performance evaluation of the board of directors for the period from January 1, 2020 to | 1. Overall board performance evaluation 2. Performance evaluation of individual directors | Both assessments are self-assessed by board members | 1. Overall board performance evaluation A. Degree of participation in the company's operations B. Improve the decision-making quality of the board of directors. |

| Title | Name | Actual attendance (times) | Number of attendance by proxy | Actual attendance rate (%) | Remarks |
|-------|--------------------|---------------------------|-------------------------------|----------------------------|---|
| | December 31, 2020. | | | | C.The composition and structure of the board of directors D. Selection and continuous education of directors E. Internal Control 2. Performance evaluation of individual directors A. Mastering company goals and tasks B. The cognition of Director's responsibilities C. Degree of participation in the company's operations D.Internal relationship management and communication E.Director's professional and continuous education F. Internal Control |

IV. The objectives of strengthening the functions of the board of directors in the current year and the most recent year (for example, the establishment of an Audit Committee, the improvement of information transparency, etc.) and the assessment of implementation:

- (I) The Company has not setup an Audit Committee. The board of directors is operated in accordance with law and regulations, the Company's Articles of Incorporation, and the resolutions of the shareholders meeting. All directors, in addition to having the professional knowledge, skills, and competence needed for performing their duties, are based on the principle of loyalty, integrity, and due diligence to create maximum benefit for all shareholders. The Company's Audit Committee is expected to be setup in 2022.
- (II) Safeguard the rights and interests of shareholders with the good practice of business operations and information transparency; also, disclose relevant information, such as, important resolutions of the board of directors on the Company's website.
- (III) In order to substantiate corporate governance and strengthen the efficient operation of the board of directors, the Company's board of directors had resolved on December 24, 2015 to formulate the "Regulations Governing the Performance Evaluation of the Board of Directors." The Company's board performance evaluation is conducted regularly every year. It was amended as "Regulations Governing the Performance Evaluation of the Board of Directors and Functional Committee" subsequently in accordance with the updated law and regulations, which was resolved and approved by the board of directors on January 14, 2020. The 2020 performance evaluation of the Board of Directors and Functional Committee was completed before the end of 2020. The scores of three self-evaluations were all above 90 points (converted and presented in a percentage concept). The performance evaluation results had been reported to the board of directors of the Company on January 20, 2021.
- (IV) The Company arranges for the CPAs to meet with the independent directors and supervisors at least once a year. If there are major changes in accounting standards and amendments made to law and regulations, the Company invites CPAs to discuss with the board of directors and respond to the professional issues raised by directors. The internal audit supervisor communicates with the independent directors and supervisors regularly every 6-month. The independent directors and supervisors check the audit report. They will inquire or inform the audit supervisor by e-mail or phone call to ask questions or give instructions, if any, and a good communication is in place.

(II) The operation of the Audit Committee or the participation of the supervisors in the board meetings:

1. The operation of the Audit Committee: The Company has not setup an Audit Committee.

2. Supervisor's participation in the board meetings:

The Company had 9 board meetings held in the last year (2020) with the attendance of the supervisors as follows:

| Title | Name | Actual attendance (times) | Actual attendance rate (%) | Remarks |
|------------|---|---------------------------|----------------------------|---------|
| Supervisor | Yi Cen Investment Co., Ltd. Representative: Chun-Yu Yen | 9 | 100% | |
| Supervisor | Isao Takahashi | 7 | 78% | |

Other Relevant Information:

I. Assembly and obligations of the supervisors:

(I) Supervisors' communicating with employees and shareholders:

- Supervisors are invited to participate in Board Meetings, where they may develop a better understanding of the Company's operations, communicate with attending Directors and the management, and offer appropriate guidance and supervision.
- Supervisors may communicate with employees directly whenever deemed necessary.
- The supervisor attends the shareholders meeting to increase interaction with shareholders and, if necessary, can respond to shareholders' questions or suggestions.

(II) Communication between Supervisors and Internal Auditors and CPAs:

- The Chief Internal Auditor presents the Audit Report and Tracking Report of the last month to Independent Directors and Supervisors on a monthly basis. The Chief Internal Auditor is called to report audit operation in the Board Meetings on a quarterly basis, and communicates with Independent Directors and Supervisors on audit tasks once every six months. In addition, independent directors and supervisors while checking the audit report will inquire or inform the internal audit supervisor by e-mail or phone call to ask questions or give instructions, if any, and a good communication is in place. The communications of the internal audit supervisor in 2020 are summarized as follows:

| Date of communication | Meeting process | Key Points of Communication | Communication results |
|-----------------------|--|--|---|
| January 14, 2020 | Board of Directors | Standby attendees | Independent directors and supervisors had no opinions and no suggestions. |
| March 25, 2020 | Symposium with independent directors and supervisors | The 2019 Internal Control Self-evaluation and Implementation of Auditing Plan (including subsidiaries) | Independent directors and supervisors had no opinions and no suggestions. |
| | Board of Directors | Audit implemented Report in November 2019 ~ March, 2020 | Independent directors and supervisors had no opinions and no suggestions. |
| March 30, 2020 | Board of Directors | Standby attendees | Independent directors and supervisors had no opinions and no suggestions. |
| May 11, 2020 | Board of Directors | Audit implemented Report in March ~ April, 2020 | Independent directors and supervisors had no opinions and no suggestions. |
| June 22, 2020 | Board of Directors | Standby attendees | Independent directors and supervisors had no opinions and no suggestions. |
| August 10, 2020 | Board of Directors | Audit implemented Report in April ~ July, 2020 | Independent directors and supervisors had no opinions and no suggestions. |

| | | | |
|-------------------|--|---|---|
| October 21, 2020 | Board of Directors | Standby attendees | Independent directors and supervisors had no opinions and no suggestions. |
| November 9, 2020 | Board of Directors | Audit implemented Report in July~ October, 2020 | Independent directors and supervisors had no opinions and no suggestions. |
| December 4, 2020 | Board of Directors | Standby attendees | Independent directors and supervisors had no opinions and no suggestions. |
| December 16, 2020 | Symposium with independent directors and supervisors | Annual risk assessment description, subsidiary supervision report | Independent directors and supervisors had no opinions and no suggestions. |

2. CPAs pay regular visits to the Company and meet up with the Directors and Supervisors alone for discussion at least once a year. If there are major changes in accounting standards and amendments made to law and regulations, the Company invites CPAs to discuss with the board of directors and respond to the professional issues raised by directors. The communications with the CPAs in 2020 is summarized as follows:

| Date of communication | Meeting process | Key Points of Communication | Communication results |
|------------------------------|--|---|---|
| December 16, 2020 | Symposium with independent directors and supervisors | Communicated the key audit matters and audit methods of the 2020 financial report | Independent directors and supervisors had no opinions and no suggestions. |

II. If the supervisor at the board meeting has made a statement, the board meeting date, term, content of the proposal, the resolutions of the board of directors, and the Company's handling of the opinions of supervisors shall be stated:

No such incident occurred when the supervisor of the Company attended the 2020 board meetings.

(III) The corporate governance operation and its difference from the “Corporate Governance Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause:

| Evaluation items | Actual operation | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
|--|------------------|----|---|---|
| | Yes | No | Summary | |
| I. Has the company formulated and disclosed its corporate governance best practice principles based on the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?” | √ | | In order to establish a good corporate governance system, the Company has formulated the “Corporate Governance Best Practice Principles” and has the Principles disclosed on the Company’s website and Market Observation Post System for inquiry. | There is no noticeable discrepancy |
| II. Shareholding structure and shareholders’ equity | | | | |
| (I) Has the company formulated internal operating procedures to deal with shareholders’ proposals, inquiries, disputes, and lawsuits, and implement them in accordance with the procedures ? | √ | | (I) In addition to the stock agency, the Company has a spokesperson and an acting spokesperson delegated to act. The stock unit handles shareholders’ suggestions, doubts, disputes, and litigation matters, and responds appropriately. When necessary, the Company’s legal counsels and lawyers are commissioned to handle. In addition, the Company’s website is designated with an “interested parties” section available for investors (shareholders) to present suggestions or questions. | There is no noticeable discrepancy |
| (II) Has the company had a register of major shareholders who have controlling power over the company with ultimate control over those major shareholders ? | √ | | (II)The Company observes the shareholdings of directors, supervisors, managerial officers, and shareholders with 10% shareholding or more, and acknowledges the list of major shareholders and their ultimate controllers through the register of shareholders. | |
| (III) Has the company established and implemented the risk control and firewall mechanisms with affiliated companies ? | √ | | (III)The Company has the “Regulations Governing Related Party Transactions” and “Regulations Governing Subsidiary Supervision and Management” to clearly define the duties and responsibilities of the Company and affiliated companies, and builds appropriate firewalls based on risk assessment for continuous implementation and control. | |

| Evaluation items | Actual operation | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
|---|------------------|----|---|---|
| | Yes | No | Summary | |
| (IV) Has the company established internal policies that prohibit insiders using non-published information to trade securities ? | √ | | (IV)The Company has formulated the “Guidelines for the Adoption of Codes of Ethical Conduct for Directors, Supervisors, and Managerial Officers,” “Procedures for Handling Material Inside Information and Prevention of Insider Trade,” and “Procedures for Ethical Management and Guidelines for Conduct” in place to prohibit insiders using non-published information to trade securities. | |
| III. Assembly and obligations of the Board of Directors (I) Has the Board based on the composition of the members to plan and implement diversified policies ? | √ | | (I) The Company has stipulated the board director diversification policy in Article 20 of the “Corporate Governance Best Practice Principles.” Taking into account the Company’s business development needs and the shareholding of major shareholders, there are 9 directors appointed, including 2 Independent Directors and 7 Directors (two directors were dismissed on January 4, 2021 due to the transfer of more than 1/2 shares held by the corporate shareholders at the time of the election). The board directors have sufficient experience and expertise in overseas business management, industrial knowledge, technology research and development, corporate operation, strategy planning, product sales and marketing, finance, accounting, legal affairs, and commerce management. In addition, the Company values gender equality in the composition of the board of directors. There were 2 female directors, accounted for 22% of the seats of board of directors (one female director was dismissed on January 4, 2021 due to the transfer of more than 1/2 shares held by the corporate shareholders at the time of election; there is one female | There is no noticeable discrepancy. |

| Evaluation items | Actual operation | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------|--|-------------|---|---|-----------------------------------|---|------------------------------|------------------------------------|-----------------------------------|---|------------------------------|---|---------------------------|------------------------|-----------------|---------|----------|--|-------|------|---|----|---|---|---|---|---|---|---|-------------------|--|-------|------|--|----|---|---|---|---|--|---|--|--|
| | Yes | No | Summary | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>director on board currently, accounted for 14% of the seats of board of directors), and an additional independent director will be selected at the shareholders meeting in 2022 for the full re-election of directors of the board. The implementation of the board directors diversification policy is illustrated as follows:</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Diversification items</th> <th>Nationality</th> <th>Gender</th> <th>Hold a Concurrent Post of Employee</th> <th>Seniority of Independent Director</th> <th>Operational judgment/ Business management</th> <th>Crisis handling / Leadership</th> <th>Industry knowledge</th> <th>International market view</th> <th>Finance and Accounting</th> <th>Decision-making</th> <th>Remarks</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td>Representative of Nidec Corporation: Junichi Nagai</td> <td>Japan</td> <td>Male</td> <td>√</td> <td>NA</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>Good at overseas business management, corporate operation, strategic planning and product sales and marketing</td> </tr> <tr> <td>Director (Note 1)</td> <td>Representative of Nidec Corporation: Eiji Miyamoto</td> <td>Japan</td> <td>Male</td> <td></td> <td>NA</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td>√</td> <td>Good at industry knowledge and product development</td> </tr> </tbody> </table> | Title | Diversification items | Nationality | Gender | Hold a Concurrent Post of Employee | Seniority of Independent Director | Operational judgment/ Business management | Crisis handling / Leadership | Industry knowledge | International market view | Finance and Accounting | Decision-making | Remarks | Chairman | Representative of Nidec Corporation: Junichi Nagai | Japan | Male | √ | NA | √ | √ | √ | √ | √ | √ | Good at overseas business management, corporate operation, strategic planning and product sales and marketing | Director (Note 1) | Representative of Nidec Corporation: Eiji Miyamoto | Japan | Male | | NA | √ | √ | √ | √ | | √ | Good at industry knowledge and product development | |
| Title | Diversification items | Nationality | Gender | Hold a Concurrent Post of Employee | Seniority of Independent Director | Operational judgment/ Business management | Crisis handling / Leadership | Industry knowledge | International market view | Finance and Accounting | Decision-making | Remarks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chairman | Representative of Nidec Corporation: Junichi Nagai | Japan | Male | √ | NA | √ | √ | √ | √ | √ | √ | Good at overseas business management, corporate operation, strategic planning and product sales and marketing | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director (Note 1) | Representative of Nidec Corporation: Eiji Miyamoto | Japan | Male | | NA | √ | √ | √ | √ | | √ | Good at industry knowledge and product development | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Evaluation items | Actual operation | | | | | | | | | | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause | | |
|------------------|------------------|----|----------------------|---|-------------------|--------|---|-------------------|---|---|---|---|---|---|--|
| | Yes | No | Summary | | | | | | | | | | | | |
| | | | Director or (Note 2) | Representative of Nidec Corporation: Yasuhiro Mase | Japan | Male | √ | NA | √ | √ | √ | √ | √ | √ | Good at finance, accounting, and business operation and performance analysis |
| | | | Director or | Representative of Nidec Corporation: Mitsuru Tsuyoshi | Japan | Male | | NA | √ | √ | √ | √ | √ | √ | Good at overseas business management, corporate strategic planning |
| | | | Director or | Representative of Nidec Corporation: Hidetoshi Matsuhashi | Japan | Male | | NA | √ | √ | √ | √ | √ | √ | Good at finance and business management |
| | | | Independent Director | Ya-Ping Chiang | Republic of China | Female | | Over 9 years | √ | √ | √ | √ | √ | √ | Good at accounting affairs Certified Public Accountant |
| | | | Independent Director | Ke-Wei Hsu | Republic of China | Male | | Less than 3 years | √ | √ | √ | √ | | √ | Good at legal affairs |

| Evaluation items | Actual operation | | | | | | | | | | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause | | | |
|------------------|------------------|----|-------------------------------------|--|-------------------------|--------|---|----|---|---|---|---|---|---|--|--|
| | Yes | No | Summary | | | | | | | | | | | | | |
| | | | Vice Chair man (Note 3) | Representa tive of Yo Chang Investment Co., Ltd.: Shih-Ling Wu (Dismissed) | Republic of China | Female | √ | NA | √ | √ | √ | √ | √ | √ | Good at corporate strategic planning, finance and business managem ent | |
| | | | Direct or (Note 4) | Representa tive of Yo Chang Investment Co., Ltd.: Ta-Chi Kuo (Dismissed) | Republic of China | Male | √ | NA | √ | √ | √ | √ | √ | √ | Good at industrial knowledge and technology research and developm ent | |
| | | | Direct or (Note 3) | Representa tive of Yo Chang Investment Co., Ltd.: Chien-Hung Wu (Dismissed) | Republic of China | Male | √ | NA | √ | √ | √ | √ | √ | √ | Good at industry knowledge and marketing and sales managem ent | |
| | | | Direct or (Note 1) | Representa tive of Nidec Corporation: Masashi Takao (Dismissed) | Japan | Male | √ | NA | √ | √ | √ | √ | √ | √ | Good at industrial knowledge and technology research and developm ent | |

| Evaluation items | Actual operation | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause | | | | | | | | | | | | | |
|--|---|-------|---|---|---|-------|------|---|----|---|---|---|---|---|---|---|--|
| | Yes | No | Summary | | | | | | | | | | | | | | |
| (II) Has the company, in addition to establishing the Remuneration Committees and Audit Committee, voluntarily setup other functional Committees ? | √ | | <table border="1"> <tr> <td>Direct or (Note 2)</td> <td>Representative of Nidec Corporation: Kazuhito Kaise (Dismissed)</td> <td>Japan</td> <td>Male</td> <td>√</td> <td>NA</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>Good at corporate strategic planning, Finance and legal affairs</td> </tr> </table> <p>Note 1: Mr. Masashi Takao, the representative of the corporate director, appointed by Nidec Corporation, was replaced by Mr. Eiji Miyamoto on April 1, 2021. Note 2: Mr. Kazuhito Kaise, the representative of the corporate director, appointed by Nidec Corporation, was replaced by Mr. Yasuhiro Mase on April 1, 2021. Note 3: The Vice Chairman Ms. Shih-Ling Wu and Director Mr. Chien-Hung Wu were dismissed on January 4, 2021. Note 4: Mr. Ta-Chi Kuo, the representative of the corporate director, appointed by Yo Chang Investment Co., Ltd., was replaced by Mr. Chien-Hung Wu on July 1, 2020.</p> | Direct or (Note 2) | Representative of Nidec Corporation: Kazuhito Kaise (Dismissed) | Japan | Male | √ | NA | √ | √ | √ | √ | √ | √ | Good at corporate strategic planning, Finance and legal affairs | |
| Direct or (Note 2) | Representative of Nidec Corporation: Kazuhito Kaise (Dismissed) | Japan | Male | √ | NA | √ | √ | √ | √ | √ | √ | Good at corporate strategic planning, Finance and legal affairs | | | | | |
| (III) Has the company had the rules governing the performance evaluation of the board of directors and evaluation methods stipulated, the performance evaluation performed annually and regularly, the results of the performance evaluations reported to the board of directors, and the evaluation result applied as a reference for individual director’s remuneration and nomination | √ | | <p>(II)The Company has setup a Remuneration Committee. An Audit Committee will be setup when all board directors are re-elected at the end of the current term of office in 2022. The Company will evaluate whether to setup other functional committees depending on future operational needs.</p> <p>(III) The Company’s board of directors had resolved on December 24, 2015 to formulate the “Regulations Governing the Performance Evaluation of the Board of Directors.” The Company’s board performance evaluation is conducted regularly every year. It was amended as “Regulations Governing the Performance Evaluation of the Board of Directors and Functional Committee” subsequently in accordance with the updated law and regulations, which was resolved and approved by the board of directors on January 14,</p> | | | | | | | | | | | | | | |

| Evaluation items | Actual operation | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
|-------------------|------------------|----|--|---|
| | Yes | No | Summary | |
| for re-election ? | | | <p>2020. All directors and Remuneration Committee members conducted self-evaluation by three parts, including “Overall Board Operation,” “Individual Directors,” and “Remuneration Committee Operation”.</p> <p>The self-evaluation questionnaires are distributed to the board directors and Remuneration Committee members to fill out at the end of each year. After having the questionnaires collected, the Chairman’s Office and the Administration Department respectively count the evaluation results of each measurement index according to the scoring criteria. The measurement index with lower score or the recommendations of the directors and Remuneration Committee members will be reported to the directors and supervisors for future reference in adjustments or enhancing the deliberation of the board of directors / Remuneration Committee. The 2020 performance evaluation of the Board of Directors and Functional Committee was completed before the end of 2020. The scores of three self-evaluations were all above 90 points (converted and presented in a percentage concept). The performance evaluation results had been reported to the board of directors of the Company on January 20, 2021.</p> <p>Regarding the performance evaluation results of the board of directors, it may be referred by the Company at the time of selecting or nominating directors. The performance evaluation results of each board director may be referred to determine his/her remuneration.</p> | |

| Evaluation items | Actual operation | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
|---|------------------|----|---|---|
| | Yes | No | Summary | |
| (IV) Has the company regularly assessed the independence of the certified public accountant ? | √ | | (IV) The Company regularly evaluates the independence of the attestation CPAs every year. The evaluation criteria are formulated by referring to Article 10 “Integrity, Fairness, Objectivity, and Independence” of the “Code of Professional Ethics,” including: the attestation CPAs shall take a recusal when their fairness and independence are affected by the commissioned matters due to a conflict of interest; the audit service members, other jointly practiced CPAs, CPA Firm, and affiliated companies of the CPA Firm shall be independent from the Company; the commissioned CPAs should be independent at the time of appointment without having their fairness and objective position compromised; the CPAs’ independence is not affected by self-interest, self-evaluation, defense, familiarity, and coercion, for example: there is no significant financial interest relationship / close business relationship / potential employment relationship between the CPAs and the Company, no financing or guarantees made between the Company and the directors or supervisors; Audit service members have not held the positions of directors, supervisors, or managerial officers of the Company or have significant influence on audits currently or in the last two years; not advertising or brokering the stocks or securities of the Company, not serving as the a defender of the Company; the CPAs or audit service members are not a relative of the Company’s directors, supervisors, managerial officers, or persons who have a significant influence on the audits, and not received valuable gifts or presents from the Company or directors, supervisors, and managerial officers; the CPAs do not | |

| Evaluation items | Actual operation | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
|---|------------------|----|--|---|
| | Yes | No | Summary | |
| | | | <p>accept the management’s improper choices in accounting policies or improper disclosure in financial statements.</p> <p>The Company’s board of directors resolved the appointment of the attestation CPAs on March 24, 2021 for the 2021 financial statements and the independence evaluation of the attestation CPAs. The attestation CPAs after the evaluation completed are concluded complying with the Company’s independence evaluation criteria; also, the Declaration of Independence is collected from the attestation CPAs.</p> | |
| IV. Do the TWSE/TPEX-Listed Companies have an adequate number of corporate governance personnel with appropriate qualifications, and appoint a chief corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handling matters relating to board meetings and shareholders meetings according to law, producing minutes of board meetings and shareholders meetings, etc.)? | √ | | <p>The Chairman’s Office of the Company is responsible for corporate governance related matters, including:</p> <ol style="list-style-type: none"> 1. It is the deliberation unit of the board of directors, including consolidating the agenda of the meeting, mailing the meeting notice 7 days in advance to the directors and supervisors with sufficient meeting information provided to facilitate the participants to understand the relevant information of the proposal. If the issues are relevant to the Directors or the legal person represented by the Directors, they should be reminded to enter recusal appropriately in compliance with the law and regulations; also, the minutes of meeting will be issued to the directors and supervisors for reference within 20 days after the meeting. 2. Responsible for issuing major information and related announcements after the board meeting or shareholder meeting to ensure the legality and accuracy of the information disclosure; also, to protect the investors’ rights of receiving adequate trading information. | There is no noticeable discrepancy. |

| Evaluation items | Actual operation | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
|------------------|------------------|----|---|---|
| | Yes | No | Summary | |
| | | | <p>3. Handle the pre-registration for the shareholder meeting in accordance with the law and regulations, compile and report the meeting notice, agenda handbooks, annual report, and minutes of the shareholder meeting within the deadline.</p> <p>4. Handle the Company’s insider shareholding change declaration operation and various industrial and commercial change registration matters.</p> <p>5. In order to enhance the operation efficiency of the board, before the end of the first quarter every year, an internal performance evaluation of the operation of the board in the previous year is conducted and the results of the evaluation are reported to the board of directors.</p> <p>6. Handle the contract renewal of the company’s “Directors and Supervisors and Key Staff Liability Insurance” and report the insurance coverage to the board of directors.</p> <p>7. Provide information related to the continuing education to the directors and supervisors occasionally, and arrange relevant courses for foreign directors and supervisors to study at home, so that the directors and supervisors can complete the study hours of the continuing education in accordance with the “Directions for the Implementation of Continuing Education for Directors and Supervisor of TWSE Listed and TPEX Listed Companies,” and complete the announcement and reporting operation.</p> <p>8. Provide information on the newly announced law and regulations or amendments to board members and supervisors for business practice and corporate governance.</p> | |

| Evaluation items | Actual operation | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
|---|------------------|----|--|---|
| | Yes | No | Summary | |
| | | | <p>9. Review the index items of the corporate governance evaluation, and propose improvement plans or countermeasures for the un-scored indexes.</p> <p>10. Provide Company business or financial and other operational information upon the request of the directors and supervisors, and maintain smooth communication between the directors and the management.</p> | |
| V. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), setup a stakeholder section on the company’s website, and properly responded to important corporate social responsibility issues of concern to stakeholders ? | √ | | The Company has a spokesperson and an acting spokesperson to communicate with stakeholders, and provides a spokesperson, acting spokesperson, and business (product) contact window and e-mail mailbox on the company website. In addition, there is a “stakeholder section” under the corporate social responsibility on the Company website to properly respond to the concerns of stakeholders 【employees, customers, investors (media), suppliers, and competent authorities, a total of five categories】 , and a smooth communication channel in place. | There is no noticeable discrepancy |
| VI. Does the company appoint a professional stock agency to handle the shareholder meeting related matters ? | √ | | The Company has commissioned the Stock Service Department of Yuanta Securities to handle Shareholders’ Meeting related affairs. | There is no discrepancy |
| VII. Information disclosure | | | | |
| (I) Has the company setup a website to disclose financial business and corporate governance information ? | √ | | (I) The Company has a company website (www.ccic.com.tw) setup to disclose financial business and corporate governance information; also, to update information occasionally for investors to access. | There is no noticeable discrepancy. In addition, the feasibility of early announcement |
| (II) Has the company adopted other information | √ | | (II) The Chairman’s Office and relevant responsible departments | |

| Evaluation items | Actual operation | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
|---|------------------|----|---|--|
| | Yes | No | Summary | |
| disclosure methods (such as, setting up an English website, designating a person to be responsible for the collection and disclosure of company information, implementing the spokesperson system, placing the institutional investor conference on the company website, etc.) ? (III) Has the company published and reported the annual financial report within two months after the end of the fiscal year, and published and reported the financial reports for the first, second, and third quarters as well as its operating status for each month before the specified deadline? | | √ | jointly collect and disclose information on the Company’s website. It has setup the “Procedures for Handling Material Inside Information and Preventing Insider Trade,” implemented the spokesperson system, and disclosed the relevant institutional investor conference information on Market Observation Post System and the Company’s website in order to improve the information transparency of the Company. (III) The Company announces and declares annual financial reports, quarterly financial reports, and monthly operating conditions in accordance with the time limit prescribed by law and regulations, and will evaluate the feasibility of early announcements in the future based on internal operating procedures. | and declaration of annual financial statements, quarterly financial statements, and monthly operating conditions in the future will be evaluated based on internal operating procedures. |
| VIII. Has the company had other important information to help understand the operation of corporate governance (including but not limited to the employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, liability insurance acquired by the company for directors and supervisors, etc.) ? | √ | | (I)Employee rights and employee care: Please refer to the Company’s 2020 annual report “V. Labor Relation of Five. Operation Overview.” (II)Investor relations, supplier relations, and rights of stakeholders: The Company has formulated the “Corporate Governance Best Practice Principles,” “Regulations Governing Supplier Evaluation,” “Corporate Social Responsibility Best Practice Principles,” “Ethical Corporate Management Best Practice Principles,” “Procedures for Ethical Management and Guidelines for Conduct” and other corporate social responsibility related regulations to implement and promote corporate governance. Please refer to “(V) The corporate social responsibility operation and its difference from the “Corporate Social Responsibilities Best | There is no noticeable discrepancy |

| Evaluation items | Actual operation | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|------------------|------------------|------------------------------|--|---|-------------------------------|------------------------------|-----------|--------------|-------------------------------|----------|---------------|-----------|----------------------------------|-------------------------------|---------|----------|--|---------|---------------|--------------|-----------|---|--|---------|------------|----------------------------------|---|---------|----------|---------------|------------|----------------------------------|---|---------|------------|---|--|---------|--|
| | Yes | No | Summary | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>Practice Principles for the TWSE/TPEX Listed Companies, and the root cause, IV. Corporate Governance Operation, Three. Corporate Governance Report” in the Company’s 2020 annual report for additional information.</p> <p>(III)The continuing education of Directors and Supervisors: The total hours of continuing education for all directors and supervisors of the Company in 2020 was 80.5 hours. The information on the continuing education is listed as follows:</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Date of continuing education</th> <th>Organizer</th> <th>Course title</th> <th>Hours of continuing education</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Chairman</td> <td rowspan="2">Junichi Nagai</td> <td>2020/8/10</td> <td rowspan="2">Securities and Futures Institute</td> <td>Taiwan Tax Accounting Summary</td> <td>3 hours</td> </tr> <tr> <td>202011/9</td> <td>Labor laws compliance and personnel management</td> <td>3 hours</td> </tr> <tr> <td rowspan="2">Vice Chairman</td> <td rowspan="2">Shih-Ling Wu</td> <td>2020/8/12</td> <td>Taiwan Independent Director Association</td> <td>The role of independent directors in the conflict between corporate governance and business management</td> <td>3 hours</td> </tr> <tr> <td>2020/10/21</td> <td>Securities and Futures Institute</td> <td>The 2020 Prevention of Insider Trading and Insider Equity Trading Seminar</td> <td>3 hours</td> </tr> <tr> <td rowspan="2">Director</td> <td rowspan="2">Chien-Hung Wu</td> <td>2020/10/21</td> <td>Securities and Futures Institute</td> <td>The 2020 Prevention of Insider Trading and Insider Equity Trading Seminar</td> <td>3 hours</td> </tr> <tr> <td>2020/10/27</td> <td>Taiwan Corporate Government Association</td> <td>ESG Development Trend and Social Responsibility Investment (SRI)</td> <td>3 hours</td> </tr> </tbody> </table> | Title | Name | Date of continuing education | Organizer | Course title | Hours of continuing education | Chairman | Junichi Nagai | 2020/8/10 | Securities and Futures Institute | Taiwan Tax Accounting Summary | 3 hours | 202011/9 | Labor laws compliance and personnel management | 3 hours | Vice Chairman | Shih-Ling Wu | 2020/8/12 | Taiwan Independent Director Association | The role of independent directors in the conflict between corporate governance and business management | 3 hours | 2020/10/21 | Securities and Futures Institute | The 2020 Prevention of Insider Trading and Insider Equity Trading Seminar | 3 hours | Director | Chien-Hung Wu | 2020/10/21 | Securities and Futures Institute | The 2020 Prevention of Insider Trading and Insider Equity Trading Seminar | 3 hours | 2020/10/27 | Taiwan Corporate Government Association | ESG Development Trend and Social Responsibility Investment (SRI) | 3 hours | |
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| Chairman | Junichi Nagai | 2020/8/10 | Securities and Futures Institute | Taiwan Tax Accounting Summary | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Evaluation items | Actual operation | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | Yes | No | Summary | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <table border="1"> <tr> <td rowspan="2">Director</td> <td rowspan="2">Masashi Takao</td> <td>2020/8/10</td> <td rowspan="2">Securities and Futures Institute</td> <td>Taiwan Tax Accounting Summary</td> <td>3 hours</td> </tr> <tr> <td>2020/11/9</td> <td>Labor laws compliance and personnel management</td> <td>3 hours</td> </tr> <tr> <td rowspan="2">Director</td> <td rowspan="2">Kazuhito Kaise</td> <td>2020/8/10</td> <td rowspan="2">Securities and Futures Institute</td> <td>Taiwan Tax Accounting Summary</td> <td>3 hours</td> </tr> <tr> <td>2020/11/9</td> <td>Labor laws compliance and personnel management</td> <td>3 hours</td> </tr> <tr> <td rowspan="2">Director</td> <td rowspan="2">Mitsuru Tsuyoshi</td> <td>2020/8/10</td> <td rowspan="2">Securities and Futures Institute</td> <td>Taiwan Tax Accounting Summary</td> <td>3 hours</td> </tr> <tr> <td>2020/11/9</td> <td>Labor laws compliance and personnel management</td> <td>3 hours</td> </tr> <tr> <td rowspan="2">Director</td> <td rowspan="2">Hidetoshi Matsuhashi</td> <td>2020/8/10</td> <td rowspan="2">Securities and Futures Institute</td> <td>Taiwan Tax Accounting Summary</td> <td>3 hours</td> </tr> <tr> <td>2020/11/9</td> <td>Labor laws compliance and personnel management</td> <td>3 hours</td> </tr> <tr> <td rowspan="2">Independent Director</td> <td rowspan="2">Ke-Wei Hsu</td> <td>2020/8/12</td> <td>Taiwan Independent Director Association</td> <td>The role of independent directors in the conflict between corporate governance and business management</td> <td>3 hours</td> </tr> <tr> <td>2020/11/26</td> <td>Taiwan Independent Director Association</td> <td>Practical operation and case analysis of the Audit Committee and other functional committees</td> <td>3 hours</td> </tr> <tr> <td>Independent Director</td> <td>Ya-Ping Chiang</td> <td>2020/1/16</td> <td>Science & Technology Law Institute of Information Industry, III</td> <td>Propaganda activities on intellectual property management obligations of the board of directors of TWSE/TPEX listed companies</td> <td>2.5 hours</td> </tr> </table> | Director | Masashi Takao | 2020/8/10 | Securities and Futures Institute | Taiwan Tax Accounting Summary | 3 hours | 2020/11/9 | Labor laws compliance and personnel management | 3 hours | Director | Kazuhito Kaise | 2020/8/10 | Securities and Futures Institute | Taiwan Tax Accounting Summary | 3 hours | 2020/11/9 | Labor laws compliance and personnel management | 3 hours | Director | Mitsuru Tsuyoshi | 2020/8/10 | Securities and Futures Institute | Taiwan Tax Accounting Summary | 3 hours | 2020/11/9 | Labor laws compliance and personnel management | 3 hours | Director | Hidetoshi Matsuhashi | 2020/8/10 | Securities and Futures Institute | Taiwan Tax Accounting Summary | 3 hours | 2020/11/9 | Labor laws compliance and personnel management | 3 hours | Independent Director | Ke-Wei Hsu | 2020/8/12 | Taiwan Independent Director Association | The role of independent directors in the conflict between corporate governance and business management | 3 hours | 2020/11/26 | Taiwan Independent Director Association | Practical operation and case analysis of the Audit Committee and other functional committees | 3 hours | Independent Director | Ya-Ping Chiang | 2020/1/16 | Science & Technology Law Institute of Information Industry, III | Propaganda activities on intellectual property management obligations of the board of directors of TWSE/TPEX listed companies | 2.5 hours | |
| Director | Masashi Takao | 2020/8/10 | Securities and Futures Institute | | | Taiwan Tax Accounting Summary | | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 2020/11/9 | | Labor laws compliance and personnel management | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Kazuhito Kaise | 2020/8/10 | Securities and Futures Institute | Taiwan Tax Accounting Summary | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Director | Mitsuru Tsuyoshi | 2020/8/10 | Securities and Futures Institute | Taiwan Tax Accounting Summary | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Director | Hidetoshi Matsuhashi | 2020/8/10 | Securities and Futures Institute | Taiwan Tax Accounting Summary | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 2020/11/9 | | Labor laws compliance and personnel management | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Ke-Wei Hsu | 2020/8/12 | Taiwan Independent Director Association | The role of independent directors in the conflict between corporate governance and business management | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 2020/11/26 | Taiwan Independent Director Association | Practical operation and case analysis of the Audit Committee and other functional committees | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Ya-Ping Chiang | 2020/1/16 | Science & Technology Law Institute of Information Industry, III | Propaganda activities on intellectual property management obligations of the board of directors of TWSE/TPEX listed companies | 2.5 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Evaluation items | Actual operation | | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | Yes | No | Summary | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | <table border="1"> <tr> <td></td> <td></td> <td>2020/9/15</td> <td>Taiwan Corporate Government Association</td> <td>Enterprise risk management and legal compliance issues application practice</td> <td>3 hours</td> </tr> <tr> <td></td> <td></td> <td>2020/9/21</td> <td>TWSE and TPEX</td> <td>The “Corporate Governance 3.0-Blueprint for Sustainable Development by TWSE Listed Companies” Summit Forum</td> <td>3 hours</td> </tr> <tr> <td></td> <td></td> <td>2020/9/22</td> <td>Taiwan Corporate Government Association</td> <td>Capital market and corporate governance</td> <td>3 hours</td> </tr> <tr> <td></td> <td></td> <td>2020/9/24</td> <td>Association of Corporate Governance Professionals</td> <td>The 2020 Substantive Beneficiaries Legal System Seminar</td> <td>3 hours</td> </tr> <tr> <td></td> <td></td> <td>2020/10/16</td> <td>TWSE and TPEX</td> <td>The 2020 Propaganda on Corporate Governance and Corporate Ethical for Directors and Supervisors</td> <td>3 hours</td> </tr> <tr> <td></td> <td></td> <td>2020/10/22</td> <td>Securities and Futures Institute</td> <td>The 2020 Prevention of Insider Trading and Insider Equity Trading Seminar</td> <td>3 hours</td> </tr> <tr> <td></td> <td>Supervisor</td> <td>Isao Takahashi</td> <td>2020/8/10</td> <td>Securities and Futures Institute</td> <td>Taiwan Tax Accounting Summary</td> <td>3 hours</td> </tr> <tr> <td></td> <td></td> <td></td> <td>2020/11/9</td> <td>Securities and Futures Institute</td> <td>Labor laws compliance and personnel management</td> <td>3 hours</td> </tr> <tr> <td></td> <td>Supervisor</td> <td>Chun-Yu Yen</td> <td>2020/9/2</td> <td>Accounting Research and Development Foundation</td> <td>Legal compliance and audit practices of corporate mergers and acquisitions</td> <td>6 hours</td> </tr> </table> | | | 2020/9/15 | Taiwan Corporate Government Association | Enterprise risk management and legal compliance issues application practice | 3 hours | | | 2020/9/21 | TWSE and TPEX | The “Corporate Governance 3.0-Blueprint for Sustainable Development by TWSE Listed Companies” Summit Forum | 3 hours | | | 2020/9/22 | Taiwan Corporate Government Association | Capital market and corporate governance | 3 hours | | | 2020/9/24 | Association of Corporate Governance Professionals | The 2020 Substantive Beneficiaries Legal System Seminar | 3 hours | | | 2020/10/16 | TWSE and TPEX | The 2020 Propaganda on Corporate Governance and Corporate Ethical for Directors and Supervisors | 3 hours | | | 2020/10/22 | Securities and Futures Institute | The 2020 Prevention of Insider Trading and Insider Equity Trading Seminar | 3 hours | | Supervisor | Isao Takahashi | 2020/8/10 | Securities and Futures Institute | Taiwan Tax Accounting Summary | 3 hours | | | | 2020/11/9 | Securities and Futures Institute | Labor laws compliance and personnel management | 3 hours | | Supervisor | Chun-Yu Yen | 2020/9/2 | Accounting Research and Development Foundation | Legal compliance and audit practices of corporate mergers and acquisitions | 6 hours | |
| | | 2020/9/15 | Taiwan Corporate Government Association | Enterprise risk management and legal compliance issues application practice | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 2020/9/21 | TWSE and TPEX | The “Corporate Governance 3.0-Blueprint for Sustainable Development by TWSE Listed Companies” Summit Forum | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 2020/9/22 | Taiwan Corporate Government Association | Capital market and corporate governance | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 2020/9/24 | Association of Corporate Governance Professionals | The 2020 Substantive Beneficiaries Legal System Seminar | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 2020/10/16 | TWSE and TPEX | The 2020 Propaganda on Corporate Governance and Corporate Ethical for Directors and Supervisors | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 2020/10/22 | Securities and Futures Institute | The 2020 Prevention of Insider Trading and Insider Equity Trading Seminar | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Supervisor | Isao Takahashi | 2020/8/10 | Securities and Futures Institute | Taiwan Tax Accounting Summary | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | 2020/11/9 | Securities and Futures Institute | Labor laws compliance and personnel management | 3 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Supervisor | Chun-Yu Yen | 2020/9/2 | Accounting Research and Development Foundation | Legal compliance and audit practices of corporate mergers and acquisitions | 6 hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Evaluation items | Actual operation | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
|------------------|------------------|----|---|---|
| | Yes | No | Summary | |
| | | | <p>(IV)Implementation of risk management policies and risk measurement standards :</p> <p>In terms of risk management policies, the CEO’s Office convenes relevant responsible units to implement risk management measures according to the types of operational risks, and emphasizes the overall risk control of all employees, and realizes prevention at all levels in order to effectively implement risk management.</p> <p>In addition, the Company has formulated the “Regulations Governing Business Strategy” and “Regulations Governing Risks.” After considering the Company’s operating situation, internal and external business issues, and the demands and expectations of stakeholders, the management shall respond to the derived risks and opportunities and shall have them regularly compiled into the “Risk Survey and Evaluation Form”. Each department with the “Risk Survey and Evaluation Form” proposed shall evaluate the possibility of occurrence of risks, the possibility of discovering risks, the severity of the results, and the relevant law and regulations involved, if any, to calculate the risk evaluation results. The risk management unit shall review the overall “Risk Survey and Evaluation Form”. The risk evaluation result with a higher score that is with a high-risk impact will be included in the “Risk Management Activity Plan Report,” and the relevant departments will be informed to issue an improvement plan for implementation accordingly. The most recent (at the beginning of 2021) “Risk Survey and Evaluation Form” of the Company was with 164 risk issues included, of</p> | |

| Evaluation items | Actual operation | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
|------------------|------------------|----|---|---|
| | Yes | No | Summary | |
| | | | <p>which, 7 risks received 30 points or more that were with a high-risk impact and the relevant departments had proposed countermeasures and action plans to reduce operational risks and to grasp potential opportunities (business opportunities).</p> <p>(V) The implementation of customer policy: The Company takes integrity, innovation, and mutual benefit as its business philosophy, and provides excellent products, on-time delivery, and ethical management as its customer management policy. The practice of customer policy has been reflected in the Company’s operational performance.</p> <p>(VI) The liability insurance purchased by the company for directors and supervisors: The Company had acquired “liability insurance for directors, supervisors, and key staff” for a coverage of US\$3 million in 2020, which was not yet expired as of the publication date of the annual report, but will be expired at the end of May. The Company will complete the renewal process before the insurance policy expires, and will report the important content of the liability insurance to the board of directors.</p> | |

| Evaluation items | Actual operation | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
|------------------|------------------|----|---------|---|
| | Yes | No | Summary | |

IX. Please explain the improvements made based on the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange in the most recent year, and propose prioritized enhancements and measures for those that have not being improved. (The company that is not included for evaluation is exempted from providing such information.)

| The 7th Corporate Governance Evaluation Index that has been improved | | |
|--|--|--|
| Index number | Index items | Improvement method |
| 1.9 | Has the company uploaded the meeting notice in English 30 days before the regular shareholder meeting? | The Company had simultaneously uploaded the meeting notice in English version 30 days before the scheduled 2020 regular shareholders meeting. |
| 1.10 | Has the company uploaded the handbooks and supplementary meeting data in English 30 days before the regular shareholder meeting? | The Company had simultaneously uploaded the handbooks and supplementary materials in English version 30 days before the scheduled 2020 regular shareholders meeting. |
| 1.11 | Has the company uploaded the annual report in English 7 days before the regular shareholder meeting? | The Company had uploaded the annual report in English version 7 days before the scheduled 2020 regular shareholders meeting. |
| 2.11 | Has the company disclosed in the annual report the reasons for the discussion and resolution of the Remuneration Committee and the company’s handling the opinions of the members? | The Company had fully disclosed the proposal discussion and resolution of the Remuneration Committee in the 2019 annual report; also, the Committee members’ opinions were handled by the Company. |
| 2.17 | Has the board of directors regularly (at least once a year) evaluated the independence of the attestation CPAs and disclosed the evaluation procedures in the annual report of the Company? | The Company had fully disclosed the assessment procedures for the independence of the attestation CPAs in the 2019 annual report. |
| 3.5 | Is the annual financial statements in English disclosed on the Market Observation Post System 7 days before the regular shareholder meeting? 【 If it is a compiled voluntarily, one additional point will be added to the total score. 】 | The Company had uploaded the annual financial statements in English version 7 days before the scheduled regular shareholders meeting. |

| | | | | |
|------------------|------------------|----|---------|---|
| Evaluation items | Actual operation | | | Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
| | Yes | No | Summary | |

The 7th Corporate Governance Evaluation Index that has not yet been improved and should be improved with priority

| Index number | Index items | Improvement method |
|--------------|---|---|
| 2.10 | Has the company had a qualified Audit Committee organized? | The Company will have three independent directors selected to form the Audit Committee when the re-election of all directors is held in 2022 upon the expiration of the term of office. |
| 2.22 | Has the company formulated risk management policies and procedures that were approved by the board of directors to disclose the risk management scope and the organizational structure and its implementation? | The Company has established the “Regulations Governing Business Strategy” and “Regulations Governing Risks” currently to check and evaluate the Company’s risks with countermeasures and action plans proposed. The actual operation will be summarized and disclosed on the Company’s website and will be reported to the board of directors at least once a year. |
| 3.2 | Has the company released material information in English simultaneously? | The Company has released material information in English simultaneously since January 1, 2021. |
| 4.2 | Has the company designated a full-time (part-time) unit to promote ethical corporate management, to be responsible for the formulation, supervision, and implementation of ethical corporate management policy and prevention plan; also, to explain the operation and implementation of the unit on the company’s website and in the company’s annual report, and reported to the board of directors at least once a year? | The Administration Office of the Company is responsible for the promotion of ethical corporate management. Also, the operation and implementation of the unit will be explained on the Company’s website and in the Company’s annual report in the future, and reported to the board of directors at least once a year. |

(IV) The composition and operation of the Remuneration Committee:

The composition, qualification, and attendance of the Company's Remuneration Committee are listed as follows:

1. Remuneration Committee Members profile

| Identity | Name | Qualifications | With or without more than 5 years of work experience and the following professional qualifications | Meet the independence situation (Note) | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Serving as a member of the Remuneration Committee of other public companies | Remarks |
|----------------------|-----------------|--|--|--|---|---|---|---|---|---|---|---|---|----|---|---------|
| | | | | | | | | | | | | | | | | |
| Independent Director | Ya-Ping Chiang | An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university | Judge, Prosecutor, Lawyer, Accountant, or Holder of National Exam or Professional Qualification Relevant to the Company's Operations | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | 0 | None |
| Independent Director | Ke-Wei Hsu | | | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | 0 | None |
| Others | Ching-Pei Huang | | | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | 1 | None |

Note: Each member who meets the following conditions in the two years before and during their tenure of office, please mark "√" in the space below each condition code.

- (1) Not employed by other companies or any of their affiliated companies.
- (2) Not a Director or Supervisor of the company or any of the affiliated companies (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary).
- (3) Not a natural-person shareholder who holds shares, together with those held by the principal's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranking in the top 10 in shareholdings.
- (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 stated in preceding paragraph (1) or the persons in preceding paragraph (2) and (3).
- (5) Not a director, supervisor, or employee (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary) of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, is ranked in the top 5 in shareholding, or designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act.
- (6) Not a director, supervisor, or employee of other companies that are controlled by the person who also controls the majority of the Company's director seats or voting shares (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary).
- (7) Not a director (or governor), supervisor, or person holding an equivalent position of the Company and that person in any of those positions at another company or institution are the same person or are spouses (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary).
- (8) Not a director (or governor), supervisor, managerial officer, or shareholder holding 5% or more of the shares

of a specified company or institution that has a financial or business relationship with the Company (if the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company, the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary).

- (9) Not a professional individual who, or an owner, partner, director (or governor), supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or its affiliates, or that provides commercial, legal, financial, accounting or related services to the Company or its affiliates for which the provider in the last 2 years has received accumulative compensation less than NT\$500,000, or a spouse thereof. Provided that this restriction does not apply to a member of the Remuneration Committee, Public Tender Offer Review Committee, or Special Committee for Merger/Consolidation and Acquisition, who exercises powers pursuant to the Securities and Exchanges Act, the Business Mergers and Acquisitions Act, or related law and regulations.
- (10) There is not any circumstance as stated in Article 30 of the Company Act.

2. Remuneration Committee operations

(1)The Company’s Remuneration Committee is with 3 members.

(2)The term of the committee members is from January 29, 2019 to January 28, 2022.

There were 5 meetings of the Remuneration Committee held in the most recent year (2020) with the attendance record of the members as follows:

| Title | Name | Number of attendance in person | Proxy Attendance | Attendance-in-person Rate (%) | Remarks |
|----------|-----------------|--------------------------------|------------------|-------------------------------|---------|
| Convener | Ya-Ping Chiang | 5 | 0 | 100% | |
| Member | Ke-Wei Hsu | 5 | 0 | 100% | |
| Member | Ching-Pei Huang | 4 | 0 | 80% | |

Other Relevant Information:

- I. If the suggestions of the Remuneration Committee are not adopted or amended by the board of directors, please describe the board meeting date, term, content of the proposal, the resolution of the board of directors, and how the company handles the proposal of the Remuneration Committee (if the remuneration resolved by the board of directors is superior to the suggestion made by the Remuneration Committee, please describe the differences and reasons, if any): None of such incident occurred in the current year.
- II. In regard of the resolutions of the Remuneration Committee, is any member has his/her objection or reservation opinion raised and recorded in writing, please describe the Remuneration Committee meeting date, term, content of the proposal, the opinions of all members, and the handling of the members’ opinions: None of such incident occurred in the current year.
- III. The proposal for discussion and resolutions of the Remuneration Committee in the most recent year, and the company’s handling of the committee’s opinions:

| Remuneration Committee meeting date | Proposal for discussion and resolutions |
|--|--|
| The 4th meeting of the 5th term January 14, 2020 | <p>Proposals: • The Company is planning to hire two vice presidents additionally.</p> <ul style="list-style-type: none"> • Amendment of “Performance Evaluation Measures for Board of Directors and Functional Committee” (the original name is “Performance Evaluation Measures for Board of Directors”.) • The year-end bonus of 2019 for top managements of the Company. • The scope of managerial officers for the remuneration to be proposed by the Company’s Remuneration Committee. <p>The opinions of the members: No objections or reservations.</p> <p>Resolution results: Passed by the attending members unanimously after being consulted by the Chairman.</p> <p>The opinions of the Remuneration Committee members handled by the company: The opinions had been presented in the board meeting to be approved by all the directors presented and then implemented accordingly. The matters related to the regulations of the Company which are announced in the “Organizational Operation Regulations” section on the Company’s website.</p> |
| The 5th meeting of the 5th term March 25, 2020 | <p>Proposals: • The Company’s 2019 distribution of compensatin to employees, directors, and supervisors.</p> <ul style="list-style-type: none"> • The Company’s organizational structure adjustment and amendment of “Regulations Governing Organization Rights and Responsibilities and Internal Communication Management”. • The promotion and salary adjustment of the Company’s senior executives. |

| | |
|---|---|
| | <p>The opinions of the members: No objections or reservations. Resolution results: Passed by the attending members unanimously after being consulted by the Chairman. The opinions of the Remuneration Committee members handled by the company: The opinions had been presented in the board meeting to be approved by all the directors presented and then implemented accordingly. The matters related to the regulations of the Company which are announced in the “Organizational Operation Regulations” section on the Company’s website.</p> |
| The 6th meeting of the 5th term June 22, 2020 | <p>Proposals: • The allocation for 2019 employees, directors and supervisors’ compensation. • The Company is planning to hire one vice president additionally. • The reinstatement of the Company’s senior executive.</p> |
| | <p>The opinions of the members: No objections or reservations. Resolution results: Passed by the attending members unanimously after being consulted by the Chairman. The opinions of the Remuneration Committee members handled by the company: The opinions had been presented in the board meeting to be approved by all the directors presented and then implemented accordingly.</p> |
| The 7th meeting of the 5th term August 10, 2020 | <p>Proposals: • The change of financial and accounting officer of the Company. • The salary adjustment of the Company’s senior executives (assistant vice president (including)).</p> |
| | <p>The opinions of the members: No objections or reservations. Resolution results: Passed by the attending members unanimously after being consulted by the Chairman. The opinions of the Remuneration Committee members handled by the company: The opinions had been presented in the board meeting to be approved by all the directors presented and then implemented accordingly.</p> |
| The 8th meeting of the 5th term November 9, 2020 | <p>Proposals: • The change of the Company’s senior executive. • The Company is planning to hire two senior executives additionally. • The Company’s organizational structure adjustment and amendment of “Regulations Governing Organization Rights and Responsibilities and Internal Communication Management”.</p> |
| | <p>The opinions of the members: No objections or reservations. Resolution results: Passed by the attending members unanimously after being consulted by the Chairman. The opinions of the Remuneration Committee members handled by the company: The opinions had been presented in the board meeting to be approved by all the directors presented and then implemented accordingly. The matters related to the regulations of the Company which are announced in the “Organizational Operation Regulations” section on the Company’s website.</p> |

(V) The corporate social responsibility operation and its difference from the “Corporate Social Responsibilities Best Practice Principles for the TWSE/TPEX Listed Companies,” and the root cause:

| Evaluation criteria | Actual Governance | | | Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause |
|--|-------------------|----|---|--|
| | Yes | No | Summary | |
| I. Has the company conducted risk assessments on environmental, social, and corporate governance issues related to the company’s operations, and formulated relevant risk management policies or strategies based on the principle of materiality? | √ | | <p>(I) Environmental Protection</p> <p>The Company is a professional designer and manufacturer of electronic information product heat dissipation / heat transfer components. In order to fulfill corporate social responsibility and reduce the impact on the environment during production and operation, the Company has introduced the environment management system (ISO14001) and occupational safety and health management system (ISO45001) to reduce the adverse impact on the environment, and continue to actively implement energy saving and carbon reduction policies, strengthen employees’ environmental awareness, and improve the efficiency of various resources consumption.</p> <p>The Company has setup an Environmental Safety and Health Committee. The Company has based on the “Procedures for Environmental Safety and Health Risk Investigation” and “Procedures for Environmental Safety and Health Risk and Opportunity Identification” to screen major risks and opportunities in environmental issues, and then formulate environmental safety and health goals as well as the policies, as a plan for the improvement of the Company’s environmental safety and health management system in order to achieve environmental safety and health management performance and continue to meet the requirements of</p> | There is no noticeable discrepancy. |

| Evaluation criteria | Actual Governance | | | Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause |
|---------------------|-------------------|----|---|--|
| | Yes | No | Summary | |
| | | | <p>environmental safety and health management standards.</p> <p>(II) Product Liability The Company has formulated the “Regulations Governing Supplier Environmental Safety and Health Investigation”. The purchase of raw materials is targeting on those with environmental protection characteristics (such as: RoHS compliance), environmental protection strategies (such as: providing waste solvent recovery services, equipment equipped with pollution prevention, etc.) and suppliers who have the environmental protection production process are listed as the priority vendors. In addition, the Company’s environmental substance team regularly / irregularly revises the “Hazardous Substance Free (HSF) Management Code” by referring to the relevant regulations or the request by the customers’ current specifications. To request the suppliers to sign the “Environmental Protection Declaration”, to issue a material safety data sheet (MSDS) or material certification and test reports notarized by a third-party in order to ensure that the materials, parts, components, packaging materials, and indirect materials used in the production and maintenance process provided by the supplier in conformity with the international standards and specifications.</p> <p>(III) Labor-management relations The recruitment is based on the annual manpower need of each department and the manpower plan is arranged</p> | |

| Evaluation criteria | Actual Governance | | | Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause |
|---------------------|-------------------|----|--|--|
| | Yes | No | Summary | |
| | | | <p>accordingly. The Company searches for outstanding talents that meet the core values of NidecChaun-Choung Technology Corporation through multiple recruitment channels. In addition, more diversified and international talents are recruited continuously, as well as better employee training plans and performance evaluation systems, along with the participation of the management of Nidec Corporation, the parent company, in order to meet future operational needs and strengthen the Company’s competitiveness.</p> <p>(IV) Ethical corporate management and anti-corruption The Audit Office of the Company reports the compliance of the Group’s ethical corporate management lately in the board meeting regularly on a quarterly basis, and assists the Board of Directors and management to assess whether the preventive measures established for implementing ethical corporate management are operated effectively. The Company has setup the “Ethical Corporate Management Best Practice Principles,” “Procedures for Ethical Management and Guidelines for Conduct,” and report mailboxes; also, organized education and training courses and regular propaganda for new recruits and current employees in order to implement the policy objectives of ethical corporate management and anti-corruption.</p> <p>(V) Operational response to changes in the international situation The Company always stays aware of the possible impact of</p> | |

| Evaluation criteria | Actual Governance | | | Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause |
|--|-------------------|----|---|--|
| | Yes | No | Summary | |
| | | | changes in the international situation on the Company’s operations. Although the China-US trade war was temporarily resolved with the preliminary agreement signed in January 2020, however, the second stage of negotiation still exists uncertainty. In addition, the shutdown of factories in China, the risk of material shortage resulting from the outbreak of the COVID-19 pandemic, and the subsequent spread of anti-China sentiment worldwide have had a significant impact on the Company since the main production base is constructed in China. In order to avoid the impact of changes in the international situation on the Company’s operations, the board of directors of the Company has made a resolution to have a major investment in Hanoi of Vietnam and set up a new core production base in order to hedge business operation risks. | |
| II. Has the company setup a full-time (part-time) unit responsible for promoting corporate social responsibility, and authorized the senior management by the board of directors to handle it and report the handling situation to the board of directors? | √ | | The responsible departments of the Company are to handle the corporate social responsibility related matters. Understand the operation and surrounding environment of the Company, as well as the needs and expectations of stakeholders, to plan and implement short-, mid-, and long-term business plans in order to achieve the goal of sustainable operation. The CEO’s Office is responsible for proclaiming the Company’s business philosophy and corporate social responsibility and obligations, but has not yet reported the relevant implementation to the board of directors. | There is no noticeable discrepancy. The relevant implemented situation of CSR will be reported to the board of directors depending on operational needs in the future. |

| Evaluation criteria | Actual Governance | | | Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause |
|---|----------------------------|----|---|--|
| | Yes | No | Summary | |
| <p>III. Environmental issues</p> <p>(I) Has the company established an appropriate environmental management system according to its industrial characteristics?</p> <p>(II) Has the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental?</p> <p>(III) Has the company assessed the potential risks and opportunities of climate change to the company now and in the future, and taken measures to cope with climate-related issues?</p> | <p>√</p> <p>√</p> <p>√</p> | | <p>(I) The Company has obtained ISO14001: 2015 environmental management system certification to effectively prevent and control environmental pollution and to improve resource and energy efficiency in use.</p> <p>(II) The Company under the requirements of ISO14001 environmental management system continues to devote to the design and manufacturing of green products. The purpose is to improve energy efficiency, protect the global environment, and minimize the impact on ecosystem through saving materials, the use of non-toxic, harmless, and easy to decompose materials, the raw materials supplied by the qualified suppliers, the waste-free or waste-less process, the high-efficiency equipment and recycled materials, and the reuse of recyclable waste.</p> <p>(III) Global warming caused by continuous emissions of anthropogenic greenhouse gases is an important factor leading to climate change. Therefore, the Company continues to promote energy-saving and carbon-reduction policies, including the use of energy-saving light fixtures, phasing out old power-consuming equipment, setting air-conditioning temperatures, and turning off lights whenever suitable. Place posters and slogans in elevators to encourage colleagues to use stairs while traveling in short-distance within the facilities to substantiate and advocate energy-saving and</p> | <p>There is no noticeable discrepancy.</p> |

| Evaluation criteria | Actual Governance | | | Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause |
|---|-------------------|----|---|--|
| | Yes | No | Summary | |
| (IV) Has the company counted greenhouse gas emissions, water consumption and total weight of waste of the last two years, and formulated policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction, or other waste management? | √ | | <p>carbon-reduction policies and encourage colleagues to save energy. In terms of the implementation of product production, please refer to aforementioned paragraph (II) for details.</p> <p>(IV) For fulfilling corporate social responsibility, the Company continues to promote energy saving and carbon reduction policies. The greenhouse gas emissions were 3,608.28 metric tons of CO₂e/year and 3,473.06 metric tons of CO₂e/year in the last 2 years (2019 and 2020); the water consumption was 14,485 degrees and 13,584 degrees; also, the recyclable wastes (scraps) were 108,930kgs and 78,429kgs, respectively. The Company has formulated the “Procedures for Energy and Resource Management” and “Regulations Governing Wastes” to appropriately control the Company’s water and electricity consumption, control the use of resources, and reduce waste of resources and check greenhouse gas regularly. Investigate the root cause of any abnormal consumption/emissions with corrective actions implemented accordingly. In addition, recycle resources through proper management of waste in order to reduce environmental pollution. The office computer, information equipment and the peripheral products that are outdated but usable are donated to social welfare organizations in order to reduce ecological loading through recycling. As for general and hazardous recyclable waste, there are also related management specifications in place to avoid harming the environment. In addition, after the management of</p> | |

| Evaluation criteria | Actual Governance | | | Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause |
|--|-------------------|----|--|--|
| | Yes | No | Summary | |
| | | | Nidec Corporation, parent company, joined the Company, the 3Q6S management model has been actively promoted. Through voluntarily proposing improvement proposal, in addition to improving operational efficiency, the relevant electricity and water consumption is reduced through colleagues’ voluntary improvement actions, so to help the Company become a low-carbon enterprise with sustainable environmental development. | |
| IV. Social issues | | | | |
| (I) Has the company developed the relevant policies and procedures in accordance with laws and the relevant law and regulations and International Bill of Human Rights? | √ | | (I) The Company has formulated internal management regulations in compliance with the Labor Standards Act, Employment Service Act, Act of Gender Equality in Employment, and other relevant laws and regulations. At the same time, the Company has formulated the “Corporate Social Responsibility Best of Practice Principles” and “RBA (Responsible Business Alliance) Handbook” to ensure that the Company complies with the relevant law and regulations on labor, health and safety, environment and ethics, to fulfill corporate social responsibilities, and to build up a good corporate image. | There is no noticeable discrepancy |
| (II) Has the company formulated and implemented reasonable employee welfare measures (including remuneration, vacations, and other benefits), and appropriately reflected operating performance or results on employee | √ | | (II) The Company follows the Labor Standards Act and related law and regulations to formulate various remuneration and welfare measures for employees, and clearly states the percentage of net income to be appropriated as employee compensation in the “Articles of Incorporation.” In addition, | |

| Evaluation criteria | Actual Governance | | | Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause |
|---|-------------------|----|---|--|
| | Yes | No | Summary | |
| remuneration? | | | | |
| (III) Has the company provided employees with a safe and healthy work environment, and provided employees with education regularly on safety and health issues? | √ | | define the year-end bonus for employees to be appropriated according to the annual operational performance and profitability of the Company in the “Personnel Management Rules,” which shows that the operating performance (results) has been appropriately reflected on employee remuneration. (III) The Company has formulated the “Safety and Health Best Practice Principles” and “Environmental Safety and Health Annual Monitoring Plan”. Ensure that all employees have a safe and healthy working environment by regulating the standard operating procedure for the relatively high-risk works, as well as regular labor operating environment monitoring, drinking water quality testing, fire equipment inspection, repair and maintenance, etc. In addition, strengthen the awareness and implementation of the occupational safety law and regulations of all employees through the labor safety and health training arranged for new recruits and current employees. Also, the Company regularly conducts health checks for employees on the job. For workers who are engaging in particularly health hazardous operations, special health checks for specific items are carried out in accordance with the law and regulations. The Administration Department also shares health information with colleagues through e-mails occasionally to help maintain the physical and mental health of colleagues. | |
| (IV) Has the company established an effective career | √ | | (IV) The Company has formulated the “Regulations Governing | |

| Evaluation criteria | Actual Governance | | | Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause |
|--|-------------------|----|---|--|
| | Yes | No | Summary | |
| development and training program for employees? | | | Education and Training”. The internal and external on-the-job education and training program for colleagues is carried out annually in accordance with the “Annual Education and Training Plan” to strengthen their professional knowledge and skills and cultivate their career development capabilities. | |
| (V) Has the Company with regard to customer health and safety, customer privacy, marketing and labeling of products and services complied with relevant law and regulations and international standards, and formulated relevant consumer protection policies and appeal procedures? | √ | | (V) The Company has formulated the “Regulations Governing Customer Service” and “Regulations Governing Customer Complaint”. Value the importance of customer opinions. In addition to paying a personal visit, provide a business (product) contact window and e-mail mailbox on the Company website. In addition, there is the stakeholder section to take customers’ questions and to handle their complaints or suggestions. The Company bases on the principle of ethics to handle and respond issues appropriately in order to protect customers’ interest and rights. | |
| (VI) Has the company formulated supplier management policies that required suppliers to comply with relevant specification on environmental protection, occupational safety and health, and labor human rights, and the implementation? | √ | | (VI) The Company has formulated the “Regulations Governing Supplier Evaluation” and “Procedures for Social Responsibility - Supplier Management” to request suppliers to sign the “Supplier Social Responsibility Commitment” and promise to comply with the relevant regulations on labor conditions (including occupational safety and health) and human rights management in order to fulfill corporate social responsibility. In addition, the suppliers are requested to sign the “Supplier Environmental Safety and Health Requirements Notice” and “Environmental Protection Declaration” to | |

| Evaluation criteria | Actual Governance | | | Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause |
|---|-------------------|----|---|--|
| | Yes | No | Summary | |
| | | | jointly commit to the environmental protection goals, including green products, energy conservation and carbon reduction, and providing products that comply with international standards and specifications (such as, RoHS standards, REACH standards, etc.). The Company will have the un-cooperative or violating suppliers disqualified and stop purchasing from them; also, the Company will claim the compensation for damages from such suppliers, if any. In addition, the Company requests suppliers to investigate the supply chain with due diligence and sign the “Conflict-Free Mineral Commitment” to ensure that there is no “conflict mineral” provided to the Company to fulfill corporate social responsibility, environmental protection, and international justice. | |
| V. Has the company had the corporate social responsibility reports and other reports that disclose the company’s non-financial information prepared by referring to the international standards and guidelines for the preparation of a report? Are the aforementioned reports validated and verified by a third-party verification unit? | | √ | The Company has not yet compiled a corporate social responsibility report. Still, the spirit of corporate social responsibility has been properly substantiated in the actual operation of environmental protection, product responsibility, labor-management relations, safety and health, ethical corporate management, ethics, etc. | The Company has not yet prepared a corporate social responsibility report. The Company will assess whether to have it prepared based on operational needs in the future. |
| VI. If the Company has formulated CSR principles in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies,” please describe its current practices and any differences from the Best Practice Principles: | | | | |

| Evaluation criteria | Actual Governance | | | Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause |
|--|-------------------|----|---------|--|
| | Yes | No | Summary | |
| The Company has formulated the “Corporate Social Responsibility Best Practice Principles” to realize the promotion of various corporate social responsibilities. The actual operation situation is not significantly difference from the established Principles. | | | | |
| <p>VII. Other important information that helps understand the operation of corporate social responsibility:</p> <p>(I) The Company was certified for the Responsible Business Alliance (RBA) in August 2020. The Company is committed to comply with labor, health and safety, environmental and ethical regulations, to fulfill corporate social responsibilities, and building up a good corporate image.</p> <p>(II) Social welfare: The Company has occasionally donated the computer, information equipment and the peripheral products that are outdated but usable to social welfare organizations to care for the society with actions. A total of 8 computer screens, 36 laptops, 12 desktop computers and 23 computer peripheral components were donated to the ASUS Foundation in 2020, which helped reduce approximately 0.813 metric tons of CO₂ emissions (equivalent to save 67.672 trees hewed) in that year.</p> <p>(III) Human rights: The Company values the rights and interests of stakeholders, and sets up a stakeholder section on the Company’s website to provide a good and convenient communication platform in order to understand the reasonable expectations and needs of stakeholders. Also, regarding the questions, complaints, or recommendations of the stakeholders, each contact window is responsible for listening and bringing relevant issues back to the responsible departments for further response and handling. The information feedback by and interaction with the stakeholders will be referred for adjusting and improving the operating efficiency of the Company, and it is the foundation for the sustainable development of the Company.</p> | | | | |

(VI) The ethical corporate management operation and its difference from the “Ethical Corporate Management Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause:

| Evaluation Items | Actual Governance | | | Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
|--|-------------------|----|--|---|
| | Yes | No | Summary | |
| I. Establishment of ethical management policy and plan | | | | |
| (I) Has the company formulated the ethical corporate management policy approved by the board of directors, and stated in the regulations and external documents the policies and practices of ethical corporate management, as well as the commitment of the board of directors and senior management to actively implement the management policy? | √ | | (I) The Company had the “Ethical Corporate Management Best Practice Principles” formulated according to the resolutions of the board of directors on July 4, 2011. The amendments of the “Ethical Corporate Management Best Practice Principles” were made on March 25, 2015 and August 10, 2020 according to the resolutions of the board of directors due to the amendments to the law and regulations, which were disclosed on the Market Observation Post System and the Company’s website (www.ccic.com.tw). The board directors and senior management of the Company have performed business operation based on the concept of ethics in order to fulfill the commitment to an ethical corporate management. | There is no noticeable discrepancy |
| (II) Has the company established an evaluation mechanism for the risk of unethical conduct, regularly analyzed and evaluated business activities with a high risk of unethical conduct within the business scope, and accordingly formulated a plan to prevent unethical conduct, and at least covered the “preventive measures for the conducts listed in Article 7, Paragraph 2 of the “Ethical Corporate Management Best Practice Principles for the TWSE/TPEX Listed Companies?” | √ | | (II) The company has formulated the “Procedures for Ethical Management and Guidelines for Conduct” to regularly analyze and evaluate business activities with a high risk of unethical conduct in the business operation in order to formulate unethical conduct prevention plans, including “prohibition of bribing and accepting bribes,” “prohibition of offering or accepting improper benefits,” “prohibition of offering or promising facilitation payment,” “prohibition of offering illegal political contributions,” “prohibition of offering improper charitable donations or sponsorships,” “prohibition of conflicts of interest,” “prohibition of disclosing business secrets or various intellectual property rights,” “prohibition of conducting unfair | |

| Evaluation Items | Actual Governance | | | Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
|--|-------------------|----|---|---|
| | Yes | No | Summary | |
| (III) Has the company clearly defined the operating procedures, guidelines for conduct, disciplinary act and grievance system in the plan to prevent unethical conduct, implemented it, and regularly reviewed and revised the aforementioned plans? | √ | | <p>competition,” “prevention of products or services from jeopardizing the rights, health, and safety of stakeholders,” and “prohibition of insider’s trade” with preventive measures adopted as well as education and propaganda initiated to substantiate the ethical corporate management policy.</p> <p>(III) The Company had the “Procedures for Ethical Management and Guidelines for Conduct” formulated according to the resolutions of the board of directors on December 26, 2014. The amendments of the “Procedures for Ethical Management and Guidelines for Conduct” were made on June 28, 2018 and August 10, 2020 according to the resolutions of the board of directors due to the amendments to the law and regulations, respectively, to specifically stipulate the guidelines for the compliance of the Company’s personnel in performing job responsibilities, including the operating procedures and guidelines for conduct to prevent all unethical acts, the violation disciplinary act and grievance system, etc., and the relevant education and training as well as the regular promotion mechanism on the ethical corporate management policy for new recruits and the current employees in order to substantiate the Company’s ethical corporate management policy.</p> | |
| <p>II. Implementation of ethical corporate management</p> <p>(I) Has the company evaluated the ethics records of the counterparty and specified the terms of ethical conduct in the contract it signed with the counterparty?</p> | √ | | <p>(I) The Company has formulated the “Regulations Governing Supplier Evaluation” and “Procedures for Social Responsibility - Supplier Management” to request the suppliers to sign the “Integrity Commitment Letter” committing to strictly comply with all the regulations imposed on the counterparty by Nidec</p> | There is no noticeable discrepancy |

| Evaluation Items | Actual Governance | | | Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and the root cause |
|---|-------------------|----|--|---|
| | Yes | No | Summary | |
| (II) Has the company setup a special unit under the board of directors to promote ethical corporate management, and regularly (at least once a year) reported to the board on its ethical corporate management policies and plans to prevent unethical conduct and the supervision performed? | √ | | <p>Chaun-Choung Technology Corporation, and not paying or promising to pay any illegitimate benefits to the affiliates of Nidec Chaun-Choung Technology Corporation for finalizing the transaction or fulfilling the transaction contract. In addition, the Company has conducted business with all legally registered and well-known financial institutions and banks, and both parties have their rights, obligations, and trading conditions clearly set in the credit contract; also, all the financial transactions conducted are transparent and appropriate.</p> <p>(II) The Administration Department of the Company is responsible for the promotion of ethical corporate management. Currently, the Audit Office is assisting in reporting the Group’s compliance with ethical corporate management on a quarterly basis to help the board of directors understand the ethical corporate management policy and the implementation of preventing unethical conduct.</p> | |
| (III) Has the company formulated a policy to prevent conflicts of interest, provided appropriate communication channels, and implemented them? | √ | | <p>(III) The Company has formulated the “Ethical Corporate Management Best Practice Principles,” “Procedures for Ethical Management and Guidelines for Conduct,” and “Procedures for Business Ethics Management” to clearly define policies to prevent conflicts of interest and to request colleagues to implement them. The suspected violations, if any, should be reported to the direct supervisor or the Company’s responsible unit or should be disclosed through the “reporting mailbox” of the Company. In addition, the directors at the Company’s board meeting had taken recusal for the proposals that they have a conflict of interest in accordance with the provisions of Article</p> | |

| Evaluation Items | Actual Governance | | | Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
|--|-------------------|----|---|---|
| | Yes | No | Summary | |
| (IV) Has the company established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit had formulated relevant audit plans based on the risk evaluation of the unethical conduct, and checked the compliance with the plan to prevent unethical conduct, or entrusted an accountant to perform the audit? | √ | | 15 of the Company’s “Rules of Procedure for Board of Directors Meetings.” (IV)The Company has established a complete and effective control mechanism in the accounting system and internal control system for the business activities and operating processes that are potentially at high risk of unethical conduct. The internal auditors also includes the high-risk operating procedures as the audit items in the annual audit plan to strengthen the preventive effect, and report the implementation of the audit plan to the board of directors on a quarterly basis. In addition, since the date the Company has become a subsidiary of Nidec Corporation, the Company has cooperated with the rules of the parent company that is listed in Japan and allowed a non-attestation CPA Firm to conduct an internal control system audit on the reliability of the financial information disclosure of the Company in accordance with J-SOX. | |
| (V) Has the company organized internal or external education and training regularly on the ethical corporate management? | √ | | (V)The Company has formulated the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” that are disclosed in the “Investors” section – Organizational Operation Regulations of corporate governance on the Company’s website; also, promoted through internal and external education and training. The directors and supervisors of the Company had participated in the ethical corporate management related training courses organized by the securities peripheral management agencies for a total of 12 hours in 2020. The Administration Office and Audit Office had respectively promoted the | |

| Evaluation Items | Actual Governance | | | Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and the root cause |
|---|-------------------|----|---|---|
| | Yes | No | Summary | |
| | | | <p>“Responsible Business Alliance, Procedures for Ethical Management and Guidelines for Conduct, and Corporate Social Responsibility Policy Commitment” and “Unethical Conduct Reporting Channels” to the staff by internal emails with around 320 persons informed in 2020. The Audit Office has compiled an education and training briefing on the “Introduction to Internal Control System and Procedures for Ethical Management and Guidelines for Conduct” for the new recruits. It is intended to make new recruits aware of the Company’s ethical corporate management policy, with a total of 104 persons educated and trained for about 52 hours in 2020.</p> | |
| <p>III. Whistleblowing System</p> <p>(I) Has the Company provided incentives and means for employees to report misconduct? Has the Company assigned dedicated personnel to investigate the reported misconduct?</p> | √ | | <p>(I) A report and reward system is formulated in Article 21 of the Company’s “Procedures for Ethical Management and Guidelines for Conduct.” If the Group’s personnel suspect or find any unethical conduct, they can report it through the “Report Mailbox” on the Company website or the exclusive mailbox of the Audit Department. The reporting on general employees should be reported to department heads. The reporting on directors or senior executives should be reported to independent directors and supervisors. The responsible unit, Administration Department, of Company’s ethical corporate management and the responsible supervisors or personnel should immediately investigate relevant facts, if necessary, the Compliance or other relevant departments shall provide assistance.</p> | There is no noticeable discrepancy |
| <p>(II) Has the company set the standard operating</p> | √ | | <p>(II) The standard operating procedures for investigating the reported</p> | |

| Evaluation Items | Actual Governance | | | Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
|---|-------------------|----|---|---|
| | Yes | No | Summary | |
| <p>procedures for the investigation of the complaint, the follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism?</p> <p>(III) Has the company provided proper whistleblower protection?</p> | √ | | <p>incident are regulated in Article 21 of the Company’s “Procedures for Ethical Management and Guidelines for Conduct.” The relevant reporting processes, investigation processes, and investigation results should be documented and reserved for five years. If the reported incident is proved to be true, the relevant responsible units should have the internal control systems and operating procedures reviewed with corrective actions proposed to prevent the same incident from reoccurring. The responsible unit of the Company shall present the reported incident, the handling method, and subsequent review and corrective action to the board of directors.</p> <p>(III)The Company shall keep the identity of the informant and the content of the report confidential and promise to protect the informant from improper treatment due to the report.</p> | |
| <p>IV. Enhancing information disclosure</p> <p>Has the company disclosed the content of the Ethical Corporate Management Best Practice Principles and its implementation effect on its website and Market Observation Post System?</p> | √ | | <p>The Company has disclosed the Ethical Corporate Management Best Practice Principles and its implementation on the Company website, Market Observation Post System, and annual report in accordance with the provisions of Article 25 of the “Ethical Corporate Management Best Practice Principles”.</p> | There is no noticeable discrepancy |
| <p>V. If the company has formulated its own “Ethical Corporate Management Best Practice Principles” in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies,” please describe its current practices and any differences from its own “Ethical Corporate Management Best Practice Principles”:</p> <p>The Company has formulated the “Ethical Corporate Management Best Practice Principles” to practice the corporate culture of ethical corporate management, and the actual operating situation is not significantly difference from the formulated “Ethical Corporate Management Best Practice Principles”.</p> | | | | |

| Evaluation Items | Actual Governance | | | Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause |
|--|-------------------|----|---------|---|
| | Yes | No | Summary | |
| <p>VI. Other important information that helps understand the implementation of the company’s ethical corporate management: (such as, the company reviewing and revising its ethical corporate management best practice principles, etc.)</p> <p>(I) The Company was certified for the Responsible Business Alliance (RBA) in August 2020. The Chairman of the Company had signed a statement of social responsibility policies and commitments, including ethical operation, no improper gains, information disclosure, intellectual property rights protection, fair trade, advertisement and competition, protection of whistleblowers’ identities and free from retaliation, privacy protection, etc. in order to fulfill the corporate social responsibilities.</p> <p>(II) The Company has formulated the “Procedures for Handling Material Inside Information and Prevention of Insider Trade” that specifically prohibit Directors, Supervisors, managerial officers, and employees from disclosing material insider information to others, or inquiring/gathering material non-public information that is irrelevant to their duties from other insiders within the Company. The above parties are also prohibited from disclosing to others any material non-public information gained through non-business-related activities.</p> | | | | |

(VII) If the Company has formulated the Corporate Governance and other relevant guidelines, the inquiry method for such principles must be disclosed:

The Company has currently formulated the “Articles of Corporation,” “Rules of Procedures for Shareholders Meeting,” “Rules of Procedure for Board of Directors Meeting,” “Regulations Governing the Performance Evaluation of the Board of Directors and Functional Committee,” “Regulations Governing the Election of Directors and Supervisors,” “Remuneration Committee Charter,” “Procedures for the Acquisition or Disposal of Assets,” “Procedures for the Loaning of Funds,” “Regulations Governing the Making of Endorsements/Guarantees,” “Procedures for Handling Material Inside Information and Prevention of Insider Trade,” “Corporate Governance Best Practice Principles,” “Corporate Social Responsibility Best Practice Principles,” “Ethical Corporate Management Best Practice Principles,” “Procedures for Ethical Management and Guidelines for Conduct,” “Guidelines for the Adoption of Codes of Ethical Conduct for Directors, Supervisors, and Managerial Officers,” and “Rules Governing the Scope of Powers of Independent Directors” that can be found on the Company’s website (www.ccic.com.tw) and Market Observation Post System (MOPS).

(VIII) Other important information that can help understand the implementation of the company’s corporate governance:

1. The Company regularly holds institutional investor conferences; also, all institutional investor conferences related information is published on the Market Observation Post System and Company websites to facilitate investors’ inquiries.

2. The Company's accounting officer had received a total of 30 hours training in 2020 and as of the end of March 2021, respectively. The education includes the following:

| Title | Name | Date of education | Organizer | Course title | Nature and hours of education courses | | | |
|--------------------|--------------|----------------------|--|--|---------------------------------------|---------|----------------------|--|
| | | | | | Auditing | Finance | Corporate Governance | Professional ethics and legal responsibility |
| Accounting Officer | Mei-Hua Chen | 2020/8/10~2020/12/31 | Accounting Research and Development Foundation | The continuing education for the Accounting Officer of the Issuer, Securities Firms, and Stock Exchanges | | | | |
| | | | | | 3 hours | 3 hours | 3 hours | 3 hours |
| | | 2021/1/1~2021/3/31 | Accounting Research and Development Foundation | The continuing education for the Accounting Officer of the Issuer, Securities Firms, and Stock Exchanges | | | | |
| | | | | | 3 hours | 3 hours | 3 hours | 9 hours |

(IX) Internal control system implementation status

1. Declaration of Internal Control System

**Declaration of Internal Control System of
Nidec Chaun-Choung Technology Corporation**

Date: March 24, 2021

The following declaration has been made based on the 2020 self-assessment of the Company's internal control system:

- I. The Company acknowledges and understands that establishment, implementation, and maintenance of the internal control system are the responsibility of the Board and managerial officers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security, etc.), reliable, timely, and transparent financial reporting, and regulatory compliance.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the aforementioned three goals. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether the existing system continues to be effective. Assessment criteria introduced by "The Governing Principles" consists of five main elements, each representing a different stage of internal control: 1. Environment control; 2. Risk evaluation; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for more details.
- IV. The Company has adopted the aforementioned criteria to validate the effectiveness of its internal control system design and implementation.
- V. The Company based on the evaluation results stated in the preceding paragraph believes that the internal control system (including supervising and managing the subsidiaries) on December 31, 2020, including understanding the effectiveness of operations and the degree to which efficiency goals are achieved and reported is reliable, timely, transparent, and complying with relevant standards and law and regulations. The design and implementation of the relevant internal control systems are effective that can reasonably ensure the achievement of the aforementioned goals.
- VI. This declaration constitutes main part of the Company's Annual Report and prospectus, which shall be disclosed to the public. Any illegal misrepresentation or concealment in the aforementioned public statement are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This declaration was resolved and passed unanimously without objection by all seven (7) Directors present at the Board Meeting dated March 24, 2021.

Nidec Chaun-Choung Technology Corporation

Chairman: Junichi Nagai (Signature/Seal)

General Manager: Junichi Nagai (Signature/Seal)

2. If the internal control system was audited as a project reviewing by CPAs, the results of such review must be disclosed: None

(X) Penalties imposed against the company and internal staff by law, or penalties against employees for violating the internal control system in the most recent year and up to the publication date of this annual report, if the penalties may have significant impact on the shareholders' equity or securities price, please describe the content of the penalties, major nonconformity, and corrective action: None.

(XI) Major resolutions passed in Shareholders Meetings and Board of Directors Meetings held in the last year up to the publication date of this annual report:

1. Important resolutions of the board of directors meetings:

| Meeting date | Major Resolutions |
|------------------|--|
| January 14, 2020 | <ol style="list-style-type: none"> 1. Approved the Company is planning to hire two vice presidents additionally. 2. Approved the proposed amendment of "Performance Evaluation Measures for Board of Directors and Functional Committee" (the original name is "Performance Evaluation Measures for Board of Directors".) 3. Approved the proposed amendments to the Company's "Delegation of Authorization". 4. Approved the Company is planning to establish a new subsidiary in Vietnam. 5. Approved the year-end bonus of 2019 for top managements of the Company. |
| March 25, 2020 | <ol style="list-style-type: none"> 1. Approved the proposed plant construction of Nidec Chaun Choung Vietnam Corporation, the subsidiary of the Company. 2. Approved the proposed land lease contract to be signed by FPT Hoa Lac Hi-tech Park Development Company with Nidec Chaun Choung Vietnam Corporation, the Company's subsidiary. 3. Approved the Company's 2019 distribution of compensatin to employees, directors, and supervisors. 4. Approved the Company's 2019 business report, consolidated financial statements and standalone financial statements. 5. Approved the Company's 2019 earnings distribution proposal. 6. Approved the appointment of the Company's 2020 independent auditors. 7. Approved the Company's 2019 internal control system statement. 8. Approved the Company's 2020 regular shareholders meeting related matters. 9. Approved the proposed amendments to the Company's "Rules of Procedure for Board of Directors Meeting." 10. Approved the proposed amendments to the Company's "Articles of Incorporation." 11. Approved the proposed amendments to the Company's "Procedures for the Acquisition or Disposal of Assets." 12. Approved the proposed amendments to the Company's "Cycle for Finance" and "Regulations Governing Budget Management". 13. Approved the proposed amendments to the Company's "the procedure for preparation of financial statements". 14. Approved the proposed amendments to the Company's "Accounting System." 15. Approved the Company's organizational structure adjustment and amendments to the "Regulations Governing Organization Rights and |

| Meeting date | Major Resolutions |
|--------------------|--|
| | Responsibilities and Internal Communication Management”. 16. Approved the promotion and salary adjustment of the Company’s senior executives. |
| March 30, 2020 | 1. Approved the correction of the Company’s 2019 earnings distribution proposal. |
| May 11, 2020 | 1. Approved the Company’s Business plan and budget. 2. Approved the proposed amendments to the Company’s internal control system, “Cycle for Purchase and Payment”. 3. Approved the proposed amendments to the Company’s “Articles of Incorporation.” 4. Approved the proposed disposition of the Company’s real estate and parking spaces. |
| June 22, 2020 | 1. Approved the Company’s scheduling the 2020 cash dividend distribution and ex-dividend date related matters. 2. Approved the proposed amendments to the Company’s internal control system, “Cycle for Electronic Computer (IT and MIS)”. 3. Approved the proposed amendments to the Company’s internal control system, “Cycle for Sale and Receipt”. 4. Approved the proposed amendments to the Company’s internal control system, “Cycle for Production”. 5. Approved the proposed amendments to the Company’s internal control system, “Cycle for Research and Development (R&D)”. 6. Approved the Company is planning to apply for a loan amount from the financial institutions. 7. Approved the Company is planning to apply for a loan from the Group Enterprise. 8. Approved the Company is planning to apply for a loan amount from the 100% owned subsidiary, Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. 9. Approved the Company’s allocation of 2019 employees, directors and supervisors’ compensation. 10. Approved the Company is planning to hire one vice president additionally. 11. Approved the reinstatement of the Company’s senior executive. 12. Approved the change of General Manager (who is also the Chief Operating Officer) of the Company and the General Manager of the subsidiary, Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. 13. Approved the Company is planning to have the “managerial officers” removed from the Company’s registration change form. |
| August 10, 2020 | 1. Approved the proposed amendments to the Company’s “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct.” 2. Approved the proposed amendments to the Company’s internal control system, “Cycle for Purchase and Payment”. 3. Approved the capital increase for Company’s Vietnamese subsidiary Nidec Chaun Choung Vietnam Corporation 4. Approved the change of financial and accounting officer of the Company. 5. Approved the salary adjustment of the Company’s senior executives (assistant vice president (including)). |
| October 21, | 1. Approved the proposed change of the Company’s Chinese and |

| Meeting date | Major Resolutions |
|------------------|--|
| 2020 | <p>English names and the amendments to the Articles of Incorporation.</p> <p>2. Approved the Company is planning to convene the first extraordinary shareholders meeting of 2020.</p> |
| November 9, 2020 | <p>1. Approved the change of the Company’s senior executive.</p> <p>2. Approved the Company is planning to hire two senior executives additionally.</p> <p>3. Approved the Company’s “2021 Internal Audit Plan.”</p> <p>4. Approved the Company’s organizational structure adjustment and amendment of “Regulations Governing Organization Rights and Responsibilities and Internal Communication Management”.</p> |
| December 4, 2020 | <p>1. Approved the Company is planning to loan of funds to the subsidiary, Nidec Chaun Choung Vietnam Corporation.</p> |
| January 20, 2021 | <p>1. Ratified the appointment of the Company’s senior executives.</p> <p>2. Approved the Company’s record date of securities certificates exchange due to name change and the related matters.</p> <p>3. Approved the Company’s proposed change of the abbreviation of Company’s name.</p> <p>4. Approved the Company’s 2020 year-end bonus to senior executives.</p> |
| March 24, 2021 | <p>1. Ratified the appointment of the Company’s senior executive.</p> <p>2. Approved the Company’s 2020 distribution of compensatin to employees, directors, and supervisors.</p> <p>3. Approved the Company’s 2020 business report, consolidated financial statements and standalone financial statements.</p> <p>4. Approved the Company’s business plan and budget.</p> <p>5. Approved the Company’s 2020 earnings distribution proposal.</p> <p>6. Approved the appointment of the Company’s 2021 independent auditors.</p> <p>7. Approved the Company’s 2020 internal control system statement.</p> <p>8. Approved the Company’s 2021 regular shareholders meeting related matters.</p> <p>9. Approved the proposed amendments to the Company’s “Articles of Incorporation”.</p> <p>10. Approved the proposed amendments to the Company’s “Delegation of Authorization”.</p> <p>11. Approved the proposed amendments to the Company’s “Cycle for Finance” and “Regulations Governing Budget Management”.</p> <p>12. Approved the Company is planning to adjust part of organizational structure and amend the “Regulations Governing Organization Rights and Responsibilities and Internal Communication Management”.</p> <p>13. Approved the Company is planning to loan of funds to the subsidiary, Nidec Chaun Choung Vietnam Corporation.</p> <p>14. Approved the Company is planning to by-elect one supervisor.</p> <p>15. Approved the change of the Company’s Chief Technology Officer (CTO) and Chief Finance Officer (CFO).</p> <p>16. Approved the change in the appointment of the Company’s personnel.</p> |
| April 29, 2021 | <p>1. Approved the proposed supervisor candidate list of the Company.</p> <p>2. Approved the salary adjustment of the Company’s managerial officers (personnel defined by the Financial Supervisory Commission).</p> |

2. Important resolutions of the Shareholders Meeting and implementation:

| Meeting date | Major Resolutions | Implementation |
|---------------|---|---|
| June 22, 2020 | <ol style="list-style-type: none"> 1. Ratified the 2019 business report and financial statements. 2. Ratified the 2019 earnings distribution proposal. 3. Approved the amendments to the Company's "Articles of Incorporation". 4. Approved the amendments to the Company's "Procedures for the Acquisition or Disposal of Assets". | <ol style="list-style-type: none"> 1. –. 2. The Company's board of directors had scheduled the ex-dividend date on August 5, 2020; also, the cash dividend payment date on August 20, 2020. The cash dividend of NT\$4.87 per share was distributed in full. 3. The Company had applied for Articles of Incorporation change registration after the shareholders meeting and was approved by the Ministry of Economic Affairs on July 22, 2020. The amended "Articles of Incorporation" has been uploaded to the Company's website for colleagues' reference in performing related operations accordingly. 4. The Company has uploaded the amended "Procedures for the Acquisition or Disposal of Assets" to the Market Observation Post System and the Company's website after the shareholders meeting; also, the related operations have been implemented in accordance with the amended procedures. |

(XII) In the most recent year and up to the publication date of the annual report, directors or supervisors have different opinions on the important resolutions passed by the board of directors, which have also being recorded or written: None

(XIII) Summary of the resignation and dismissal of the company's Chairman, President, Accounting Officer, Finance Officer, internal audit officer, corporate governance officer, and R&D officer in the most recent year and up to the publication date of the annual report:

| Title | Name | Date Onboard | Date Departed | Reasons for resignation or dismissal |
|---|---------------|--------------|---------------|---|
| General Manager and Chief Operating Officer | Ta-Chi Kuo | 2017.5.5 | 2020.7.1 | Resigned from the position of General Manager and Chief Operating Officer of the Company due to the considerations of personal career plan and professional specialization. |
| Accounting and Finance Officer | Ling-Chuan Yi | 2007.3.1 | 2020.8.10 | Retired |

V. Disclosure of CPA's fees:

(I) CPAs fees bracket

| Name of CPA Firm | Name of CPAs | | Audit period | Remarks |
|------------------|--------------|-------------|--------------|---------|
| KPMG | Hsin-Yi Kuo | Hui-Chih Ko | 2020 | |

Unit: NTD thousand dollars

| Amount range | | Fee Category | Audit Fee | Non-audit Fee | Total |
|--------------|--|--------------|-----------|---------------|-------|
| 1 | Below NT\$2,000 thousand dollars | | - | - | - |
| 2 | NT\$2,000 thousand dollars (inclusive) - NT\$4,000 thousand dollars | | 3,810 | 2,220 | 6,030 |
| 3 | NT\$ 4,000 thousand dollars (inclusive) - NT\$ 6,000 thousand dollars | | - | - | - |
| 4 | NT\$ 6,000 thousand dollars (inclusive) - NT\$ 8,000 thousand dollars | | - | - | - |
| 5 | NT\$ 8,000 thousand dollars (inclusive) - NT\$ 10,000 thousand dollars | | - | - | - |
| 6 | NT\$ 10,000 thousand dollars (inclusive) and above | | - | - | - |

(II) If the non-audit fees paid to the attestation CPAs, the CPA Firm to which the attestation CPAs belongs, and its affiliated companies are more than one-fourth of the audit fees, the amount of audit and non-audit fees and the content of non-audit services should be disclosed:

| CPA Firm | Name of CPAs | Audit Fees | Non-audit fees | | | | | Auditing period | Remarks |
|-------------|--------------|------------|----------------|-----------------------|-----------------|--------|----------|---------------------|--|
| | | | System design | Business Registration | Human resources | Others | Subtotal | | |
| KPMG Taiwan | Hsin-Yi Kuo | 3,810 | - | - | - | 2,220 | 2,220 | 2020.1.1~2020.12.31 | Non-audit fees include J-SOX audit for NT\$2 million and transfer pricing audit for NT\$220,000. |
| | Hui-Chih Ko | | | | | | | 2020.1.1~2020.12.31 | |

(III) If there is a change of Accounting Firm and the audit fee paid in the changing year is less than what was paid the year before, it is necessary to disclose the audit fee paid before and after the change of Accounting Firm and the root cause: None.

(IV) If the audit fee is decreased by more than 10% compared with the audit fee paid in previous year, the amount, proportion, and reason for the reduction of audit fee shall be disclosed: None.

VI. Change of CPAs

(I) About the former CPAs

| | | | |
|--|--|----------------|------------------------------------|
| Date of replacement | It was resolved in the Board meeting on March 8, 2019 | | |
| Reason for replacement and description | It was due to the internal job adjustment of the CPA Firm. | | |
| Was the termination of audit service initiated by the Principal or by the CPAs? | Parties | | |
| | Situation | CPAs | Principal |
| | Commission was terminated voluntarily. | Not Applicable | Not Applicable |
| | Commission was rejected (not continued) | Not Applicable | Not Applicable |
| Reasons for issuing opinions other than unqualified opinions in the audit reports in the last two years | None | | |
| Disagreements with the issuer or not | Yes | | Accounting principles or practices |
| | | | Disclosure of Financial Statements |
| | | | Scope or steps of audit |
| | | | Others |
| | None | √ | |
| | Description | | |
| Other disclosures (Disclosures deemed necessary under Item 1-4 to Item 1-7, Sub-paragraph 6, Article 10 of the Guidelines) | None | | |

(II) Information relating to the succeeding CPAs

| | |
|---|---|
| Name of Accounting Firm | KPMG |
| Name of CPAs | Hsin-Yi Kuo and Hui-Chih Ko |
| Date of appointment | The said appointment was resolved by the board of directors on March 8, 2019. |
| Inquiries and replies relating to the accounting practices or accounting principles of certain transactions, or any audit opinions the auditors were likely to issue on the Financial Statements prior to appointment | None |
| Written disagreements from the succeeding CPA against the opinions of the former CPA | None |

(III) Former auditor's replies relating to Item 1 and Item 2-3, Sub-paragraph 6, Paragraph 1, Article 10 of the "Regulations Governing Information to be Published in Annual Reports: None.

VII. The Company's Chairman, General Manager, or any managerial officers involved in financial or accounting affairs being employed by the attestation accounting firm or any of its affiliated companies in the last year: None

VIII. In the most recent year and up to the publication date of the annual report, the transfer of equity and changes in pledged equity of directors, supervisors, managerial officers, and shareholders holding more than 10% of the issued shares:

(I) Changes in the equity of directors, supervisors, managerial officers, and major shareholders:

| Title | Name | 2020 | | 2021 As of April 30 | |
|--|--|--|--|--|--|
| | | Shareholding Share increase (decrease) | Mortgaged shares Share increase (decrease) | Shareholding Share increase (decrease) | Mortgaged shares Share increase (decrease) |
| Corporate Director & Major Shareholder | Nidec Corporation | 14,803,022 | 0 | 9,603,410 | 0 |
| Representative of Corporate Chairman (Chairman & CEO) | Junichi Nagai | 0 | 0 | 0 | 0 |
| Corporate Director | Yo Chang Investment Co., Ltd. (Note 1) | 0 | 0 | (2,945,000) | 0 |
| Representative of Corporate Director (CAO) | Shih-Ling Wu (Note 1) | 0 | 0 | (1,353,410) | 0 |
| Representative of Corporate Director (General Manager & COO) | Ta-Chi Kuo (Note 2) | 0 | 0 | – | – |
| Representative of Corporate Director (Senior Vice President of Product Development & Promotion Division) | Chien-Hung Wu (Note 1) | 0 | 0 | (100,000) | 0 |
| Representative of Corporate Director (CTO) | Masashi Takao (Note 3) | 0 | 0 | 0 | 0 |
| Representative of Corporate Director (CFO) | Kazuhito Kaise (Note 4) | 0 | 0 | 0 | 0 |
| Representative of Corporate Director | Eiji Miyamoto (Note 3) | – | – | 0 | 0 |
| Representative of Corporate Director (CFO) | Yasuhiro Mase (Note 4) | – | – | 0 | 0 |
| Representative of Corporate Director | Mitsuru Tsuyoshi | 0 | 0 | 0 | 0 |
| Representative of Corporate Director | Hidetoshi Matsuhashi | 0 | 0 | 0 | 0 |
| Independent Director | Ke-Wei Hsu | 0 | 0 | 0 | 0 |
| Independent Director | Ya-Ping Chiang | 0 | 0 | 0 | 0 |
| Corporate supervisor | Yi Cen Investment Co., Ltd. (Note 5) | 0 | (400,000) | (2,105,000) | 0 |
| Representative of Corporate Supervisor | Chun-Yu Yen (Note 5) | 0 | 0 | 0 | 0 |
| Supervisor | Isao Takahashi | 0 | 0 | 0 | 0 |
| Vice President | Meng-Cheng Huang | 0 | 0 | 0 | 0 |
| Vice President | Chih-Ren Lin | 0 | 0 | 0 | 0 |

| Title | Name | 2020 | | 2021 As of April 30 | |
|--|----------------------------|--|--|--|--|
| | | Shareholding Share increase (decrease) | Mortgaged shares Share increase (decrease) | Shareholding Share increase (decrease) | Mortgaged shares Share increase (decrease) |
| R&D Center – Vice President | Cheng-Tu Wang | 0 | 0 | 0 | 0 |
| Vice President | Chi-feng Hsieh (Note 6) | 0 | 0 | – | – |
| Quality Assurance Department – Vice President | Yu-min Fan | 0 | 0 | 0 | 0 |
| Material Department – Vice President | Tung-Chieh Pan | 0 | 0 | 0 | 0 |
| Manufacturing and Production Engineering –Vice President | Li-Min Yang | 0 | 0 | 0 | 0 |
| CEO’s Office – Assistant Vice President | Yi-Chang Wu | 0 | 0 | (380,000) | 0 |
| PM1 – Assistant Vice President | Hung-Lin Cheng | 0 | 0 | 0 | 0 |
| PM2 – Assistant Vice President | Ya-Chin Chih | 0 | 0 | 0 | 0 |
| PM3 – Assistant Vice President | Zhi-ye Shen | 0 | 0 | 0 | 0 |
| PM4 – Assistant Vice President | Chih-Wei Hsu | 0 | 0 | 0 | 0 |
| Material Department – Assistant Vice President | Kenji Matsui | – | – | 0 | 0 |
| Product Development & Promotion Division – Assistant Vice President | Ruo-Ying Wang | – | – | 0 | 0 |
| R&D Center – Assistant Vice President | Shao-Qian Lu | – | – | 0 | 0 |
| Finance Department – Manager (Finance and Accounting Officer) | Mei-Hua Chen | 0 | 0 | 0 | 0 |

Note 1: The corporate director, Yo Chang Investment Co., Ltd., had transferred more than 1/2 shareholding held at the time of election during the term of office (January 4, 2021), therefore, it was dismissed ipso facto on January 4, 2021. Also, the appointed representatives, Ms. Shih-Ling Wu and Mr. Chien-Hung Wu, were dismissed ipso facto.

Note 2: The representative of the corporate director, Yo Chang Investment Co., Ltd., was changed from Mr. Ta-Chi Kuo to Mr. Chien-Hung Wu on July 1, 2020. Mr. Ta-Chi Kuo also resigned from the position of General Manager and Chief Operating Officer of the Company on July 1, 2020.

Note 3: Mr. Masashi Takao, the representative of the corporate director, appointed by Nidec Corporation, was replaced by Mr. Eiji Miyamoto on April 1, 2021. In addition, Mr. Masashi Takao had retired from the position of Chief Technical Officer of the Company on April 1, 2021.

Note 4: Mr. Kazuhito Kaise, the representative of the corporate director, appointed by Nidec Corporation, was replaced by Mr. Yasuhiro Mase on April 1, 2021. In addition, Mr. Kazuhito Kaise resigned from the position of Chief Finance Officer of the Company on April 1, 2021; also, Mr. Yasuhiro Mase is his successor.

Note 5: The corporate supervisor, Yi Cen Investment Co., Ltd., had transferred more than 1/2 shareholding held at the time of election during the term of office (January 4, 2021), therefore, it was dismissed ipso facto on January 4, 2021. Also, the appointed representative, Mr. Chun-Yu Yen, was dismissed ipso facto.

Note 6: Mr. Chi-feng Hsieh resigned from the position of Vice President of the Company on September 9, 2020, and then acts as the Chief Operating Officer of the subsidiary, Nidec Chaun Choung Vietnam Corporation.

(II) The counterparty of the share transfer is a related party:

| Name | Reasons for share transfer | Transaction Date | Transaction Counterparty | Relationship of the trade counterparties with the Company, directors, supervisors, managerial officers, and shareholders holding more than 10% issued shares | Number of shares (shares) | Trading price (NTD) |
|-------------------------------|----------------------------|------------------|--------------------------|--|---------------------------|---------------------|
| Yo Chang Investment Co., Ltd. | Disposal | January 4, 2021 | Nidec Corporation | Nidec Corporation is the parent company, director, and major shareholder holding more than 10% issued shares of the Company. | 2,945,000 | 212.5 |
| Yi Cen Investment Co., Ltd. | Disposal | January 4, 2021 | Nidec Corporation | | 2,105,000 | 212.5 |
| Shih-Ling Wu | Disposal | January 4, 2021 | Nidec Corporation | | 1,353,410 | 212.5 |
| Chien-Hung Wu | Disposal | January 4, 2021 | Nidec Corporation | | 100,000 | 212.5 |
| Yi-Chang Wu | Disposal | January 4, 2021 | Nidec Corporation | | 380,000 | 212.5 |

(III) The counterparty of the pledged shares is a related party: None.

IX. Information on the top ten shareholders in shareholding ratio and are related parties or with a relationship of being a spouse or a relative within the 2nd degree of kinship:

April 24, 2021(book closed date)

| Name | Principal's shareholding | | Shares Held by Spouse and Underage Children | | Shares held in the names of others | | For the top ten shareholders in shareholding ratio who are related parties or with a relationship of being a spouse or a relative within the 2nd degree of kinship, please state the title or name and relationship. | | Remarks |
|--|--------------------------|-------------------------|---|-------------------------|------------------------------------|-------------------------|--|--------------|---------|
| | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | Shares Held | Shareholding Percentage | Title (or name) | Relationship | |
| Nidec Corporation | 41,444,831 | 48.00% | 0 | 0.00% | 0 | 0.00% | None | None | |
| Nidec Corporation Representative: Shigenobu Nagamori | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | None | None | |
| CTBC Bank is entrusted with the custody of the investment account of Nidec Corporation | 28,686,151 (Note) | 33.22% | 0 | 0.00% | 0 | 0.00% | None | None | |
| TransGlobe Life Insurance Inc. | 1,150,000 | 1.33% | 0 | 0.00% | 0 | 0.00% | None | None | |
| TransGlobe Life Insurance Inc. Representative: Teng-de Peng | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | None | None | |
| JPMorgan Chase Bank Taipei Branch is entrusted with the PGIA International Stock Index Fund Investment Account of Progressive Global Investment Advisor Taiwan Limited | 491,645 | 0.57% | 0 | 0.00% | 0 | 0.00% | None | None | |
| JPMorgan Chase Bank Taipei Branch is entrusted with the Vanguard Emerging Market Stock Index Fund Investment Account managed by Vanguard Group Company | 480,000 | 0.56% | 0 | 0.00% | 0 | 0.00% | None | None | |
| Citibank Taiwan is entrusted with Norges Bank - investment account | 333,000 | 0.39% | 0 | 0.00% | 0 | 0.00% | None | None | |
| Citibank Taiwan is entrusted with Yuanta Securities (Hong Kong) Co., Ltd. - customer's investment account | 200,000 | 0.23% | 0 | 0.00% | 0 | 0.00% | None | None | |
| UPAMC Quality Growth Account | 171,000 | 0.20% | 0 | 0.00% | 0 | 0.00% | None | None | |
| Chung Chen | 163,000 | 0.19% | 0 | 0.00% | 0 | 0.00% | None | None | |
| Min-Che Wu | 150,000 | 0.17% | 0 | 0.00% | 0 | 0.00% | None | None | |

Note: Nidec Corporation held the Company's shares through two accounts: "Nidec Corporation" account with 41,444,831 shares (i.e. the public acquisition account) and "CTBC Bank entrusted with Nidec Corporation investment account" with 29,449,151 shares of the Company as of April 30, 2021. Therefore, Nidec Corporation held 70,893,982 shares of the Company as of April 30, 2021. Please refer to the "Information of Directors and Supervisors" section in Chapter III for details.

- X. Investments jointly held by the Company, the Company's directors, supervisors, managerial officers, and enterprises directly or indirectly controlled by the Company, with shareholding disclosed in aggregate of the said parties

Unit: Thousand shares; as of April 30, 2021

| Invested businesses | Investment of the Company | | Directors, supervisors, managerial officers, and investments that are directly or indirectly controlled | | Aggregate investment | |
|---|---------------------------|--------------------|---|--------------------|----------------------|--------------------|
| | Shares Held | Shareholding ratio | Shares Held | Shareholding ratio | Shares Held | Shareholding ratio |
| Conquer Wisdom Co., Ltd. | 18,093 | 100% | 0 | 0 | 18,093 | 100% |
| Nidec Chaun-Choung Technology America, Inc. | 0 | 0 | 300 | 100% | 300 | 100% |
| Globe Star Enterprise Ltd. | 0 | 0 | 140,408 | 100% | 140,408 | 100% |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | 0 | 0 | Note | 100% | Note | 100% |
| Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. | 0 | 0 | Note | 100% | Note | 100% |
| Nidec Chiuan-Vector Industrial (Dongguan) Co., Ltd. | 0 | 0 | Note | 100% | Note | 100% |
| Nidec Chaun Choung Vietnam Corporation | Note | 100% | 0 | 0 | Note | 100% |

Note: It is a limited company and has not issued shares.

Four. Fundraising Overview

I. Capital and Shares

(I) Source of capital

Unit: Shares; New Taiwan Dollars April 30, 2021

| Year | Month | Issuing price (NT\$) | Authorized capital | | Paid-in capital | | Remarks | | |
|------|-------|----------------------|---------------------------|---------------|---------------------------|---------------|---|------------------------------------|---|
| | | | Number of shares (shares) | Amount (NT\$) | Number of shares (shares) | Amount (NT\$) | Source of Capital (NT\$) | Paid in properties other than cash | Others (Approval Reference Number) |
| 1999 | 11 | 10 | 28,000,000 | 280,000,000 | 17,857,143 | 178,571,430 | Capitalization of Earnings for NT\$38,571,430 | None | November 18, 1999 Economic Ministry(88) business 141547 |
| 2000 | 10 | 10 | 35,000,000 | 350,000,000 | 30,214,286 | 302,142,860 | Cash capital increase for NT\$70,000,000 Capitalization of Earnings for NT\$53,571,430 | None | (89)Taiwan Finance Certificate (I) No.54747 Dated on June 30, 2000 |
| 2002 | 08 | 10 | 43,000,000 | 430,000,000 | 37,040,000 | 370,400,000 | Capitalization of Earnings for NT\$68,257,140 (Includes Employee bonus for NT\$10,850,000) | None | Taiwan Finance Certificate (I) No. 0910141303 Dated on July 24, 2002 |
| 2003 | 09 | 10 | 55,800,000 | 558,000,000 | 41,618,687 | 416,186,870 | Capitalization of Earnings for NT\$45,786,870 (Includes Employee bonus for NT\$ 5,413,270) | None | Economic Ministry authorized R.O.C. No. 09232679810 Dated on September 17, 2003 |
| 2004 | 01 | 10 | 55,800,000 | 558,000,000 | 42,399,037 | 423,990,370 | Conversion from Convertible Bonds into common shares for NT\$7,803,500 | None | Economic Ministry authorized R.O.C. No. 09331573310 Dated on January 19, 2004 |
| 2004 | 04 | 10 | 55,800,000 | 558,000,000 | 43,420,197 | 434,201,970 | Conversion from Convertible Bonds into common shares for NT\$10,211,600 | None | Economic Ministry authorized R.O.C. No. 09332037290 Dated on April 27, 2004 |
| 2004 | 08 | 10 | 55,800,000 | 558,000,000 | 43,498,230 | 434,982,300 | Conversion from Convertible Bonds into common shares for NT\$780,330 | None | Economic Ministry authorized R.O.C. No. 09332517160 Dated on August 2, 2004 |
| 2004 | 11 | 10 | 55,800,000 | 558,000,000 | 51,881,054 | 518,810,540 | Capitalization of Earnings for NT\$77,014,090 (Includes Employee bonus for NT\$7,897,180) Conversion from Convertible Bonds into common shares for NT\$ 6,814,150 | None | Economic Ministry authorized Business No. 09301200260 Dated on November 4, 2004 |
| 2005 | 02 | 10 | 55,800,000 | 558,000,000 | 53,863,713 | 538,637,130 | Conversion from Convertible Bonds into common shares for NT\$19,826,590 | None | Economic Ministry authorized Business No. 09401019010 Dated on February 1, 2005 |
| 2005 | 05 | 10 | 55,800,000 | 558,000,000 | 54,089,550 | 540,895,500 | Conversion from Convertible Bonds into common shares for NT\$ 2,258,370 | None | Economic Ministry authorized Business No. 09401079240 Dated on May 5, 2005 |

| Year | Month | Issuing price (NT\$) | Authorized capital | | Paid-in capital | | Remarks | | |
|------|-------|----------------------|---------------------------|---------------|---------------------------|---------------|--|------------------------------------|--|
| | | | Number of shares (shares) | Amount (NT\$) | Number of shares (shares) | Amount (NT\$) | Source of Capital (NT\$) | Paid in properties other than cash | Others (Approval Reference Number) |
| 2005 | 06 | 10 | 78,000,000 | 780,000,000 | 60,089,550 | 600,895,500 | Cash capital increase for NT\$60,000,000 | None | Economic Ministry authorized Business No. 09401102220 Dated on June 9, 2005 |
| 2005 | 07 | 10 | 78,000,000 | 780,000,000 | 60,126,314 | 601,263,140 | Conversion from Convertible Bonds into common shares for NT\$ 367,640 | None | Economic Ministry authorized Business No. 09401138500 Dated on July 22, 2005 |
| 2005 | 10 | 10 | 78,000,000 | 780,000,000 | 70,706,641 | 707,066,410 | Capitalization of Earnings for NT\$105,299,200 Conversion from Convertible Bonds into common shares for NT\$504,070 | None | Economic Ministry authorized Business No. 09401209040 Dated on October 19, 2005 |
| 2006 | 09 | 10 | 120,000,000 | 1,200,000,000 | 78,493,996 | 784,939,960 | Capitalization of Earnings for NT\$77,873,550 (Includes Employee bonus for NT\$7,166,900) | None | Economic Ministry authorized Business No. 09501205590 Dated on September 13, 2006 |
| 2008 | 09 | 10 | 120,000,000 | 1,200,000,000 | 86,343,396 | 863,433,960 | Capitalization of Earnings for NT\$78,494,000 | None | Economic Ministry authorized Business No. 09701243310 Dated on September 23, 2008 |

April 30, 2021 Unit: shares

| Shares Type | Authorized capital | | | Remarks |
|--------------------------------|--------------------|-----------------|-------------|----------------------------|
| | Outstanding shares | Unissued shares | Total | |
| Registered common stock shares | 86,343,396 | 33,656,604 | 120,000,000 | Shares of Listed Companies |

Note: 500,000 shares out of the authorized 120,000,000 shares have been reserved for the issuance of stock options, preferred stock share subscription warrants, or corporate bond subscription warrants in order to exercise the warrants.

Where offering of securities was approved to proceed using the aggregate reporting system, disclose the amount approved and information relating to the proposed issuance and issued securities: Not applicable.

(II) Shareholder structure

April 24, 2021 (Book closed date) Unit: shares

| Volume \ Shareholder Structure | Government institutions | Financial institutions | Other corporate entities | Natural persons | Foreign institutions and foreigners | Total |
|--------------------------------|-------------------------|------------------------|--------------------------|-----------------|-------------------------------------|------------|
| Head Count | 0 | 3 | 112 | 6,961 | 72 | 7,148 |
| Shareholding | 0 | 1,300,000 | 746,668 | 11,091,897 | 73,204,831 | 86,343,396 |
| Shareholding ratio (%) | 0.00% | 1.51% | 0.86% | 12.85% | 84.78% | 100.00% |

(III) Ownership distribution of equity

1. Ownership distribution of common stock:

April 24, 2021 (book closed date)

| Shareholding Range (shares) | | Shareholder Count (persons) | Shareholding (shares) | Shareholding ratio (%) |
|-----------------------------|-------------|-----------------------------|-----------------------|------------------------|
| 1 | ~ 999 | 3,447 | 190,188 | 0.22 |
| 1,000 | ~ 5,000 | 3,264 | 5,640,732 | 6.53 |
| 5,001 | ~ 10,000 | 243 | 1,860,191 | 2.15 |
| 10,001 | ~ 15,000 | 71 | 922,328 | 1.07 |
| 15,001 | ~ 20,000 | 31 | 578,889 | 0.67 |
| 20,001 | ~ 30,000 | 33 | 843,892 | 0.98 |
| 30,001 | ~ 50,000 | 24 | 901,852 | 1.04 |
| 50,001 | ~ 100,000 | 19 | 1,383,697 | 1.60 |
| 100,001 | ~ 200,000 | 10 | 1,436,000 | 1.66 |
| 200,001 | ~ 400,000 | 1 | 333,000 | 0.39 |
| 400,001 | ~ 600,000 | 2 | 971,645 | 1.13 |
| 600,001 | ~ 800,000 | 0 | 0 | 0.00 |
| 800,001 | ~ 1,000,000 | 0 | 0 | 0.00 |
| Above 1,000,001 | | 3 | 71,280,982 | 82.56 |
| Total | | 7,148 | 86,343,396 | 100.00 |

2. Ownership distribution of preferred stock: Not Applicable.

(IV) Major shareholders list: Name of the shareholders with more than 5% ownership or who are on the top 10 list

April 24, 2021 (book closed date)

| Name of major shareholders | Shares | Shareholding (shares) | Shareholding Percentage (%) |
|--|--------|-----------------------|-----------------------------|
| Nidec Corporation | | 41,444,831 | 48.00% |
| CTBC Bank is entrusted with the custody of the investment account of Nidec Corporation | | 28,686,151 (Note) | 33.22% |
| TransGlobe Life Insurance Inc. | | 1,150,000 | 1.33% |
| JPMorgan Chase Bank Taipei Branch is entrusted with the PGIA International Stock Index Fund Investment Account of Progressive Global Investment Advisor Taiwan Limited | | 491,645 | 0.57% |
| JPMorgan Chase Bank Taipei Branch is entrusted with the Vanguard Emerging Market Stock Index Fund Investment Account managed by Vanguard Group Company | | 480,000 | 0.56% |
| Citibank Taiwan is entrusted with Norges Bank - investment account | | 333,000 | 0.39% |
| Citibank Taiwan is entrusted with Yuanta Securities (Hong Kong) Co., Ltd. – customer’s investment account | | 200,000 | 0.23% |
| UPAMC Quality Growth Account | | 171,000 | 0.20% |
| Chung Chen | | 163,000 | 0.19% |
| Min-Che Wu | | 150,000 | 0.17% |

Note: Nidec Corporation held the Company’s shares through two accounts: “Nidec Corporation” account with 41,444,831 shares (i.e. the public acquisition account) and “CTBC Bank entrusted with Nidec Corporation investment account” with 29,449,151 shares of the Company as of April 30, 2021. Therefore, Nidec Corporation held 70,893,982 shares of the Company as of April 30, 2021. Please refer to the “Information of Directors and Supervisors” section in Chapter III for details.

(V) Information relating to Market Price, Net Worth, Earnings, and Dividends per share for the last two years

Unit: thousand shares/NTD

| Item | Year | | | | |
|---------------------------------|-------------------------------------|----------|--|-----------------|---|
| | 2019 | 2020 | Year-to-date as of April 30, 2021 (Note 7) | | |
| Market Price per share (Note 1) | High | 300.00 | 294.50 | 235.00 | |
| | Low | 120.00 | 158.00 | 207.50 | |
| | Average | 191.08 | 242.96 | 218.11 | |
| Net worth per share (Note 2) | Before distribution | 47.01 | 51.11 | 52.85 | |
| | After distribution | 42.14 | (Note 3) | – | |
| Earnings per share (Note 2) | Weighted average outstanding shares | 86,343 | 86,343 | 86,343 | |
| | EPS | 8.12 | 9.06 | 1.92 | |
| Dividends per share | Cash dividends (Note 3) | | 4.87 | 1.36 (Note 3) | – |
| | Stock dividends | (Note 3) | 0 | 0 (Note 3) | – |
| | | (Note 3) | 0 | 0 (Note 3) | – |
| | Cumulative unpaid dividends | | 0 | 0 (Note 3) | – |
| Return on investment analysis | P/E Ratio (Note 4) | | 23.53 | 26.82 | – |
| | Price to Dividends Ratio (Note 5) | | 39.24 | 178.65 (Note 3) | – |
| | Cash Dividend Yield % (Note 6) | | 2.55 | 0.56 (Note 3) | – |

- Note 1: Average market price is calculated by weighing trade amount against trade volumes in each respective year.
- Note 2: Net worth per share and earnings per share as of 2021Q1 were audited or reviewed by the independent auditors.
- Note 3: Figures have been specified in the amounts resolved in the Shareholders Meeting in the following year. The 2020 Earnings Distribution has not been resolved in a Shareholders Meeting.
- Note 4: P/E Ratio = Average closing price per share for the year / earnings per share.
- Note 5: Price to Dividends Ratio = Average closing price per share for the year / cash dividends per share.
- Note 6: Cash Dividend Yield = Cash dividends per share / Average closing price per share for the current year.
- Note 7: Net worth per share and earnings per share were prepared as of the annual report publication date and reviewed by the independent auditors in 2021Q1; the information in other columns was prepared as of April 30, 2021.

(VI) Dividend policy and implementation

1. Dividend policy stated in the Company's Articles of Incorporation

According to the Articles of Incorporation of the Company, annual earnings, if any, concluded by the Company are first applied to pay tax and make up for previous losses, followed by a 10% provision for legal reserve. However, no further provision is needed when legal reserve has accumulated to an amount equal to the Company's paid-in capital. In addition, the Company may also make provision for special reserves as needed for operation or as required by law. The residual balance, if any, can then be added to undistributed earnings carried from previous years and distributed as dividends, subject to Board of Directors' proposals and the resolution reached in the Shareholders Meeting.

The Company's earnings distribution basically is for an amount not less than 15% of the net income of the current year. In addition to complying with the aforementioned requirements, the dividend distribution shall include stock dividend for an amount not more than 80% of the total shareholder dividend and cash dividend not less than 20% of the total shareholder dividends.

2. The dividend distribution is proposed to be discussed in the current shareholders meeting

The 2020 Earnings Distribution has been resolved by the Company's Board of Directors on March 24, 2021, the information is as follows,

(1) Proposed cash dividend of shareholders: NT\$117,427,019, NT\$1.36 per share.

(2) The board of directors is authorized to schedule the ex-dividend date for the proposed earnings distribution once it is resolved in the 2021 regular shareholders meeting. If the future dividend ratio is affected due to the changes in the total number of outstanding shares resulted from the issuance of new shares from capital increase, the repurchase of the Company's shares, etc., the shareholders meeting is proposed to authorize the board of directors to adjust the dividend rate and related matters.

3. It should be explained when it is expected that there will be major changes in the dividend policy: None.

(VII) Impacts of proposed stock dividends in the current Shareholders Meeting on the Company's business performance and earnings per share: Not applicable as no stock dividend was proposed in the Shareholders Meeting and no financial forecast was made for 2021.

(VIII) Employee, director, supervisor compensation

1. Percentage and range of employee, director, and supervisor compensation stated in the Articles of Incorporation:

According to the Company's Articles of Incorporation, any profits concluded from a fiscal year are subject to allocate employee compensation for an amount not less than 3%, which the Board of Directors may decide to distribute in cash or in shares. Employees of subordinate companies who meet the criteria determined by the Board of Directors are also entitled to receive the said compensation. The Company may also allocate Director and Supervisor compensation for an amount up to 3% of the aforementioned profit, which subject to the resolution of the Board of Directors. However, profits must first be taken to offset against cumulative losses, if any, before the remainder can be distributed as compensation to employees, directors, and supervisors.

2. Basis for the estimation of the compensation of employees, directors, and supervisors in current period, basis for the calculation of stock shares distributed to employees as compensation, and accounting treatment for the difference between the actual distribution amount and the estimated amount:

The amounts of 2020 employees, directors, supervisors compensation were estimated by multiplying the percentages mentioned in the Articles of Incorporation by 2020 net income before tax and not deduct the expenses of employees, directors, and supervisors compensation. However, the difference, if any, between the amount resolved in the Board of Directors Meeting and the amount previously estimated will be treated as a change in accounting estimate and recognized as gains/losses for 2021. Where employee compensation is paid in shares, the amount of share-based payment is calculated based on the closing price one day before the resolution reached in the Board of Directors Meeting.

3. Compensation distribution resolved by the Board of Directors:

- (1) Employee, director, and supervisor compensation paid in cash or in shares. If it is different from the amount estimated in the year expense incurred, the amount of difference, causes, and treatment should be disclosed:

The Company's Board of Directors had resolved on March 24, 2021 to distribute 2020 compensation to employees for an amount of NT\$28,847 thousand, compensation to directors and supervisors for an amount of NT\$3,300 thousand. It was NT\$1,513 thousand different with the estimated compensation to employees for NT\$30,360 thousand and the compensation to directors and supervisors for NT\$3,300 thousand in 2020 financial statements. The Company will have the said amount of difference booked in the 2021 gains/losses in accordance with the change in accounting estimates.

- (2) Ratio of employee compensation paid in shares to net income on the standalone (parent company only) financial statements and total employee compensation: No proposal was made to pay 2020 employee compensation in shares.

4. Actual distribution of employee, director, and supervisor compensation in 2019; also, if it is different from the recognized and booked employee, director, and supervisor compensation, please explain the amount of difference, the cause, and treatment of such discrepancies:

There is no difference between the actual distribution of compensation to employees, directors, and supervisors of the Company in 2019 and the distribution amount resolved by the Board of Directors and booked in the financial statements.

(IX) Repurchase of Company's shares: None.

II. Disclosures relating to Corporate Bonds: None.

III. Preferred Stock Shares: None.

IV. Global Depository Receipts: None.

V. Employee Share Subscription Warrants: None.

VI. New Restricted Employee Shares: None.

VII. Issuance of new shares for business acquisition or share exchange: None.

VIII. Progress on fund utilization plan:

The Company does not have any incomplete public issuance or private placement of securities, nor does the Company have any fund plan completed within the last three years without yielding the expected benefit.

Five. Operational Overview

I. Business activities

(I) Scope of business

1. Main business activities

The Company and subsidiaries are mainly involved in the manufacturing, processing, and trading of heat dissipation components, and offering of heat dissipation designs and solutions. The main products offered include thermal modules, heat sinks, heat pipes, and vapor chambers.

2. Current main products and revenue weight (2020)

Unit: NTD thousands

| Products | Amount | Percentage (%) |
|----------------|-----------|----------------|
| Thermal module | 6,416,095 | 70.32 |
| Heat sink | 1,682,927 | 18.45 |
| Others | 1,024,399 | 11.23 |
| Total | 9,123,421 | 100.00 |

3. New products planned for the future:

(1) Current products of the Company

Notebook computer thermal module, server thermal module, heatsinks, heat pipes, and vapor chambers.

(2) New products planned for the future

A. Automotive electronic thermal products

B. 5G station thermal modules

C. High-power liquid-cooling circulation system

(II) Industry overview

1. Current product development

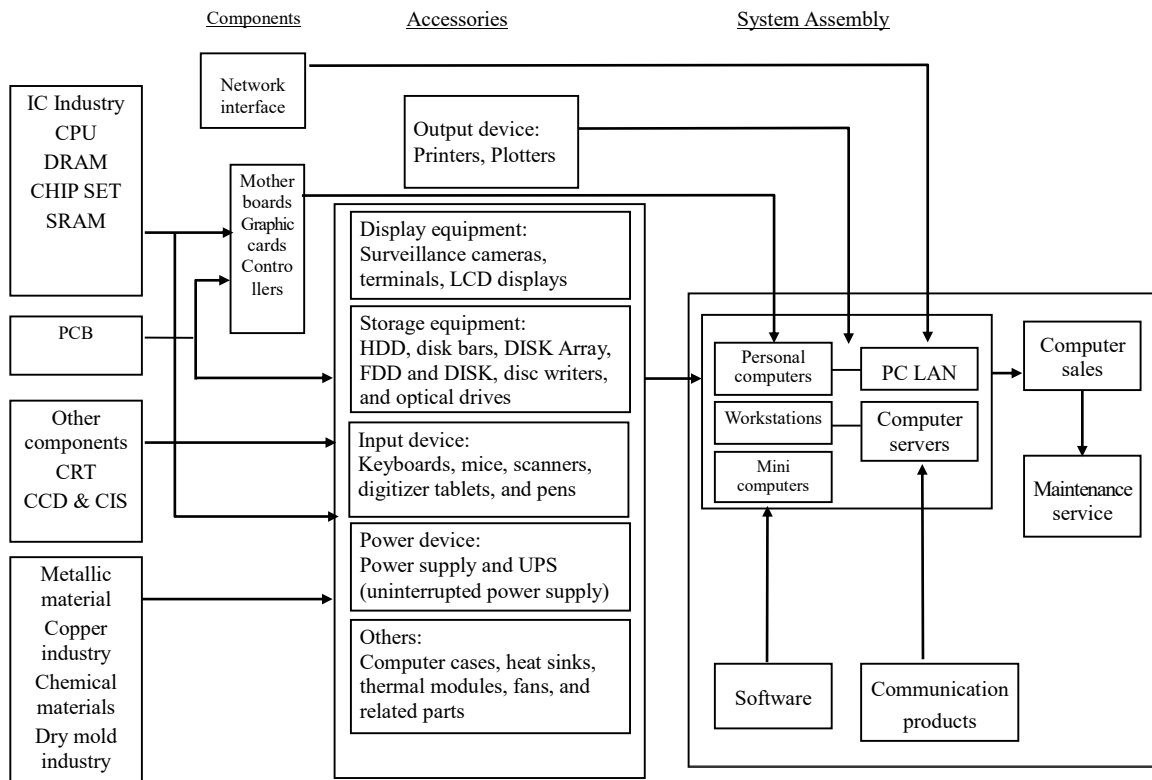
The Company's main product lines include heat dissipation devices for notebooks (NB), desktops (DT), servers, networks communication, game consoles, smartphones and household appliances, with personal computers (PC), servers, networks communication, and smartphones representing the majority. Due to the higher heat generation of the CPU and the higher heat transfer requirements of chipsets, graphics chips, and other devices, the demand for heat transfer components is increasing day by day. Given the rapid development of handheld devices in recent years and the demand of 5G related system will be launched successively this year, it brings the ultra-high transfer speeds and the upgrade of hardware and software performance at the same time, high demand for thermal solutions will be driven globally.

The Company is a professional manufacturer dedicated to providing heat transfer solutions for IT and electronic products. The Company through collaboration with ITRI successfully developed "micro heat pipes," a critical component of thermal module for NBs in 1995 and with mass production commenced and applied to the heat transfer device of PCs (DT and NB) in 1998. The Company began mass production of high-power vapor chambers in 2007, a heat transfer device for servers and networks communication products. Started mass production of ultra-thin vapor chambers and heat pipes for smartphones in 2015, the Company now provides heat transfer solutions for the majority of IT products. The Company remains active in recruiting R&D and design talents, improving production process and efficiency, reducing noise and emissions throughout the process, and adopting automated equipment continuously. These investments have helped secure the Company's global leadership in the research, development, and manufacturing of heat pipes, vapor chambers, and thermal modules, as well as environmental protection, energy-saving, and carbon reduction solutions.

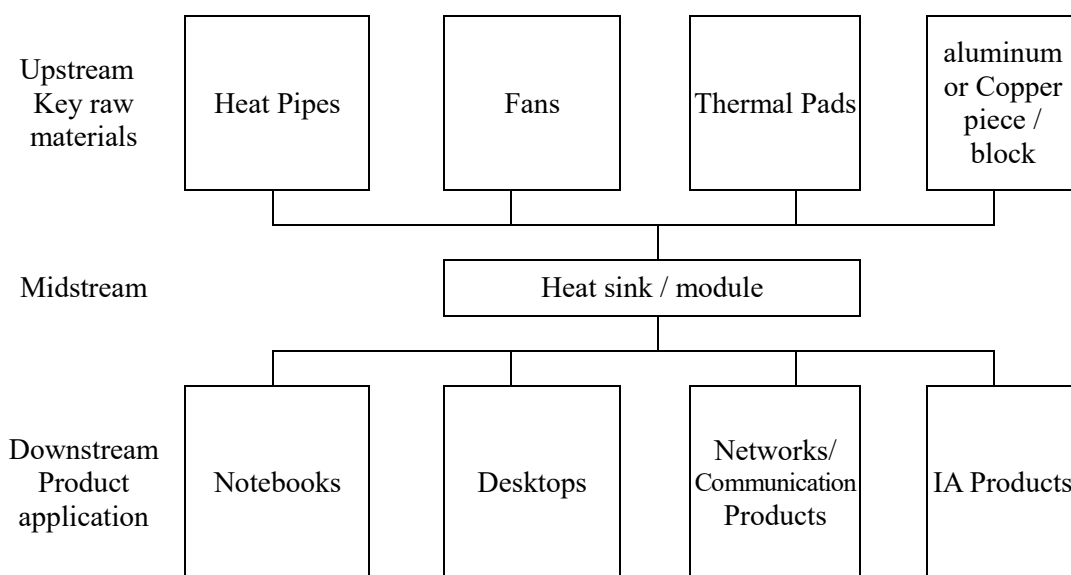
Nidec Corporation, the parent company, has formally joined the management team via Public Tender Offer for the Company's securities since the end of 2018; also, the parent company has completed the election of directors and supervisors and the deployment of operation executives. The two parties have had actively integrating resources and exercising the synergies of the Group in recent years. The two parties will actively deploy the global market, grasp proactive and strategic goals, expand the scale of operations, and create higher growth of revenue and profitability in order to create greater well-being for customers, shareholders, and employees.

2. Association between upstream, midstream, and downstream industry participants

Upstream and downstream products of the IT industry of Taiwan



Thermal modules and heat sinks are currently the main products of the Company. They are mainly used in the information electronic components industry, and the upstream and downstream products of the industry are as depicted in the figure above. In addition, the upstream key raw material of the products and the downstream application of the Company is described as follows:



(1) Upstream supply of key raw materials

The heat pipes used in the computer thermal modules are mostly manufactured by the Company, whereas raw materials are sourced from long-lasting suppliers. The Company maintains at least two suppliers for most of the needed materials; therefore, supply of main raw materials is considered as stable.

(2) Downstream product applications

Most precision electronics require specific form of heat transfer devices, and thermal modules have become essential components after they were introduced into notebooks since 1997. As electronics become lighter, slimmer, smaller, and more feature-rich, thermal modules will find more applications in IT, communications, and consumer electronics.

3. Product development trends

The PC industry has been declining for several consecutive years, which has prompted the Company to explore new opportunities in non-PC fields. As electronic mobile devices have become packed with features, power consumption increases and so is the need to dissipate heat. Increased demand for heat transfer is most significantly seen in networks/communication products. The Company employs a professional team of researchers whose sensitivity and insight in industry trends have led to the successful development of heat transfer solutions for handheld devices ahead of competitors. The team expects to explore opportunities in new fields, such as, slimmer mobile communication devices, cloud and power modules, and auto electronics in the future.

4. Product Competition

Increasing demand for heat transfer solutions driven by the evolution of electronics has attracted competition, including renowned local and foreign brands and thermal module suppliers from China. However, the key to success lies in the manufacturer's ability to keep up with the rapidly changing electronic technologies, products, and applications. Having invested in the research of heat transfer and dissipation in as early as 1995, the Company leads its competition not only in terms of technical capability and sensitivity, but enjoys the advantage of long-term relationships with local and foreign system manufacturers as well. Compared to the competition, Nidec Chaun-Choung Technology has time and time again impressed customers with its responsiveness and production flexibility, and is therefore able to secure purchase orders from customers over the long run. In the future, the Company aims to further improve its competitiveness in the following areas:

- (1) Improving business management
- (2) Enhancing R&D capability
- (3) Forming strategic alliances with upstream and downstream partners.
- (4) Development of heat transfer solutions for handheld devices, game consoles, auto electronics, and cloud computing

(III) Technological research and development

1. R&D expenses incurred in the last year and up to the publication date of the annual report

Unit: NTD thousands

| Year | 2019 | 2020 | As of the first quarter of 2021 |
|---|---------|---------|---------------------------------|
| R&D Expenses | 343,725 | 327,933 | 94,414 |
| As a Percentage of Current Year Revenue (%) | 4.00 | 3.59 | 3.82 |

2. Technologies or products successfully developed
 - (1) Directed the new generation high-efficient NCCI Gen2 VC bonding technology for mobile devices into mass production.
 - (2) Completed the development of thermal solution for consumer computer-Intel Gen11 CPU (Tiger Lake / Rocket Lake Platform).
 - (3) Completed the development of thermal solution for high-power servers new generation platform (Sapphire Rapids Platform).
 - (4) Completed the development of thermal solution for advanced game console.

(IV) Long-term and short-term business plans

1. Short-term development plans:

The Company's main thermal-related product lines include personal computer PC (NB+DT+AIO), Server, Data Center / Storage Device, Network Communication, Smart Phone, Game Console, and the cooler of other related information electronic products. The short-term plan is to expand the production capacity of each plant's product line, improve production technology and automation, accelerate the development of new customers and new product lines, increase mid- and high-level management and R&D related manpower, and other strategic layouts in order to achieve revenue growth and profitability increase. The Company's short-term strategies are as follows:

- (1) Production capacity expansion plan: The major investment plan for a new factory in Hanoi, Vietnam (estimated total investment amount of US\$172 million in 7 years). Phase I of the plant will be constructed completely ready for mass production in the first half of 2021. Continue to enhance and optimize the production capacity utilization of Kunshan (Jiangsu) Plant, Chongqing Plant, and the Taipei Headquarters.
- (2) Form the Production Engineering Department: To improve production technology and automation capabilities, and gradually introduce the manufacturing technology and upgrade the automation in each factory of the Group.
- (3) Accelerate the development of new customers and new product lines:
 - A. Solicit potential customers for the existing product lines (PC/Server/HPC/Cloud/Smartphone/Network/Game Console...)
 - B. Solicit potential customers for new product lines and new products (Automotive/Liquid cooling/AI/IoT/5G Applications and Industry 4.0...)
- (4) Enhance human resources: Increase the strategic deployment of mid-level and high-level management manpower to expand revenue growth and enhance profitability.
- (5) Form a new R&D team: Enrich R&D capabilities and expand the recruitment of R&D talents to accelerate the development and production schedule of new technologies and new products.

2. Mid-term plans:

- (1) Production capacity expansion plan: Promote the mid-term (Phase 2) construction and expansion plan of the Hanoi plant in Vietnam in order to provide the necessary capacity/momentum for revenue growth continuously. Continue to enhance and optimize the production capacity of Kunshan (Jiangsu) Plant and Chongqing Plant in order to fulfill the growing needs of customers.
- (2) Improve production technology and automation: Introduce the actual R&D achievements in each factory of the Group in order to improve production efficiency and automation, enhance product quality and stability, and reduce production cost.
- (3) Implementing the development results of new customers and new product lines:
 - A. Effectively expand the customer base for the existing product lines (PC/Server/HPC/Cloud/Smartphone/Network/Game Console...)
 - B. The potential customers developed for new product lines and new technologies (Automotive/Liquid Cooling/AI/IoT/5G Applications and Industry 4.0...) to achieve the concrete result.
- (4) The achievements of the new R&D team have been transferred into mass production continuously: Improve the Company's products in the sense of technology and diversification, and become a leading manufacturer of the thermal industry.
- (5) Active and passive thermal synergy: Cooperate with the parent company, Nidec Corporation, to have the active and passive thermal elements integrated in order to provide customers with a more complete and one-stop service.

3. Long-term plans:

- (1) Production capacity expansion plan: Promote the mid-term and long-term (Phase 3) expansion plan of the Hanoi plant in Vietnam in order to provide the necessary capacity/momentum for revenue growth continuously. Continue to enhance and optimize the production capacity of Kunshan (Jiangsu) Plant and Chongqing Plant in order to fulfill the growing needs of customers and maximize economies of scale.
- (2) Improve production technology and automation: Introduce the actual R&D achievements in each factory of the Group in order to improve production efficiency and automation, improve product quality and stability, and reduce production cost; also, become the leading manufacturer of the industry with the most advanced technology.
- (3) The development of new customers and new product lines: Expand the customer base for the existing product lines, successfully develop potential customers for new product lines and new technology, and become the largest thermal service provider worldwide.
- (4) The R&D department continues to strengthen core technology capabilities (3S): Strengthen the research and development of Slight, Slim, and Strong heat transmission technology and products, expand the scope of product application, enhance technical advantages, improve the products in the sense of technology and diversification, and secure the leading position in the thermal industry.

II. Market, production, and sales overview

(I) Market analysis

1. Main markets for product sales

Unit: NTD thousands

| By region | Year | 2020 | |
|-----------------|------|-----------|-----------|
| | | Amount | Ratio (%) |
| China | | 6,096,371 | 66.82 |
| Taiwan | | 1,034,074 | 11.33 |
| Malaysia | | 601,772 | 6.60 |
| Singapore | | 468,674 | 5.14 |
| USA | | 267,143 | 2.93 |
| Other countries | | 655,387 | 7.18 |
| Total | | 9,123,421 | 100.00 |

2. Market Share

According to statistics from research institutions, a total of 297 million personal computers were shipped worldwide in 2020; also, 12.9 million servers were shipped worldwide. A total of 1.24 billion smartphones were produced globally, representing an 12% decline that was the worst case senior in recent years due to the impact of the pandemic. The Company estimates that the market share of main products in PCs, servers, and smartphones is about 10%~15%, 20%, and 15%, respectively. Purchase orders are mainly from the customers in the United States, China, Japan, South Korea, and Taiwan.

3. Future Market supply, demand, and growth

The Company's products applied in personal computers (desktop computers and notebook computers) and its peripheral cooling devices accounted for around 46% of the total revenue; server/network communication equipment thermal accounted for around 36% of the total revenue; game consoles thermal accounted for around 10% of the total revenue, the mobile phone thermal accounted for about 5% of the total revenue; and other products accounted for about 3% of the total revenue.

According to the estimation of the market research institutions, the personal computer shipped worldwide was with a growth of 26.1% (91.6 million units) in 2020Q4 from the year before. The personal computer shipped worldwide was with a growth of 13.1% in 2020, mainly from the growth strived by working from home, online learning and the recovery of consumer demand. In the prospect of 2021, the global smartphone industry is expected to recover along with the stabilizing lifestyle. The total annual production of smartphones is expected to grow to 1.36 billion units, representing a 9% growth, due to the increase in periodic demand and the demand from emerging markets. In addition, the actual application of 5G is expected to be more diversified. The shipped of related thermal products will continue to grow along with the commercialization of 5G popularized.

4. Competitive advantage

The Company possesses advantages in the following areas:

- (1) Accumulate more than 10-year of practical experience, handle more than 1,000 thermal modules/components, and continue to refine innovation ability to design and refine key products.
- (2) Accumulate numerous and stable cooperation supply chains.
- (3) Abundant production capacity and flexible production procedures at all production sites.
- (4) Ability to develop and design key heat transfer components.
- (5) A highly efficient and mature planning/marketing/project team.
- (6) Heat transfer specifications certified by major local and foreign brands, which make them long-term business partners.

5. Future opportunities, threats, and response strategies

(1) Opportunities

- I. Full R&D and production capacity for heat pipes, slim pipes, vapor chambers, and related products

Due to the increasingly diversified design of electronics, new IT products are demanding more efficient and better-quality heat transfer, which makes it important for thermal solution suppliers to adapt quickly to the changing technology. The Company has built up strong knowledge in the development of heat pipes since successfully mass production began in 1997, and now possesses the capability to design critical heat transfer components. Backed by more than 10 years of practical experience, an existing portfolio of more than 1,000 thermal modules/components, a versatile R&D team, and fully automated production equipment, the Company is highly competitive in terms of production efficiency. In recent years, the Company has further expanded the application of this core technology, by taking advantage of heat pipe with the characteristics of good

conductivity, small size and through the thermal module technology of note book computer, to develop the heat module for mini heat pipes, boss hot plates, advanced interfaces, video processors, Ultrabook NBs, and supercomputers.

II. A complete and mature planning/marketing/project team

After the successful mass production of NB thermal modules in 1998, the Company obtained certification from renowned system manufacturers all over the world, which enabled it to build up customers in the USA, Europe, and Asia Pacific. A well-crafted marketing strategy combined with proactive globalization efforts have enabled the Company to become a professional supplier of world-class thermal solutions.

(2) Threats and response strategies

I. Threats

- i. Broad diversity of product specifications and short life cycle.
- ii. New heat transfer applications call for accelerating industry integration.
- iii. Buyers have dominant bargaining power in the market.

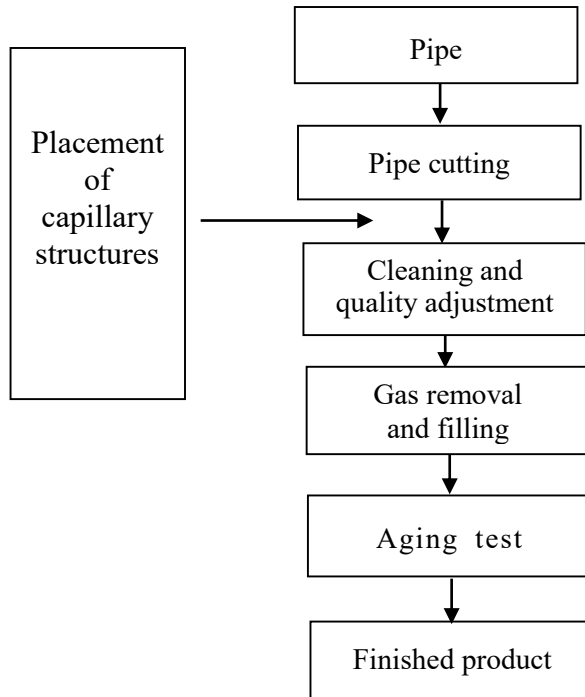
II. Response strategies:

- i. Secure advantage by focusing on the improvement of thermal materials, technology R&D, and production procedures.
- ii. Monitor industry development and the schedule of customers' new products to adjust R&D and molding progress in line with.
- iii. Diversify customers and reduce sales concentration risk.
- iv. Apply strict control over inventory level and minimize product obsolescence risk.
- v. Collaborate with peers of the heat transfer industry to introduce products needed by the market, and explore alternative applications continuously.
- vi. New Customers: Explore Chinese, Japanese, and U.S. customers continuously, and venture into heat transfer solutions for smartphones.
- vii. Increase production capacity of vapor chambers (VC), ultra-slim pipes, and heat pipes to satisfy market growth.

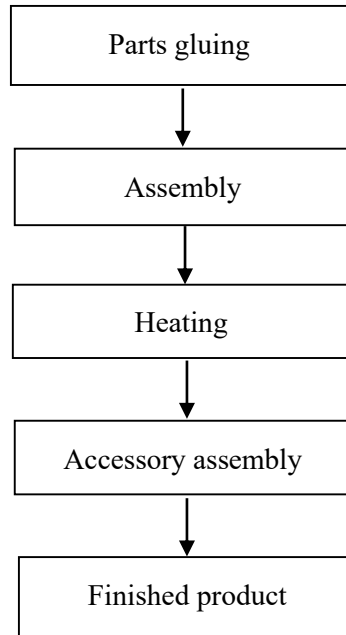
(II) Main product applications and production processes

Heat pipes, heat sinks, and thermal modules are the main products of the Company; they are primarily used to distribute and dissipate heat in NBs, DTs, servers, and power supplies.

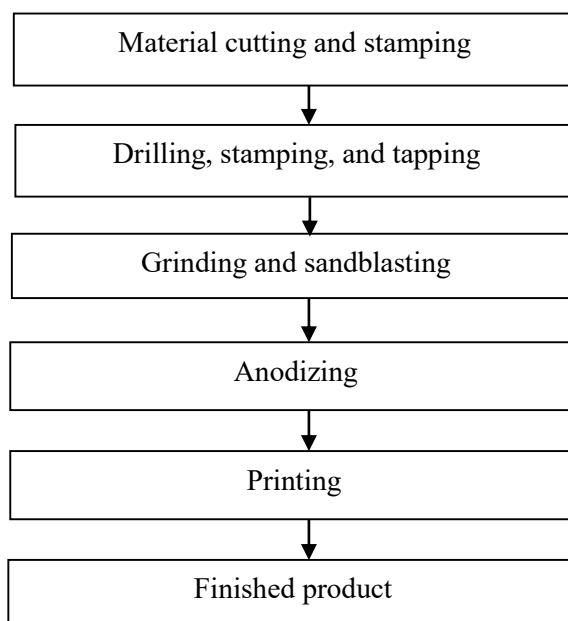
1. Heat pipe manufacturing



2. Thermal module assembly



3. Heat sink



(III) Supply of main materials

| Main materials | Supply location | Supply status |
|--------------------------------|--------------------------|---------------|
| Aluminum die casted components | China | Sufficient |
| Aluminum extruded components | Taiwan and China | Sufficient |
| Copper extruded components | China | Sufficient |
| Fans | China | Sufficient |
| Heat Pipes | China and Taiwan | Sufficient |
| Copper pipe materials | China, Taiwan, and Japan | Sufficient |
| Stamped parts | Taiwan and China | Sufficient |

(IV) List of main buyers, sellers, and suppliers in the last two years

1. Customers representing more than 10% of annual net revenue

Currency unit: NT thousands

| Year | 2019 | | | | 2020 | | | | As of the first quarter of 2021 | | | |
|--------|--------------|-----------|---|------------------------------|--------------|-----------|---|------------------------------|---------------------------------|-----------|---|------------------------------|
| | Name | Amount | As a Percentage of Annual Net Revenue (%) | Relationship with the issuer | Name | Amount | As a Percentage of Annual Net Revenue (%) | Relationship with the issuer | Name | Amount | As a Percentage of Net Revenue (%) in the First Quarter of the Current Year | Relationship with the issuer |
| Item 1 | E00001 | 1,232,394 | 14.35 | Non-related party | E00001 | 1,345,105 | 14.74 | Non-related party | E00011 | 262,429 | 10.61 | Non-related party |
| Item 2 | E00011 | 1,417,684 | 16.51 | Non-related party | E00011 | 1,003,722 | 11.00 | Non-related party | E00001 | 451,058 | 18.23 | Non-related party |
| Item 3 | L00007 | 780,398 | 9.09 | Related party | L00007 | 560,806 | 6.15 | Non-related party | L00007 | 95,005 | 3.84 | Non-related party |
| Item 4 | Nidec Groups | 0 | 0 | Related party | Nidec Groups | 1,067,912 | 11.71 | Related party | Nidec Groups | 545,672 | 22.05 | Related party |
| Item 5 | Others | 5,155,696 | 60.05 | Non-related party | Others | 5,145,876 | 56.40 | Non-related party | Others | 1,119,814 | 45.27 | Non-related party |
| | Net Revenue | 8,586,172 | 100.00 | | Net Revenue | 9,123,421 | 100.00 | | Net Revenue | 2,473,978 | 100.00 | |

The Company is a professional manufacturer of heat dissipation components. The Company's main products include: NB thermal modules, DT thermal modules, and heat sinks for PC and consumer peripheral products. The Company's main customers are world-renowned PC manufacturers and focuses on selling PC thermal modules. Due to the consideration of the Group's sales cooperation strategy since Nidec Corporation became the parent company of the Company, more than 10% of the Company's annual revenue have been generated from Nidec Group since 2020. Overall, the Company's customer base is deemed stable.

2. Suppliers representing more than 10% of annual net purchases

Currency unit: NT thousands

| Year | 2019 | | | | 2020 | | | | As of the first quarter of 2021 | | | |
|------|---------------|-----------|---|------------------------------|---------------|-----------|---|------------------------------|---------------------------------|-----------|---|------------------------------|
| | Name | Amount | As a Percentage of Annual Net Purchases (%) | Relationship with the issuer | Name | Amount | As a Percentage of Annual Net Purchases (%) | Relationship with the issuer | Name | Amount | As a Percentage of Net Purchases (%) in the First Quarter of the Current Year | Relationship with the issuer |
| 1 | JIFU | 1,424,269 | 31.91 | Non-related party | JIFU | 1,454,381 | 28.26 | Non-related party | JIFU | 302,058 | 24.03 | Non-related party |
| 2 | Others | 3,038,663 | 68.09 | Non-related party | Others | 3,691,422 | 71.74 | Non-related party | Others | 954,830 | 75.97 | Non-related party |
| | Net Purchases | 4,462,932 | 100.00 | | Net Purchases | 5,145,803 | 100.00 | | Net Purchases | 1,256,888 | 100.00 | |

Main materials used in the Company's products include: heat pipes, aluminum die casted components, aluminum stamped components, thermal pads, heat sinks, and fans. The Company maintains long-term and productive relationships with its suppliers to secure the source of raw materials.

(V) Production volume and value in the last two years

Unit: capacity - thousand pcs; Volume - thousand pcs; Value – NT thousands

| Year | 2019 | | | 2020 | | |
|----------------|---------------------|-------------------|------------------|---------------------|-------------------|------------------|
| | Production capacity | Production volume | Production value | Production capacity | Production volume | Production value |
| Thermal module | 84,000 | 61,493 | 5,441,702 | 180,000 | 111,212 | 8,946,815 |
| Heat Sink | 36,000 | 35,143 | 2,325,476 | 20,000 | 6,154 | 370,187 |
| Others (Note) | – | – | 1,082,318 | – | – | 621,452 |
| Total | – | – | 8,849,496 | – | – | 9,938,454 |

Note: All products are of different specifications. Unit price and volume are determined depending on the current year's orders, and no single product can be used to calculate production capacity.

(VI) Sales volume and value in the last two years

Unit: NT thousands / thousand pcs

| Year | 2018 | | | | 2019 | | | |
|----------------|----------------|--------|--------------|-----------|----------------|--------|--------------|-----------|
| | Domestic sales | | Export sales | | Domestic sales | | Export sales | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Thermal module | 37 | 10,716 | 59,156 | 6,328,027 | 85 | 21,072 | 43,124 | 6,395,023 |
| Heat Sink | 65 | 3,749 | 26,657 | 1,500,559 | 48 | 5,843 | 23,704 | 1,677,084 |
| Others | 3 | 1,069 | 20,153 | 742,052 | 49 | 14,783 | 34,230 | 1,009,616 |
| Total | 105 | 15,534 | 105,966 | 8,570,638 | 182 | 41,698 | 101,058 | 9,081,723 |

III. Employees

(I) Employee structure

| Item | | Year | 2019 | 2020 | As of March 31, 2021 |
|-------------------------------------|--------------------------|------|--------|--------|-------------------------|
| Employee count | Indirect employees | | 686 | 1,066 | 1,111 |
| | Direct employees | | 1,947 | 2,172 | 2,595 |
| | Total | | 2,633 | 3,238 | 3,706 |
| Average age | | | 34.22 | 34.01 | 32.94 |
| Average years of service (Years) | | | 3.73 | 3.62 | 3.22 |
| Academic background % | Doctoral degree | | 0.30% | 0.33% | 0.27% |
| | Master degree | | 1.78% | 2.82% | 1.73% |
| | Bachelor degree | | 21.87% | 19.09% | 22.84% |
| | Senior High School | | 28.42% | 26.96% | 26.71% |
| | Below Senior High School | | 47.63% | 50.80% | 48.45% |

IV. Environmental protection expenditure information

- (I) Losses and fines incurred due to environmental pollution in the last year and up to the publication date of the annual report: None.
- (II) Response strategies and possible expenses:
The Company has been implementing ISO14001/ISO45001 (Environmental Safety and Health Management System) for more than a decade, and invested substantial resources into preventing environmental pollution and improving workplace condition for our employees. The Company will continue to assess risks and prevent pollution according to the Environmental Safety and Health Management System, and in doing so minimize impacts of business activity on the natural environment.
- (III) Uses of restricted substances in all of the Company's current products have complied with RoHS; all existing suppliers and all products delivered to customers have complied with RoHS standards.

V. Labor-management relations

(I) Employee welfare measures and implementation

The Company has placed special attention on maintaining a harmonious labor-management relation since it was first founded. In addition to adopting "integrity, innovation, and altogether benefits" as the business philosophy, the Company uses a broad variety of communication channels to learn employees' opinions and thoughts. A list of welfare measures implemented to date is illustrated as follows:

1. Employees of the Company are entitled to labor insurance, national health insurance, group insurance, regular health checkups, pension benefit, festive bonus, employee compensation, job rotation, salary adjustment, and training.
2. The Company has assembled an Employee Welfare Committee and appointed Committee Members to oversee employees' welfare. Welfare budgets are prepared on a yearly basis and are funded by contributing a fixed percentage of established capital, monthly revenue, employee salary, and scrap sales. Welfare budgets are used for purposes such as: employee trips, gatherings, wedding/funeral subsidies, scholarships, entertainment, and birthday cash.
3. Formulate Employee Compensation Distribution Methods to align employees' interests with those of the Company.

(II) Employees' education and training

The Company has been certified for ISO 9001、ISO14001、ISO45001, and places great emphasis on employee's occupational safety and skill training. The Company makes next year's "Annual Education and Training Plan" at the end of each year, and executes them in accordance with the quality/environment/safety and health system to help employees develop knowledge and experience in ways that support the Company's growth. The Company values the importance of talents incubation. The Company offers pre-job and on-the-job training to improve employees' skills over the course of their career. The summary of courses includes:

1. Training and education plan for new recruits, including: organization overview, introduction to the environment, occupational health and safety training, ethical corporate management best practice principles and internal control system, etc.
2. Training on the Company's policies and ISO systems.
3. Professional skill courses and certification courses for existing employees (internal and external training).
4. Fire drills
5. Internal and external training courses received a total of 2,150 people in 2020; training expenses for the year amounted to NT\$216 thousand.

(III) Retirement system and execution

All overseas businesses have implemented retirement systems according to local regulations, and make full contribution to employees' individual pension accounts or provision accounts specified by the local authority.

In Taiwan, in order to secure the life of employees after retirement, the Company formulates labor retirement rules according to law, and establishes a labor retirement reserve monitoring committee, and regularly sets a monthly retirement reserve at a rate of 3.6% of total salary expenses and deposits it in Bank of Taiwan (formerly a special account of the Central Trust Bureau) to protect labor rights and interests. Since July 1, 2005, the new government retirement plan has been adopted in parallel, and 6% of the employee's personal income has been allocated to the employee's personal pension account. The voluntary pension contributions, if any, will be appropriated from the employee's monthly salary at the voluntary contribution rate, which will be deposited in the respective personal pension account with the Bureau of Labor Insurance.

The Company's applicable regulations under the Labor Standards Act are as follows:

1. Voluntary retirement:

Workers can voluntarily retire in one of the following circumstances: (For the application of the Labor Pension Act, it is to be handled in accordance with the same Act)

- (1) Those who have worked for more than 15 years and have reached the age of 55.
- (2) Those who have worked for more than 25 years.
- (3) Those who have worked for more than 10 years and have reached the age of 60.

2. Mandatory retirement:

The Company may force an employee to retire in one of the following situations:

- (1) Those who are over 65 years old.
- (2) Loss of mind or physical disability and is incompetent for work.

For the age specified in the first subparagraph, the Company may report to the central competent authority for approval to have it adjusted accordingly for workers performing danger works that require strong physical strength. But not less than 55 years old.

3. Standard for pension payment:

- (1) For the work seniority before and after being subject to the Labor Standards Act and those who have chosen to be subject to the "Labor Standards Act" pension provisions according to the Labor Pension Act or retaining the work seniority accumulated before the application of the Labor Pension Act, the pension payment and standard are calculated and paid in accordance with Article 84-2 and Article 55 of the Labor

Standards Act.

(2) For employees who are forced to retire in accordance with Article 54, paragraph 1, sub-paragraph 2, the loss of mind or physical disability is due to the performance of their duties, additional 20% pension amount will be paid according to Article 55, paragraph 1, sub-paragraph 2 of the Labor Standards Act.

(3) For employees who are subject to the pension provisions of the Labor Pension Act, the Company pays 6% of their monthly salary to the individual retirement pension account of the employee.

4. Pension payment:

The Company shall pay the employees' pension in accordance with the latest Labor Standards Act.

(IV) Employees' behavior and ethics principles

The Company has policies and rules in place to promote employees' understanding of ethics, obligations, rights, and proper conduct. A summary of the policies is illustrated as follows:

1. Delegation of Authorization: Stipulate the Delegation of Authorization for each level of management and provides the basis for accountability in order to improve the overall performance of the Company.

2. Regulations of Organizational responsibility and internal communication: The regulation outlines the structure of the overall organization and the scope of authority and responsibility for each department.

3. Education and training policy:

(1) New recruits are subjected to training courses on safety and health, personnel management, ISO, internal control, and ethical corporate management to help them understand their responsibilities and obligations.

(2) Provide professional skills and knowledge necessary for professionals through external and internal training.

(V) Enforcement of labor agreements and employee rights

The Company adopts a people-oriented management approach and considers a harmonious labor-management relation critical to its human resources strategy.

The Company has implemented the Female Worker Protection Procedures and Sexual Harassment Prevention Policy in accordance with existing regulations, such as, the Act of Gender Equality in Employment to enforce equal gender values and dignity within the workplace. Employees are able to raise complaints in writing to the dedicated mailbox or to the Administration Department; all complaints are handled appropriately in a timely manner for the protection of employees' rights and enforcement of workplace safety.

All employment-related policies are fully communicated between the management and employees in the utmost integrity and accountability. The Company convenes quarterly labor-management meetings where employee representatives may express suggestions and opinions on issues that are of the highest concern to workers. All issues raised are thoroughly discussed to ensure mutual understanding, and eventually develop a consensus that enables a harmonious employment relationship.

In addition, the Company has also assembled an Employee Welfare Committee in compliance with the law to oversee issues concerning employees' welfare. Entertainment activities are organized from time to time to promote harmony and unity within the workplace.

(VI) Work environment and employees' safety protection

1. Workers' safety and health:

(1) The Company formulates "Worker Safety and Health Plans" on a yearly basis and substantiates "Operating Environment inspections," "Education and Training," "Employee Health Checkups," and various requirements.

(2) Changes in the safety and health officer are updated in accordance with the law.

(3) Standard operating procedures have been devised for all machinery and equipment.

- (4) The Company adopts ISO 45001 for continuous improvement of safety and health.
2. Environmental protection:
- (1) All waste disposal is reported to the Environmental Protection Administration.
 - (2) The Company adopts ISO 14001 for continuous improvement of environmental protection.
3. Fire Safety:
- (1) “Fire drills” are held once every six months.
 - (2) The Company performs visual and performance inspection on fire safety equipment on a monthly basis.
 - (3) The Company engages a professional fire safety institution for annual “Fire Safety Inspections.”
- (VII) Losses as a result of employment disputes in the last year up to the publication date of the annual report: None.
- (VIII) Disclosure of actual or potential losses amount and response measures:
 The Company values the importance of communication in employment relations and organizes regular labor-management meetings where the two sides are free to express opinions. The Company has been able to maintain a harmonious employment relationship since it was first founded, and has encountered no losses whatsoever due to employment dispute. The Company will continue introducing employee welfare measures in the future to unite employees and maintain a productive employment relationship.

VI. Major Contracts

Material contractual arrangements relevant to shareholders’ interest, such as, supply/sales agreements, technological collaboration contracts, construction contracts, and long-term borrowing contracts that are currently in effect or expired in the last year:

| Nature of contract | Principal | Contract beginning date and ending date | Main content | Restriction clause |
|-----------------------|---|---|---|---|
| Loan contract | The Company and the parent company - Nidec Corporation | December 1, 2020 ~ March 31, 2023 | The Company has increased cash capital in the subsidiary, Nidec Chaun Choung Vietnam Corporation with the funds from the mid-term and long-term loan contracts. | It cannot be used without the approval of the Investment Committee, MOEA. |
| Land lease contract | Subsidiary - Nidec Chaun Choung Vietnam Corporation and FPT Hoa Lac Hi-Tech Park Development Company Limited in Vietnam | April 3, 2020 ~ August 30, 2060 | The subsidiary has leased part of the land in the Hoa Lac Hi-Tech Park Industrial Park in Hanoi, Vietnam to have a factory constructed. | None |
| Construction contract | Subsidiaries - Nidec Chaun Choung Vietnam Corporation and Sumitomo Mitsui Construction Co., Ltd. | May 12, 2020 ~ January 31, 2021 | The subsidiary has a contract signed for Stage I construction of the plant in the Hoa Lac Hi-Tech Park Industrial Park in Hanoi, Vietnam. | None |

Six. Financial Summary

I. Condensed Balance Sheet and Comprehensive Income Statement for the Last Five Years

(I) Condensed Balance Sheet for the Last Five Years – IFRS (Consolidated)

Currency unit: NT thousands

| Year | | Financial Information for the Last Five Years (Note 1) | | | | | As of March 31, 2021 (Note 1) |
|--|---------------------|--|-----------|-----------|-----------|-----------|--|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Item | | | | | | | |
| Current Assets | | 5,169,344 | 4,875,493 | 5,253,442 | 5,397,234 | 6,408,819 | 7,393,542 |
| Property, Plants, and Equipment | | 1,323,167 | 1,362,019 | 1,329,492 | 1,609,032 | 2,146,342 | 2,258,564 |
| Intangible Assets | | 6,705 | 9,217 | 13,093 | 11,523 | 29,144 | 34,038 |
| Other Assets | | 230,964 | 242,687 | 303,459 | 249,186 | 127,183 | 130,584 |
| Total Assets | | 6,730,180 | 6,489,416 | 6,899,486 | 7,266,975 | 8,711,488 | 9,816,728 |
| Current Liabilities | Before Distribution | 2,636,903 | 2,604,129 | 2,666,513 | 2,737,883 | 3,623,626 | 3,863,775 |
| | After Distribution | 3,284,479 | 2,945,185 | 3,072,327 | 3,158,375 | Note 2 | – |
| Non-current Liabilities | | 311,247 | 286,632 | 394,677 | 470,034 | 675,117 | 1,389,517 |
| Total Liabilities | Before Distribution | 2,948,150 | 2,890,761 | 3,061,190 | 3,207,917 | 4,298,743 | 5,253,292 |
| | After Distribution | 3,595,726 | 3,231,817 | 3,467,004 | 3,628,409 | Note 2 | – |
| Equity Attributable to Parent Company Shareholders | | 3,782,030 | 3,598,655 | 3,838,296 | 4,059,058 | 4,412,745 | 4,563,436 |
| Ordinary Shares | | 863,434 | 863,434 | 863,434 | 863,434 | 863,434 | 863,434 |
| Capital Surplus | | 531,823 | 531,823 | 531,823 | 531,823 | 531,823 | 531,823 |
| Retained Earnings | Before Distribution | 2,484,301 | 2,334,304 | 2,628,521 | 2,886,170 | 3,244,579 | 3,410,647 |
| | After Distribution | 1,836,725 | 1,993,248 | 2,222,707 | 2,465,678 | Note 2 | – |
| Other Equity Items | | (97,528) | (130,906) | (185,482) | (222,369) | (227,091) | (242,468) |
| Treasury Stock | | – | – | – | – | – | – |
| Non-controlling Equity | | – | – | – | – | – | – |
| Total Equity | Before Distribution | 3,782,030 | 3,598,655 | 3,838,296 | 4,059,058 | 4,412,745 | 4,563,436 |
| | After Distribution | 3,134,454 | 3,257,599 | 3,432,482 | 3,638,566 | Note 2 | – |

Note 1: The above financial information has been prepared based on IFRS and audited (reviewed) by the CPAs.

Note 2: Appropriation of 2020 earnings has not been resolved in the Shareholders Meeting.

(II) Condensed Balance Sheet for the Last Five Years – IFRS (Standalone)

Currency unit: NT thousands

| Item | Year | Financial Information for the Last Five Years (Note 1) | | | | | As of March 31, 2021 |
|---------------------------------|---------------------|--|-----------|-----------|-----------|-----------|----------------------------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Current Assets | | 3,493,033 | 3,576,488 | 3,510,273 | 3,265,960 | 3,676,491 | – |
| Property, Plants, and Equipment | | 391,896 | 393,213 | 400,475 | 457,404 | 487,090 | – |
| Intangible Assets | | 4,753 | 6,071 | 5,445 | 4,453 | 21,128 | – |
| Other Assets | | 2,827,043 | 2,624,718 | 2,980,305 | 3,327,867 | 4,192,247 | – |
| Total Assets | | 6,716,725 | 6,600,490 | 6,896,498 | 7,055,684 | 8,376,956 | – |
| Current Liabilities | Before Distribution | 2,631,633 | 2,715,873 | 2,664,830 | 2,531,462 | 3,346,285 | – |
| | After Distribution | 3,279,209 | 3,056,929 | 3,070,644 | 2,951,954 | Note 2 | – |
| Non-current Liabilities | | 303,062 | 285,962 | 393,372 | 465,164 | 617,926 | – |
| Total Liabilities | Before Distribution | 2,934,695 | 3,001,835 | 3,058,202 | 2,996,626 | 3,964,211 | – |
| | After Distribution | 3,582,271 | 3,342,891 | 3,464,016 | 3,417,118 | Note 2 | – |
| Ordinary Shares | | 863,434 | 863,434 | 863,434 | 863,434 | 863,434 | – |
| Capital Surplus | | 531,823 | 531,823 | 531,823 | 531,823 | 531,823 | – |
| Retained Earnings | Before Distribution | 2,484,301 | 2,334,304 | 2,628,521 | 2,886,170 | 3,244,579 | – |
| | After Distribution | 1,836,725 | 1,993,248 | 2,222,707 | 2,465,678 | Note 2 | – |
| Other Equity Items | | (97,528) | (130,906) | (185,482) | (222,369) | (227,091) | – |
| Treasury Stock | | – | – | – | – | – | – |
| Total Equity | Before Distribution | 3,782,030 | 3,598,655 | 3,838,296 | 4,059,058 | 4,412,745 | – |
| | After Distribution | 3,134,454 | 3,257,599 | 3,432,482 | 3,638,566 | Note 2 | – |

Note 1: The above financial information has been prepared based on IFRS and audited by the CPAs.

Note 2: Appropriation of 2020 earnings has not been resolved in the Shareholders Meeting.

(III) Condensed Comprehensive Income Statement for the Last Five Years - IFRS (Consolidated)

Currency unit: NT thousands

| Item | Year | Financial Information for the Last Five Years (Note 1) | | | | | As of March 31, 2021 (Note 1) |
|--|------|--|-----------|-----------|-----------|-----------|-------------------------------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Operating Revenue | | 7,296,933 | 7,067,221 | 7,662,175 | 8,586,172 | 9,123,421 | 2,473,978 |
| Gross Profit | | 1,908,889 | 1,463,166 | 1,551,889 | 1,858,195 | 1,982,682 | 500,580 |
| Operating Gains and Losses | | 1,193,969 | 766,980 | 826,703 | 973,296 | 1,082,676 | 218,333 |
| Non-operating Income and Expenses | | 85,697 | (101,924) | 104,345 | (5,439) | (5,713) | 24,422 |
| Net income before tax | | 1,279,666 | 665,056 | 931,048 | 967,857 | 1,076,963 | 242,755 |
| Current Net Income From Continuing Operations | | 945,827 | 500,265 | 595,610 | 701,534 | 782,398 | 166,068 |
| Loss From Discontinued Operations | | – | – | – | – | – | – |
| Current Net Income (Loss) | | 945,827 | 500,265 | 595,610 | 701,534 | 782,398 | 166,068 |
| Other Comprehensive Income for the Current Period (Net, After-tax) | | (183,252) | (36,064) | (30,341) | (74,958) | (8,219) | (15,377) |
| Total Current Comprehensive Income | | 762,575 | 464,201 | 565,269 | 626,576 | 774,179 | 150,691 |
| Net Income Attributable to Parent Company Shareholders | | 945,827 | 500,265 | 595,610 | 701,534 | 782,398 | 166,068 |
| Net Income Attributable to Non-controlling Equity | | – | – | – | – | – | – |
| Comprehensive Income Attributable to Parent Company Shareholders | | 762,575 | 464,201 | 565,269 | 626,576 | 774,179 | 150,691 |
| Comprehensive Income Attributable to Non-controlling Equity | | – | – | – | – | – | – |
| Earnings per Share | | 10.95 | 5.79 | 6.90 | 8.12 | 9.06 | 1.92 |

Note 1: The above financial information has been prepared based on IFRS and audited (reviewed) by the CPAs.

(IV) Condensed Comprehensive Income Statement for the Last Five Years - IFRS (Standalone)

Currency unit: NT thousands

| Item | Year | Financial Information for the Last Five Years (Note 1) | | | | | As of March 31, 2021 |
|--|------|--|-----------|-----------|-----------|-----------|----------------------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Operating Revenue | | 5,231,524 | 5,451,451 | 5,724,321 | 6,308,832 | 6,073,490 | – |
| Gross Profit | | 775,080 | 573,273 | 534,802 | 713,832 | 609,620 | – |
| Operating Gains/Losses | | 419,478 | 229,112 | 157,509 | 256,239 | 155,348 | – |
| Non-operating Income and Expenses | | 713,381 | 385,967 | 657,591 | 612,636 | 772,570 | – |
| Net income before tax | | 1,132,859 | 615,079 | 815,100 | 868,875 | 927,918 | – |
| Current Net Income From Continuing Operations | | 945,827 | 500,265 | 595,610 | 701,534 | 782,398 | – |
| Loss From Discontinued Operations | | – | – | – | – | – | – |
| Current Net Income (Loss) | | 945,827 | 500,265 | 595,610 | 701,534 | 782,398 | – |
| Other Comprehensive Income for the Current Period (Net, After-tax) | | (183,252) | (36,064) | (30,341) | (74,958) | (8,219) | – |
| Total Current Comprehensive Income | | 762,575 | 464,201 | 565,269 | 626,576 | 774,179 | – |
| Earnings per Share | | 10.95 | 5.79 | 6.90 | 8.12 | 9.06 | – |

Note 1: The above financial information has been prepared based on IFRS and audited by the CPAs.

(V) Names of Auditors and Audit Opinions for the Last Five Years

| Year | Accounting Firm | Name of Accountant | Audit Opinion |
|------|-----------------|------------------------------|---------------------|
| 2016 | KPMG | Hui-Chih Ko and Hsin-Yi Kuo | Unqualified Opinion |
| 2017 | KPMG | Hsin-Yi Kuo and Pei-Chi Chen | Unqualified Opinion |
| 2018 | KPMG | Hsin-Yi Kuo and Ji-Long Yu | Unqualified Opinion |
| 2019 | KPMG | Hsin-Yi Kuo and Hui-Chih Ko | Unqualified Opinion |
| 2020 | KPMG | Hsin-Yi Kuo and Hui-Chih Ko | Unqualified Opinion |

II. Financial Analysis for the Last Five Years
(I) Financial Analysis - IFRS (Consolidated)

| Analysis items | | Year | Financial Analysis for the Last Five Years | | | | | As of March 31, 2021 |
|----------------------|--|--------|--|--------|----------|----------|--------|----------------------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | | |
| Financial Structure | Debt to Asset Ratio (%) | 43.80 | 44.54 | 44.36 | 44.13 | 49.34 | 53.51 | |
| | Long-term Capital to Property, Plants, and Equipment Ratio (%) | 309.35 | 285.2 | 318.39 | 281.47 | 237.04 | 263.57 | |
| Solvency | Current Ratio (%) | 196.03 | 187.22 | 197.01 | 197.13 | 176.86 | 191.35 | |
| | Quick Ratio (%) | 166.70 | 153.33 | 154.69 | 159.56 | 141.28 | 152.97 | |
| | Interest Coverage Ratio | 321.23 | 124.70 | 619.22 | 1,076.39 | 1,034.55 | 254.13 | |
| Operating Efficiency | Accounts Receivable Turnover (Times) | 3.59 | 3.28 | 3.33 | 3.22 | 3.00 | 3.15 | |
| | Average Cash Collection Days | 101.67 | 111.28 | 109.60 | 113.35 | 121.66 | 115.87 | |
| | Inventory Turnover (Times) | 6.57 | 6.90 | 6.20 | 6.39 | 6.48 | 6.11 | |
| | Accounts Payable Turnover (Times) | 3.22 | 3.19 | 3.37 | 3.48 | 3.15 | 2.96 | |
| | Average Inventory Turnover Days | 55.55 | 52.89 | 58.87 | 57.12 | 56.32 | 59.73 | |
| | Property, Plants, and Equipment Turnover (Times) | 5.51 | 5.18 | 5.76 | 5.33 | 4.25 | 4.38 | |
| | Total Asset Turnover (Times) | 1.08 | 1.08 | 1.11 | 1.18 | 1.04 | 1.00 | |
| Profitability | Return on Assets (%) | 14.65 | 7.62 | 8.91 | 9.91 | 9.80 | 7.17 | |
| | Return on Equity (%) | 25.99 | 13.55 | 16.01 | 17.76 | 18.47 | 14.80 | |
| | Net income before tax to Paid-in Capital ratio (%) | 148.20 | 77.02 | 107.83 | 112.09 | 124.73 | 112.46 | |
| | Net Profit ratio (%) | 12.96 | 7.07 | 7.77 | 8.17 | 8.57 | 6.71 | |
| | Earnings per Share (NTD) | 10.95 | 5.79 | 6.90 | 8.12 | 9.06 | 1.92 | |
| Cash Flow | Cash Flow Ratio (%) | 45.78 | 23.52 | 12.54 | 38.35 | 26.45 | (6.06) | |
| | Cash Flow Adequacy Ratio (%) | 125.35 | 117.24 | 98.47 | 105.59 | 88.41 | 65.59 | |
| | Cash Reinvestment Ratio (%) | 15.98 | (0.79) | (0.14) | 12.31 | 8.92 | (3.37) | |
| Degree of Leverage | Operating Leverage | 1.52 | 1.77 | 1.80 | 1.83 | 1.85 | 9.22 | |
| | Financial Leverage | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | |

Causes of difference in financial ratio exceeding 20% in the last two years:

1. The turnover of Property, Plant and Equipment was decreased from 2019 due to the subsidiary's, Nidec Chaun Chung Vietnam Corporation, leasing land from the Vietnamese government to build a factory in 2020 that caused the increase in property, plant and equipment exceeding the growth in revenue.
2. The Cash Flow Ratio and Cash Reinvestment Ratio were decreased from the year of 2019 due to the growth of revenue, the increase in accounts receivable and inventory in 2020 that caused a decrease in net cash inflow from operating activities compared to the year of 2019. In addition, the short-term loan from the parent company was increased in 2020 due to the needs for business operation; also, due to the increase in inventory in response to operational growth; therefore, it caused an increase in accounts payable. The Cash Flow Ratio was decreased from 2019 due to the increase in current liabilities from 2019. The Cash Reinvestment Ratio was decreased from 2019 due to the increase in the right-of-use land and plant construction of the subsidiary in Vietnam in 2020.

(II) Financial Analysis - IFRS (Standalone)

| Analysis | | Year | Financial Analysis for the Last Five Years | | | | | As of |
|----------------------|--|------|--|---------|----------|----------|----------|-------------------|
| | | | 2016 | 2017 | 2018 | 2019 | 2020 | March 31, 2021 |
| Financial Structure | Debt to Asset Ratio (%) | | 43.69 | 45.47 | 44.34 | 42.47 | 47.32 | – |
| | Long-term Capital to Property, Plants, and Equipment Ratio (%) | | 1,042.20 | 987.73 | 1,056.66 | 988.94 | 1,032.80 | – |
| Solvency | Current Ratio (%) | | 132.73 | 131.68 | 131.72 | 129.01 | 109.86 | – |
| | Quick Ratio (%) | | 112.99 | 110.72 | 105.26 | 102.77 | 92.20 | – |
| | Interest Coverage Ratio | | 755.23 | 261.07 | 544.03 | 1,759.85 | 1,014.01 | – |
| Operating Efficiency | Accounts Receivable Turnover (Times) | | 3.91 | 3.54 | 3.46 | 3.60 | 3.14 | – |
| | Average Cash Collection Days | | 93.35 | 103.10 | 105.49 | 101.38 | 116.24 | – |
| | Inventory Turnover (Times) | | 8.60 | 9.00 | 8.18 | 8.22 | 8.78 | – |
| | Accounts Payable Turnover (Times) | | 2.16 | 2.21 | 2.36 | 2.49 | 2.21 | – |
| | Average Inventory Turnover Days | | 42.44 | 40.55 | 44.62 | 44.40 | 41.57 | – |
| | Property, Plants, and Equipment Turnover (Times) | | 13.34 | 13.86 | 14.29 | 13.20 | 12.46 | – |
| | Total Asset Turnover (Times) | | 0.77 | 0.82 | 0.83 | 0.85 | 0.72 | – |
| Profitability | Return on Assets (%) | | 14.86 | 7.54 | 8.84 | 10.06 | 10.14 | – |
| | Return on Equity (%) | | 25.99 | 13.55 | 16.01 | 17.76 | 18.47 | – |
| | Net income before tax to Paid-in Capital ratio (%) | | 131.20 | 71.23 | 94.40 | 100.63 | 107.46 | – |
| | Net Profit ratio (%) | | 18.07 | 9.17 | 10.40 | 11.61 | 12.88 | – |
| | Earnings per Share (NTD) | | 10.95 | 5.79 | 6.90 | 8.12 | 9.06 | – |
| Cash Flow | Cash Flow Ratio (%) | | 25.26 | 3.98 | 10.78 | 17.12 | 14.31 | – |
| | Cash Flow Adequacy Ratio (%) | | 95.39 | 78.81 | 67.51 | 72.06 | 62.94 | – |
| | Cash Reinvestment Ratio (%) | | 4.54 | (13.51) | (1.23) | 0.59 | 1.11 | – |
| Degree of Leverage | Operating Leverage | | 1.69 | 2.20 | 2.89 | 2.47 | 3.59 | – |
| | Financial Leverage | | 1.00 | 1.01 | 1.00 | 1.00 | 1.00 | – |

Causes of difference in financial ratio exceeding 20% in the last two years:

1. The decrease in Interest Coverage Ratio was due to the increase in interest expenses arising from the short-term loan from the parent company to replenish the working capital in 2020.
2. The increase in the Cash Reinvestment Ratio was due to the increase in the net cash inflows from operating activities in 2020.
3. The increase in Operating Leverage was due to the appreciation of the New Taiwan dollar and the price increase of raw materials in 2020 that caused a decrease in the revenue and operating profit in the individual financial statements along with a relatively high decline proportion in operating profit.

Financial analysis formulas are as follows:

1. Financial structure
 - (1) Debt to Asset Ratio = Total liabilities / total assets.
 - (2) Long-term Capital to Fixed Assets Ratio = (Net shareholders' equity + long-term liabilities) / net fixed assets.
2. Solvency
 - (1) Current Ratio = Current assets/current liabilities.
 - (2) Quick Ratio = (Current assets - inventory - prepayments) / current liabilities.
 - (3) Interest Coverage Ratio = Net income before interest and tax / interest expenses for the current period.
3. Operating Efficiency
 - (1) Receivables Turnover (including accounts receivable and notes receivable from business activities) = Net sales/average receivables balance (including accounts receivable and notes receivable from business activities).
 - (2) Average Cash Collection Days = 365 / receivables turnover.
 - (3) Inventory Turnover = Cost of goods sold / average inventory balance.
 - (4) Payables Turnover (including accounts payable and notes payable for business activities) = Cost of goods sold / average payables balance (including accounts payable and notes payable for business activities).
 - (5) Average Inventory Turnover Days = 365 / inventory turnover.
 - (6) Fixed Asset Turnover = Net sales / average net fixed assets.
 - (7) Total Asset Turnover = Net sales / average total assets.
4. Profitability
 - (1) Return on Assets = [Net income + interest expenses x (1- tax rate)] / average asset balance.
 - (2) Return on Shareholders' Equity = Net income/average shareholders' equity.
 - (3) Net Profit ratio = Net income / net sales.
 - (4) Earnings per Share = (Net income - preferred stock dividends) / weighted average outstanding shares.
5. Cash Flow
 - (1) Cash Flow Ratio = Net cash flow from operating activities / current liabilities.
 - (2) Cash Flow Adequacy Ratio = Net cash flow from operating activities for the last 5 years / (Capital expenditure + increase in inventory + cash dividends) for the last 5 years.
 - (3) Cash Reinvestment Ratio = (Net cash flow from operating activities - cash dividends) / (Gross fixed assets + long-term investments + other assets + working capital).
6. Degree of Leverage
 - (1) Degree of Operating Leverage = (Net operating income - variable operating costs and expenses) / operating profit.
 - (2) Degree of Financial Leverage = Operating profit / (operating profit - interest expenses).

III. Supervisors' Review on the 2020 Financial Statements: Refer to Appendix on P.135

IV. 2020 Audited Consolidated Financial Statements: Refer to Appendix on P.136 ~ P.206

V. 2020 Audited Standalone Financial Statements: Refer to Appendix on P.207 ~ P.272

VI. Financial difficulties encountered by the Company or any of its affiliated companies, and impacts on the Company's Finance in the recent year and up to the publication date of the Annual Report: None.

Seven. Review and Analysis of Financial Position and Business Performance, and Risk Management Issues

I. Analysis of Changes in Financial Position

Currency unit: NT thousands

| Item | Year | 2019 | 2020 | Difference | |
|--|------|-----------|-----------|------------|---------|
| | | | | Amount | % |
| Current Assets | | 5,397,234 | 6,408,819 | 1,011,585 | 18.74 |
| Property, Plants, and Equipment | | 1,609,032 | 2,146,342 | 537,310 | 33.39 |
| Intangible Assets | | 11,523 | 29,144 | 17,621 | 152.92 |
| Other Assets | | 249,186 | 127,183 | (122,003) | (48.96) |
| Total Assets | | 7,266,975 | 8,711,488 | 1,444,513 | 19.88 |
| Current Liabilities | | 2,737,883 | 3,623,626 | 885,743 | 32.35 |
| Non-current Liabilities | | 470,034 | 675,117 | 205,083 | 43.63 |
| Total Liabilities | | 3,207,917 | 4,298,743 | 1,090,826 | 34.00 |
| Equity Attributable to Parent Company Shareholders | | 4,059,058 | 4,412,745 | 353,687 | 8.71 |
| Ordinary Shares | | 863,434 | 863,434 | 0 | – |
| Capital Surplus | | 531,823 | 531,823 | 0 | – |
| Retained Earnings | | 2,886,170 | 3,244,579 | 358,409 | 12.42 |
| Other Equity Items | | (222,369) | (227,091) | (4,722) | 2.12 |
| Total Equity | | 4,059,058 | 4,412,745 | 353,687 | 8.71 |

Description of difference ratio exceeding 20%:

1. Property, plant and equipment and its use-of-right assets: The increase in property, plant and equipment and its use-of-right assets were due to the subsidiary's, Nidec Chaun Choung Vietnam Corporation, leasing land from the Vietnamese government to build a factory in 2020.
2. Intangible assets: A new information system is introduced and reached the usable status, therefore, it is transferred from other assets to intangible assets.
3. Other assets: Investment property was sold due to the consideration of asset activation, resulting in a decrease in other assets.
4. Current liabilities: The current liabilities are increased due to the short-term loan from the parent company, Nidec Corporation, for the needs of business operation.
5. Noncurrent liabilities: The increase in deferred income tax liabilities arising from the recognition of investment benefits is due to the increase in profits of the subsidiaries.

II. Analysis of Business Performance

Currency unit: NT thousands

| Item | Year | 2019 | 2020 | Difference | |
|-----------------------------------|------|-----------|-----------|------------|-------|
| | | | | Amount | % |
| Net operating income | | 8,586,172 | 9,123,421 | 537,249 | 6.26 |
| Operating costs | | 6,727,977 | 7,140,739 | 412,762 | 6.14 |
| Gross Profit | | 1,858,195 | 1,982,682 | 124,487 | 6.70 |
| Operating expenses | | 884,899 | 900,006 | 15,107 | 1.71 |
| Operating profit | | 973,296 | 1,082,676 | 109,380 | 11.24 |
| Non-operating Income and Expenses | | (5,439) | (5,713) | (274) | 5.04 |
| Current net income before tax | | 967,857 | 1,076,963 | 109,106 | 11.27 |
| Income tax expenses | | 266,323 | 294,565 | 28,242 | 10.60 |
| Net income | | 701,534 | 782,398 | 80,864 | 11.53 |

- (I) The Company generated consolidated net revenue amounted to NT\$9,123,421 thousands in 2020, up 6% from the NT\$8,586,172 thousands in 2019. Net income before tax amounted to NT\$1,076,963 thousands, up 11% from the NT\$967,857 thousands in 2019. Net income amounted to NT\$782,398 thousands, 12% higher than the previous year. The high-end PCs, game consoles and electronic products becoming more sophisticated and powerful with higher thermal design power, and high-wattage heat dissipation products have helped to drive the Company's continuous growth
- (II) Expected sales, the basis of estimation, likely impacts on the Company's future financial position, and response plans: Refer to p.4.

III. Cash Flow

(I) Analysis of Cash Flow Differences in the Last Year

The Company's 2020 cash and cash equivalents balance increased NT\$303,950 thousands compared with 2019. Changes in cash flow from operating activities are explained as follows:

Currency unit: NT thousands

| Item | Year | 2019 | 2020 | Increase (decrease) ratio (%) |
|---|------|-----------|-----------|-------------------------------|
| Net Cash Inflow (Outflow) From Operating Activities | | 1,049,997 | 958,486 | (8.71) |
| Net Cash Inflow (Outflow) From Investing Activities | | (421,847) | (623,410) | 47.78 |
| Net Cash Inflow (Outflow) From Financing Activities | | (513,392) | (117,482) | (77.12) |
| Cash Flow Ratio (%) | | 38.35 | 26.45 | (31.03) |
| Cash Flow Adequacy Ratio (%) | | 105.59 | 88.41 | (16.27) |
| Cash Reinvestment Ratio (%) | | 12.31 | 8.92 | (27.54) |

1. The investment activities were mainly referring to the subsidiary's, Nidec Chaun Choung Vietnam Corporation, leasing land from the Vietnamese government to build a factory in 2020 that caused the increase in use-of-right assets, and property, plant and equipment from the year before.

2. The decrease in the net cash outflows from financing activities was mainly due to the increase in cash inflows arising from the short-term loan from the parent company.

(II) Improvements for lack of liquidity and liquidity analysis for the next year

Currency unit: NT thousands

| Opening Cash Balance(1) | Expected Annual Net Cash Flow from Operating Activities(2) | Expected Annual Cash Outflow (3) | Expected Cash Surplus (Deficit) amount (1)+(2)-(3) | Remedial measure for expected cash deficits | |
|-------------------------|--|----------------------------------|--|---|-----------------|
| | | | | Investment Plans | Financing Plans |
| 1,774,664 | 1,575,000 | 806,000 | 2,543,664 | - | - |

Analysis of Cash Flow for the Year:

- (1) Operating Activities: There will be no change of trade terms in 2021, and the Company expects to generate net cash inflow from operating activities.
- (2) Investing and financing activities: Execute the investment plan in Vietnam, construct factories, and acquire equipment; in addition, acquire related equipment and plant renovations for additional automated production lines, causing an increase in net cash outflows from investing activities.

IV. Material Capital Expenditures in the Last Year and Impact on Business Performance:

The Company acquired property, plant and equipment for an amount of NT\$648,864 thousand in 2020 that were used to improve the production line process and renew production equipment. In addition to serving the existing customers, the Company will also actively develop potential customers and new product applications in the future in order to obtain more orders.

V. Causes of profit or loss incurred on investments in the last year, and any improvement plan or investments planned for the next year

(I) Investment policy

The Company's investment decision-making is based on considerations, such as, internationalization, coordination with operational growth needs, government regulations, and investment environment. Invest in China through the third region, setup production bases in Shanghai Kunshan and Chongqing to serve customers nearby and to shorten order delivery lead time and delivery routes. In addition, the Company has offices established in the USA, and southern China for serving customers nearby, gathering industry information, and developing market. Moreover, in order to build another important production base, the Company has established a new subsidiary in Vietnam in the first quarter of 2020 to engage in major investment in Hanoi of Vietnam in the future.

(II) Investment analysis

Currency unit: NT thousands

| Description Name of invested company | Investment gains recognized in 2020 | Main Causes of Profit or Loss | Improvement Plans | Investment Plans for the Coming Year |
|---|-------------------------------------|---|---|---|
| Conquer Wisdom Co., Ltd. | 576,695 | Gains recognized from invested companies | None | None |
| Nidec Chaun Choung Vietnam Corporation | (21,417) | The plant construction and trial operation period | Actively increase sales and reach economies of production scale | Increase investment in a timely manner depending on the actual business operation |
| Nidec Chaun-Choung Technology America, Inc. | 2,009 | More aggressive development of the U.S. market | None | None |
| Globe Star Enterprise Limited | 558,476 | Gains recognized from invested companies | None | None |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | 184,031 | Adjust production capacity to meet market demand | None | None |
| Nidec Chiuan-Vector Industrial (Dongguan) Co., Ltd. | (651) | Still in the market development stage | Ongoing development of new customers. | None |
| Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. | 374,652 | Adjust production capacity to meet market demand | None | None |

VI. Analysis of Risk Management

(I) Risk Management Policy, Organizational Structure

The Company's Board of Directors is fully authorized to establish and supervise the risk management framework of the consolidated company. A Chairman's Office and a Group Operations Center have been created under the Board of Directors to oversee development and control of the risk management policy of the consolidated company. The Company's risk management policy and system are regularly reviewed and adjusted to reflect market conditions and changes within the operation of consolidated company. The Company hopes to develop a disciplined and constructive controlled environment through training, internal

control method, and operating procedure in order to make employees understand their roles and obligations.

1. Business Risks

The Company's CEO convenes regular meetings with General Managers from various subsidiaries to devise business strategies and evaluate risks. Review the operation performance afterwards in order to achieve the Company's operating goals.

2. Financial Risk

Use of financial instruments exposes the Company to credit risk, liquidity risk, and market risk. The Company's credit risk exposure arises mainly from customers' accounts receivable. The Company has implemented a credit policy to analyze and assign a credit rating and credit limit for each customer. These ratings and limits are reviewed on a regular basis. Customers that fail to meet the minimum credit rating may only deal on a prepaid basis. The Company maintains an allowance account to reflect losses estimated on receivables. The Company applies the materiality principle and evaluates each account for signs of material impairment based on objective evidence on every balance sheet date. Accounts that exhibit material impairment on an individual basis are assigned a 100% bad debt rate, whereas accounts that show signs of impairment without reaching materiality are assessed on a case-by-case basis. Accounts that show no objective evidence of impairment and others are grouped by credit risk attributes, and shall have bad debts recognized using tiered impairment rates (amount of bad debt/amount of sales) based on records for the last three years.

(II) Impact of Interest Rate, Exchange Rate, and Inflation on the Company's Earnings, and Response Measures in the Future:

1. Impacts of Changes in Interest Rate on the Company's Profit and Loss, and Response Measures in the Future:

The Company's capital planning is based on a conservative and stable principle. The working capital needed for business expansion is financed with a loan from the parent company. The Company has generated sufficient profits to support the Company's working capital turnover in the long run; therefore, the fluctuation in the short-term loan interest does not have a significant impact on the Company's loan cost.

2. Impacts of Changes in Exchange Rate and Response Measures:

The Company and subsidiaries generate almost 100% of their revenues from export sales. Transactions are conducted primarily in USD. Net exchange losses for 2020 amounted to NT\$154,328 thousands, representing 1.69% of net revenues. The Company and subsidiaries adopt the following measures in response to the risk of exchange rate volatility:

(A) Close observation of exchange rate movement, and use of foreign currency account to adjust foreign currency positions and reduce adverse impacts of exchange rate volatility.

(B) Suppliers are paid in USD where possible to minimize USD currency held on hand.

3. Impacts of Inflation on the Company's Profit and Loss, and Response Measures in the Future:

The Company and subsidiaries did not encounter any significant inflationary impacts in their domiciled locations in 2020.

(III) Policies on High-risk and Highly Leveraged Investments, Loaning of Funds, Endorsements/Guarantees, and Trading of Derivatives; Describe the Main Causes of any Profit or Loss Incurred and Future Response Measures:

1. The Company prohibits high-risk and highly leveraged investments. The Company did not engage in any high-risk or highly leveraged investment, endorsements/guarantees, or trading of derivatives in 2020 that resulted in profit or loss.

2. According to the Company's "Endorsements and Guarantees Policy," total endorsements/guarantees to external parties shall not exceed 30% of the Company's net worth, whereas endorsements/guarantees to single counterparty shall not exceed 20% of the Company's net worth. The Company and its subsidiaries did not engage in endorsements/ guarantees for others in 2020.
3. The Company: According to the Company's "Procedures for Loaning of Funds", the total loan amount incurred with those who are the business counterparties or those who need short-term loans shall not exceed 40% net worth of the Company on the most recent financial statements audited or reviewed by the independent auditors. The total loan amount to individuals who need short-term loans shall not exceed 10% net worth of the Company. The Company provided loaning of funds to the subsidiary, Nidec Chaun Choung Vietnam Corporation, in 2020 for its business operation needs. The relevant operations were handled according to the internal control system, executed with the approval of the board of directors, and fully disclosed in the financial statements audited or reviewed by the independent auditors.
4. Subsidiaries of the Company: According to the "Regulations Governing Loaning of Funds" stipulated by Nidec Jue-Choung Electronics (Kunshan) Co., Ltd., the loaning of funds is available to foreign subsidiaries that are with 100% voting rights held by the Company directly and indirectly. Also, the total loan amount and the short-term loan amount to individual counterparty shall not exceed the net worth of Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. on its latest financial statements that were audited or reviewed by the independent auditors. Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. provided loaning of funds to Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. in 2020 for business operation needs. The relevant operations were handled in accordance with the internal control system, executed with the approval of the board of directors, and fully disclosed in the financial statements audited or reviewed by the independent auditors.

(IV) Future Research and Development Plans and Projected R&D Expenses

The Company expects to invest in research and development for NT\$370,000 thousands in 2021. Future R&D Plans by Category:

| R&D Category | Expected R&D Project | Expected R&D Schedule |
|------------------------|--|-----------------------|
| Media entertainment | Thermal solution for new generation game consoles | 2021.01.01-2022.01.01 |
| Electricity/Automotive | 1. Ultra-high power waterproof and dustproof thermal solution | 2018.01.01-2024.01.01 |
| | 2. High-power electric vehicle IGBT thermal module development | 2021.01.01-2023.01.01 |
| Industry/Communication | 1. Workstation water cooling system development | 2017.01.01-2022.01.01 |
| | 2. High-power AI chip thermal module development | 2020.01.01-2022.01.01 |

(V) Financial Impacts and Response Measures due to Change of Local and Foreign Policies and Regulations in Recent Years:

The Company operates in Taiwan, Mainland China, and the USA. Taiwan and Mainland China have successively amended the labor law and regulations in recent years to promote friendly workplaces and to protect labor rights. In response to the rising personnel cost, the Company will enhance the education and training of its employees and aim to mitigate the impact with better work efficiency. In addition, the Company observes domestic and foreign policy development trends and changes in regulations; also, collects relevant information for the reference of the management in decision-making, or consults with external professional units in order to take appropriate measures, so there is no significant impact on the Company's finance and business operation.

(VI) Financial Impacts and Response Measures due to Technological or Industrial Changes in the Last Year:

Recent changes in technology and the rise of cloud systems have resulted in an increasing number of tablet and smartphone users that did indeed impact global shipment of notebooks. However, whichever the electronic or communication product involved, miniaturization and functional improvements are constantly happening, whereas CPU power is progressively enhanced for more intensive processing and integration of communication and graphic rendering, causing the trend of chipsets generating more heat year after year has not changed significantly. To ensure that electronic components remain able to perform consistently under high temperature with product stability and reliability maintained, heat management is becoming a critical technology to 3C and communication industries. This trend is the established direction for the research and development of Nidec Chaun-Choung Technology Corporation.

PCs remain the largest market for heat sink and thermal modules, and the main applications are for CPUs, Chipsets, VGA (graphics) cards, and MCMs (single and multi-chip modules). Applications for downstream products include DTs, NBs, servers, workstations, and power supply. The Company will continue exploring broad and diversified applications for diversity other than PCs.

In prospect, the Company will aim to secure its current market share in PC heat transfers, and accommodate the rapid changes and growth of the computer, network/communication industry by recruiting capable R&D talents to improve heat transfer efficiency and explore new applications and competitive edges. Therefore, technological changes will bring new heat transfer opportunities to the benefit of the Company in financial and business performance.

(VII) The impact of recent corporate image changes on corporate crisis management and response measures in the last year:

The participation of Nidec Corporation in the Company's management team has highly strengthened the Company's internal control, improved the Company's management, upgraded the Company's popularity and image, and positively helped the Company's sustainability. The Company is committed to secure its position as a leading manufacturer of heat transfer technology, continue to actively expand international business, obtain the maximum benefits with the best operating efficiency, and share its operating results with all shareholders and employees. In addition, the Company has adopted a business model that places more emphasis on corporate image and corporate responsibilities, and as a result, no event of significant impact on corporate image has occurred to date.

(VIII) Expected Benefits, Risks, and Response Measures of Planned Mergers and Acquisitions:

The Company did not merge or acquire other entities in 2020 and up to the publication date of the Annual Report.

(IX) Expected Benefits, Risks, and Response Measures Associated with Plant Expansions:

The Company will adjust its production capacity based on the strengths and characteristics of each production base in order to accommodate the market's changing supplies and demands. In addition, in order to grasp the opportunity of 5G industry development trends and expand production capacity, as well as establish another core production base, the Company decided to build a plant in Hanoi, Vietnam to engage the major investment. This will help the expansion of the Company's operating scale and grasp the business opportunities; but the expansion of the plant will increase the Company's cash expenditures, operating costs and expenses. If it cannot enhance the earnings, it will have a negative impact on the Company's financial performance. In addition to the abundant resources and support of the parent company, Nidec Corporation, the Company will continue to observe changes in industry and market supply and demand, maintain close cooperation with customers and continue to explore new customers to reduce the possible negative impact of the expansion of the plant on the Company's financial performance.

(X) Risks and Response Measures Associated with Concentrated Sales or Purchases:

1. The Company's product portfolio mainly comprises thermal modules, radiators, and heat sinks for notebooks (NB), desktops (DT), IT products and consumer electronics. The Company sells products mainly to renowned PC brands both local and abroad. As the PC market becomes dominated by a few international manufacturers, the Company has managed to maintain excellent collaboration relationships with customers through its strong R&D capabilities, globalized sales channels, exceptional quality, and advanced production technology. Furthermore, the Company continues to invest budget and talent into developing heat transfer solutions in order to win new customers of different IT, network, and consumer electronic products in order to avoid the risk of excessive concentration of customers.
2. Materials used in thermal modules and radiators mainly include: heat pipes, aluminum die casted components, aluminum stamped components, thermal pads, heat sinks, and fans. No supplier of the above materials is irreplaceable or holds exclusivity over the supply. Supply of the above materials is considered adequate, furthermore, the Company has always adopted a diversified purchasing strategy that maintains at least two suppliers for each type of raw material; therefore, there is no risk of concentrated purchases.

(XI) Impacts, Risks, and Response Measures Following a Major Transfer of Shareholding by Directors, Supervisors, or Shareholders with More Than 10% shareholding:

The Company's corporate director, Yo Chang Investment Co., Ltd. and corporate supervisor, Yi Cen Investment Co., Ltd., had transferred 2,945,000 shares and 2,105,000 shares to Nidec Corporation during the term of office (January 4, 2021) that were more than 1/2 shareholding held at the time of election; therefore, according to Articles 197 and Article 227 of the Company Act, the director and supervisor were dismissed ipso facto; however, there was no impact on the operation of the Company. Please refer to pages 88~91 for the information on the substantial equity transfer of the company's directors, supervisors, or the major shareholders with more than 10% shareholding in the most recent year and as of the annual report publication date.

(XII) Impacts, Risks, and Response Measures Associated with a Change of Management:

The total re-election of Directors and Supervisors on January 29, 2019 did not affect the Company's business model or business activities in any way, and the Company did not encounter any impact or additional risk as a result.

(XIII) Litigious and Non-Litigious matters:

1. Major litigious, non-litigious or administrative disputes involving the Company's Directors, Supervisors, General Manager, Real Person-in-charge, any shareholder with more than 10% shareholding, or any subordinate company in the recent year and up to the publication date of the Annual Report, whether any litigious or non-litigious matter, administrative disputes, which may have significant impact on shareholders' interests or securities prices; disclose the nature of dispute, the amount involved, the litigation starting date, the parties involved and current progress: None.
2. Occurrence of events listed in Article 157 of the Securities and Exchange Act that involves the Company's Directors, Supervisors, Managerial Officers, or Shareholder with more than 10% shareholding in the recent year and up to the publication date of the Annual Report and the current progress: None.

(XIV) Other Significant Risks and Response Measures:

Explanation of Information security risk assessment analysis: The Information Department is responsible for the Company's internal computer, system and network security. In order to prevent internal and external security threats from affecting the internal daily operations or becoming leverage to attack external units, the Company has built a complete firewall, mail and personal computer protection measures. In addition to conducting internal security advocacy occasionally, high availability backup and backup mechanisms have also been

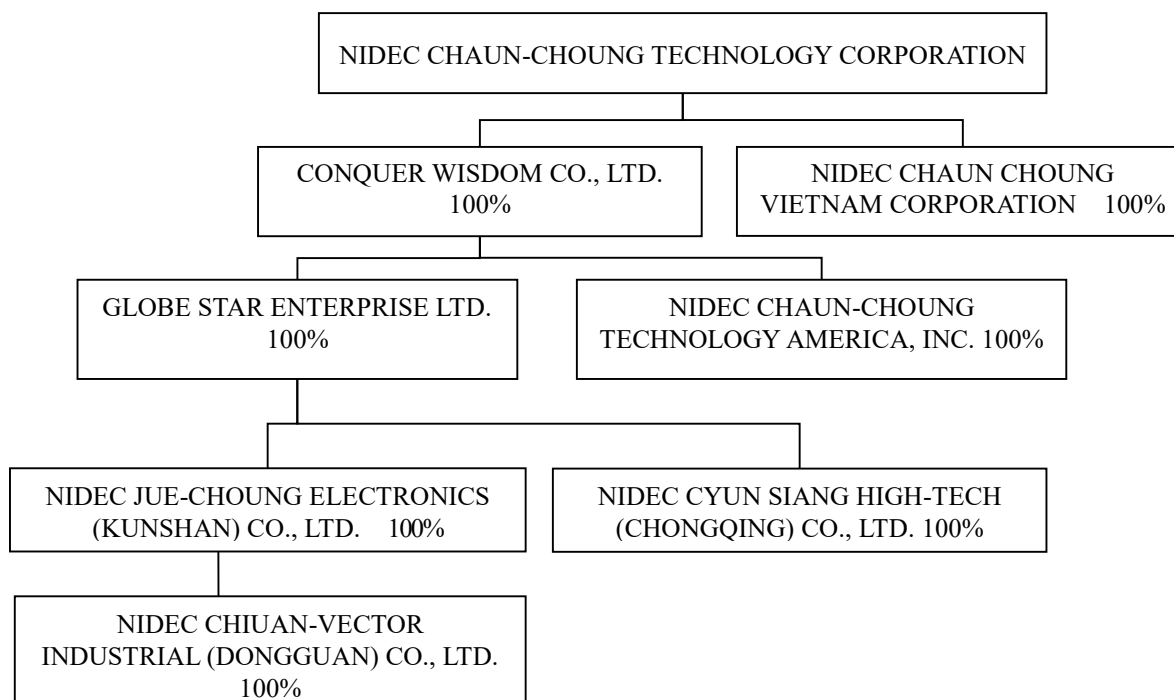
established at the system host and network levels to reduce the risk of disaster impact. Network management personnel also pay attention to external security information at any time and update the response in a timely manner. Regular audits are conducted by internal auditors and accounting firms. Over the years, there have been no major information security incidents affecting the Company's operations.

VII. Other Important Disclosures: None.

Eight. Special Remarks

I. Affiliated Enterprises related information

(I) Affiliated Enterprises Chart:



(II) Profile of Affiliated Enterprises:

Currency unit: NT thousands, as of December 31, 2020

| Name of Affiliated Enterprise | Date of incorporation | Location | Paid-in Capital | Main Business Activities |
|---|-----------------------|------------------------|-----------------|--|
| Conquer Wisdom Co., Ltd. | August 14, 2000 | British Virgin Islands | 737,240 | Investment |
| Nidec Chaun-Choung Technology America, Inc. | November 1, 2003 | USA | 8,544 | Sale of PC thermal modules |
| Globe Star Enterprise Limited | April 2, 2008 | Hong Kong | 513,836 | Investment |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | February 28, 2001 | China | 655,040 | Production and sale of PC thermal modules |
| Nidec Chiuan-Vector Industrial (Dongguan) Co., Ltd. | September 8, 2010 | China | 16,633 | Research, development, and sale of components for heat dissipation |
| Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. | June 8, 2011 | China | 227,840 | Production and sale of PC heat dissipation modules. |
| Nidec Chaun Choung Vietnam Corporation | March 31, 2020 | Vietnam | 299,343 | Production and sale of components for heat dissipation |

(III) Common Shareholders between the concluded Controlling and Subordinate Company:
None.

(IV) Business Activities of Affiliated Enterprises and Work Division:

1. Conquer Wisdom Co., Ltd.

Main business operation: Investment.

2. Nidec Chaun-Choung Technology America, Inc.

A subsidiary indirectly held by the Company through a third location for improved service, gathering of customer/industry timely information, and developing new customers. Sale of PC thermal modules and other heat dissipation components.

3. GLOBE STAR ENTERPRISE LIMITED

Main business operation: Investment in China.

4. Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.

A Chinese subsidiary held indirectly by the Company through Conquer Wisdom Co., Ltd. and GLOBE STAR ENTERPRISE LIMITED. Production of PC thermal modules and other heat dissipation components.

5. Nidec Chiuan-Vector Industrial (Dongguan) Co., Ltd.

A 100% held subsidiary of Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.; main business activities are the research, development, and sale of heat dissipation components.

6. Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd.

A Chinese subsidiary held indirectly by the Company through Conquer Wisdom Co., Ltd. and GLOBE STAR ENTERPRISE LIMITED. Production of PC thermal modules and other heat dissipation components.

7. Nidec Chaun Choung Vietnam Corporation

Mainly for the production and sales of thermal components.

(V) Directors, Supervisors, and General Manager of Affiliated Enterprises:

Unit: thousand shares

| The Name of the Enterprise | Title | Name or Representative | Shareholding | |
|--|----------------------------|------------------------|--------------|-------------------------|
| | | | Shares Held | Shareholding Percentage |
| Conquer Wisdom Co., Ltd. | Director | Shih-Ling Wu | – | – |
| Nidec Chaun-Choung Technology America, Inc. (Formerly known as: Chaun Choung Technology America, Inc.) (Note 1) | Chairman | Shih-Ling Wu | – | – |
| | Vice Chairman | Chien-Hung Wu | – | – |
| | Director | Chen-Hsing Chen | – | – |
| GLOBE STAR ENTERPRISE LIMITED | Director | Chien-Hung Wu | – | – |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. (Formerly known as: Kunshan Jue-Choung Electronics Co., Ltd.) (Note 1 and Note 2) | Chairman | Junichi Nagai | – | – |
| | Director & General Manager | Akio Tatsumi | – | – |
| | Director | Yasuhiro Mase | – | – |
| | Supervisor | Hsiang-Chien Wang | – | – |
| Nidec Chiuan-Vector Industrial (Dongguan) Co., Ltd. (Formerly known as: Dongguan Chiuan-Vector Industrial Co., Ltd.) (Note 1 and Note 2) | Executive Director | Akio Tatsumi | – | – |
| | Supervisor | Hsiang-Chien Wang | – | – |

| The Name of the Enterprise | Title | Name or Representative | Shareholding | |
|--|----------------------------|------------------------|--------------|-------------------------|
| | | | Shares Held | Shareholding Percentage |
| Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. (Formerly known as: Chongqing Cyun Siang High-Tech Co., Ltd.) (Note 1 and Note 2) | Chairman | Junichi Nagai | – | – |
| | Director & General Manager | Yuji Kimura | – | – |
| | Director | Yasuhiro Mase | – | – |
| | Supervisor | Hsiang-Chien Wang | – | – |
| | General Manager | Kimura Yuji | – | – |
| Nidec Chaun Choung Vietnam Corporation | Chairman | Junichi Nagai | – | – |
| | Director | Yasuhiro Mase | – | – |
| | Director | Chi-Feng Hsieh | – | – |
| | Supervisor | Hsiang-Chien Wang | – | – |

Note 1: The name change of the Company's subsidiary in the USA and the 3 subsidiaries in Mainland China were completed in 2021Q1 according to Nidec Group's naming policy and for improving their identity recognition as a member of the Group. The subsidiary in the USA was renamed "Nidec Chaun-Choung Technology America, Inc." The 3 subsidiaries in Mainland China were renamed "Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.", "Nidec Chiuan-Vector Industrial (Dongguan) Co., Ltd." and "Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd.".

Note 2: No shares were issued.

Note 3: The above-mentioned list of directors and supervisors is the information of each company as of April 30, 2021.

(VI) Performance of Affiliated Enterprises

As of December 31, 2020 ; Currency unit: NT thousands

| Company Name | Paid-in Capital | Total Assets | Total Liabilities | Net Worth | Operating Revenue | Operating Profit | Current Profit/Loss (After-tax) | After-tax Earnings per Share (NT\$) |
|---|-----------------|--------------|-------------------|-----------|-------------------|------------------|---------------------------------|-------------------------------------|
| Conquer Wisdom Co., Ltd. | 737,240 | 3,864,907 | – | 3,864,907 | – | (118) | 562,799 | 31.11 |
| Nidec Chaun Choung Vietnam Corporation | 299,343 | 388,500 | 124,342 | 264,158 | – | (20,051) | (21,417) | Note |
| Nidec Chaun-Choung Technology America, Inc. | 8,544 | 34,717 | 23,866 | 10,851 | 76,768 | 2,009 | 2,009 | 6.70 |
| Globe Star Enterprise Limited | 513,836 | 3,797,295 | – | 3,797,295 | – | (207) | 558,476 | 3.98 |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | 655,040 | 4,299,794 | 1,522,780 | 2,777,014 | 3,672,966 | 311,107 | 185,361 | Note |
| Nidec Chiuan-Vector Industrial (Dongguan) Co., Ltd. | 16,633 | 8,767 | 398 | 8,369 | – | (677) | (651) | Note |
| Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. | 227,840 | 2,651,517 | 1,605,212 | 1,046,305 | 2,828,173 | 527,943 | 374,652 | Note |

Note: No shares were issued.

(VII) Refer to Appendix P.136~P.206 for the Consolidated Financial Statements of affiliated enterprises.

(VIII) Affiliation Report

Affiliation Report: According to Article 369-12 of the Company Act, the Company is not required to prepare an Affiliation Report because it is not a subordinate company of any public company.

- II. Private placement of securities in the last year and up to the publication date of the Annual Report: None.
- III. Holding or disposal of the Company's shares by subsidiaries in the last year and up to the publication date of the Annual Report: None.
- IV. Other supplementary information: None.
- V. Occurrences significant to shareholders' equity or securities price in the last year and up to the publication date of the Annual Report: None.

Appendices

[Appendix I]

Nidec Chaun-Choung Technology Corporation

Supervisor's Review

I, the supervisor of the Company, have the 2020 business report, consolidated financial statements and standalone financial statements, and statement of retained earnings reviewed without any nonconformity found; therefore, I hereby have the report prepared and issued for review in accordance with the provision of Article 219 of the Company Act.

Sincerely yours,

The 2021 Regular Shareholders Meeting of Nidec Chaun-Choung Technology Corporation

Supervisor: Isao Takahashi

Date of Publication: March 24, 2021

**NIDEC CHAUN-CHOUNG TECHNOLOGY
CORPORATION
(Original name : CHAUN-CHOUNG TECHNOLOGY
CORPORATION)
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

Address: No. 184-3, Zhongxing N. St., Sanchong Dist., New Taipei City 241, Taiwan
(R.O.C.)

Telephone:(02)2995-2666

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, “Consolidated Financial Statements.” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION

Chairman: JUNICHI NAGAI

Date: March 24, 2021



安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report

To the Board of Directors of NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION:

Opinion

We have audited the consolidated financial statements of NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the Consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. 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.

1. Revenue recognition

Please refer to note 4(p) “Revenue recognition” for accounting policy related to revenue recognition, and note 6(m) “Revenue from contracts with customers” for disclosure information about revenue recognition of the consolidated financial statements.

Description of key audit matter:

The main revenue of the Group comes from the researching, development, production, and sale of thermal components in the computer and related industries. Since products are highly customized, the revenue recognition is concerned by the users or receiver of the financial statements, the test for revenue recognition is a highly concerned matter when we comply the audit procedure for the financial statements of the Group.

How the matter was addressed in our audit:

Our principal audit procedures included obtaining the list of top-ten customers and newly-added customers for the current year to analyze whether there is an unusual situation or not, inspecting of significant new contracts and understanding terms and conditions to assess whether there are any significant abnormalities, assessing the appropriateness of accounting policies for revenue recognition (including sales returns and discounts), testing the effectiveness of the design and the implementation of internal controls of sales and performing the sales cut-off test on the period before and after the balance sheet date, to ensure sales are recognized in the appropriate accounting period.

Other Matter

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRC, 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 the independent directors or supervisors) 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 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 a statement 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 of the current period 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 Hsin-Yi Kuo and Hui-Chih Ko.

KPMG

Taipei, Taiwan (Republic of China)
March 24, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION (ORIGINAL NAME : CHAUN-CHOUNG TECHNOLOGY CORPORATION) AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| | | <u>December 31, 2020</u> | | <u>December 31, 2019</u> | | | | <u>December 31, 2020</u> | | <u>December 31, 2019</u> | |
|------------------------|---|--------------------------|------------|--------------------------|------------|-------------------------------|--|--------------------------|------------|--------------------------|------------|
| | | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> | | | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| Assets | | | | | | Liabilities and equity | | | | | |
| Current assets: | | | | | | Current liabilities: | | | | | |
| 1100 | Cash and cash equivalents (notes 6(a)(p)) | \$ 1,774,664 | 20 | 1,470,714 | 20 | 2100 | Short-term borrowings from related parties (notes 6(h)(p) and 7) | \$ 313,280 | 4 | - | - |
| 1150 | Notes receivable, net (notes 6(c)(m)(p)) | 6,326 | - | 5,006 | - | 2170 | Accounts payable (note 6(p)) | 2,404,236 | 28 | 1,990,907 | 28 |
| 1170 | Accounts receivable, net (notes 6(c)(m)(p)) | 2,463,865 | 28 | 2,670,764 | 37 | 2181 | Accounts payable to related parties (notes 6(p) and 7) | 130,217 | 1 | - | - |
| 1180 | Accounts receivable due from related parties, net (notes 6(c)(m)(p) and 7) | 763,461 | 9 | 156,816 | 2 | 2200 | Other payables (notes 6(p) and 7) | 654,752 | 7 | 598,449 | 8 |
| 1200 | Other receivables (note 6(p)) | 61,692 | 1 | 2,041 | - | 2220 | Other payables to related parties (notes 6(p) and 7) | 8,698 | - | 39,098 | 1 |
| 1210 | Other receivables due from related parties (notes 6(p) and 7) | 135 | - | - | - | 2250 | Current provisions | 1,861 | - | 2,387 | - |
| 130X | Inventories (note 6(d)) | 1,204,367 | 14 | 997,904 | 14 | 2280 | Current lease liabilities (note 6(p)) | 17,591 | - | 8,712 | - |
| 1410 | Prepayments | 84,926 | 1 | 30,557 | - | 2300 | Other current liabilities | <u>92,991</u> | <u>1</u> | <u>98,330</u> | <u>1</u> |
| 1470 | Other current assets | <u>49,383</u> | <u>1</u> | <u>63,432</u> | <u>1</u> | | Total current liabilities | <u>3,623,626</u> | <u>41</u> | <u>2,737,883</u> | <u>38</u> |
| | Total current assets | <u>6,408,819</u> | <u>74</u> | <u>5,397,234</u> | <u>74</u> | | Non-current liabilities: | | | | |
| | Non-current assets: | | | | | 2570 | Deferred income tax liabilities (note 6(j)) | 621,120 | 7 | 459,516 | 6 |
| 1517 | Non-current financial assets at fair value through other comprehensive income (notes 6(b)(p)) | 27,983 | - | 72,709 | 1 | 2580 | Non-current lease liabilities (notes 6(p)) | 49,625 | 1 | 7,463 | - |
| 1600 | Property, plant and equipment (notes 6(e) and 8) | 1,900,669 | 22 | 1,498,159 | 21 | 2640 | Net defined benefit liability, non-current (note 6(i)) | 3,452 | - | 1,236 | - |
| 1755 | Right-of-use assets (note 6(f)) | 245,673 | 3 | 110,873 | 1 | 2645 | Guarantee deposits received | <u>920</u> | <u>-</u> | <u>1,819</u> | <u>-</u> |
| 1760 | Investment property, net (notes 6(g) and 8) | - | - | 57,806 | 1 | | Total non-current liabilities | <u>675,117</u> | <u>8</u> | <u>470,034</u> | <u>6</u> |
| 1780 | Intangible assets | 29,144 | - | 11,523 | - | | Total liabilities | <u>4,298,743</u> | <u>49</u> | <u>3,207,917</u> | <u>44</u> |
| 1840 | Deferred income tax assets (note 6(j)) | 55,714 | 1 | 115,428 | 2 | | Equity attributable to owners of parent (note 6(k)): | | | | |
| 1900 | Other non-current assets | <u>43,486</u> | <u>-</u> | <u>3,243</u> | <u>-</u> | 3100 | Ordinary shares | <u>863,434</u> | <u>10</u> | <u>863,434</u> | <u>12</u> |
| | Total non-current assets | <u>2,302,669</u> | <u>26</u> | <u>1,869,741</u> | <u>26</u> | 3200 | Capital surplus | <u>531,823</u> | <u>6</u> | <u>531,823</u> | <u>7</u> |
| | | | | | | | Retained earnings: | | | | |
| | | | | | | 3310 | Legal reserve | 746,181 | 9 | 676,028 | 9 |
| | | | | | | 3320 | Special reserve | 222,369 | 2 | 185,482 | 3 |
| | | | | | | 3350 | Unappropriated retained earnings (note 6(i)) | <u>2,276,029</u> | <u>26</u> | <u>2,024,660</u> | <u>28</u> |
| | | | | | | | Total retained earnings | <u>3,244,579</u> | <u>37</u> | <u>2,886,170</u> | <u>40</u> |
| | | | | | | 3400 | Other equity | <u>(227,091)</u> | <u>(2)</u> | <u>(222,369)</u> | <u>(3)</u> |
| | | | | | | | Total equity | <u>4,412,745</u> | <u>51</u> | <u>4,059,058</u> | <u>56</u> |
| | | | | | | | Total liabilities and equity | <u>\$ 8,711,488</u> | <u>100</u> | <u>7,266,975</u> | <u>100</u> |
| | Total assets | <u>\$ 8,711,488</u> | <u>100</u> | <u>7,266,975</u> | <u>100</u> | | | | | | |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(ORIGINAL NAME : CHAUN-CHOUNG TECHNOLOGY CORPORATION) AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

| | | <u>2020</u> | | <u>2019</u> | |
|------|---|-------------------|-----------|-------------------|------------|
| | | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| 4000 | Operating revenues (notes 6(m) and 7) | 9,123,421 | 100 | 8,586,172 | 100 |
| 5000 | Operating costs (notes 6(d)(e)(f)(i)(n) and 7) | <u>7,140,739</u> | <u>78</u> | <u>6,727,977</u> | <u>78</u> |
| | Gross profit from operations | <u>1,982,682</u> | <u>22</u> | <u>1,858,195</u> | <u>22</u> |
| | Operating expenses (notes 6(e)(f)(i)(n) and 7): | | | | |
| 6100 | Selling expenses | 233,828 | 2 | 230,177 | 3 |
| 6200 | Administrative expenses | 338,064 | 4 | 310,512 | 4 |
| 6300 | Research and development expenses | 327,933 | 4 | 343,725 | 4 |
| 6450 | Impairment loss determined in accordance with IFRS 9 (note 6(c)) | <u>181</u> | <u>-</u> | <u>485</u> | <u>-</u> |
| | Total operating expenses | <u>900,006</u> | <u>10</u> | <u>884,899</u> | <u>11</u> |
| | Net operating income | <u>1,082,676</u> | <u>12</u> | <u>973,296</u> | <u>11</u> |
| | Non-operating income and expenses: | | | | |
| 7100 | Interest income (note 6(o)) | 6,903 | - | 12,597 | - |
| 7010 | Other income (notes 6(o) and 7) | 60,074 | 1 | 39,102 | 1 |
| 7020 | Other gains and losses, net (note 6(g)(o)) | (71,648) | (1) | (56,238) | (1) |
| 7050 | Finance costs (notes 6(o) and 7) | <u>(1,042)</u> | <u>-</u> | <u>(900)</u> | <u>-</u> |
| | Total non-operating income and expenses | <u>(5,713)</u> | <u>-</u> | <u>(5,439)</u> | <u>-</u> |
| 7900 | Income before income tax | 1,076,963 | 12 | 967,857 | 11 |
| 7951 | Less: Income tax expenses (note 6(j)) | <u>294,565</u> | <u>3</u> | <u>266,323</u> | <u>3</u> |
| | Profit | <u>782,398</u> | <u>9</u> | <u>701,534</u> | <u>8</u> |
| 8300 | Other comprehensive income: | | | | |
| 8310 | Items that may not be reclassified subsequently to profit or loss: | | | | |
| 8316 | Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income | (44,726) | - | 22,546 | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | Total items that may not be reclassified subsequently to profit or loss | <u>(44,726)</u> | <u>-</u> | <u>22,546</u> | <u>-</u> |
| 8360 | Items that may be reclassified subsequently to profit or loss: | | | | |
| 8361 | Exchange differences on translation | 50,005 | - | (124,916) | (1) |
| 8391 | Other components of other comprehensive income that will be reclassified to profit or loss | (4,371) | - | 3,036 | - |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss | <u>9,127</u> | <u>-</u> | <u>(24,376)</u> | <u>-</u> |
| | Total items that may be reclassified subsequently to profit or loss | <u>36,507</u> | <u>-</u> | <u>(97,504)</u> | <u>(1)</u> |
| 8300 | Other comprehensive income | <u>(8,219)</u> | <u>-</u> | <u>(74,958)</u> | <u>(1)</u> |
| | Total comprehensive income | <u>\$ 774,179</u> | <u>9</u> | <u>\$ 626,576</u> | <u>7</u> |
| | Basic earnings per share (note 6(l)) | | | | |
| | Basic earnings per share (NT Dollars) | <u>\$ 9.06</u> | | <u>8.12</u> | |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION (ORIGINAL NAME : CHAUN-CHOUNG TECHNOLOGY CORPORATION) AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

| | Retained earnings | | | | | Other equity | | | | |
|---|--------------------|--------------------|------------------|--------------------|--|----------------------------|---|--|------------------|------------------|
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Total | Total equity |
| Balance on January 1, 2019 | \$ 863,434 | 531,823 | 616,467 | 130,906 | 1,881,148 | 2,628,521 | (175,147) | (10,335) | (185,482) | 3,838,296 |
| Profit for the year ended December 31, 2019 | - | - | - | - | 701,534 | 701,534 | - | - | - | 701,534 |
| Other comprehensive income for the year ended December 31, 2019 | - | - | - | - | 2,429 | 2,429 | (99,933) | 22,546 | (77,387) | (74,958) |
| Comprehensive income for the year ended December 31, 2019 | - | - | - | - | 703,963 | 703,963 | (99,933) | 22,546 | (77,387) | 626,576 |
| Legal reserve | - | - | 59,561 | - | (59,561) | - | - | - | - | - |
| Special reserve | - | - | - | 54,576 | (54,576) | - | - | - | - | - |
| Cash dividends on ordinary shares | - | - | - | - | (405,814) | (405,814) | - | - | - | (405,814) |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | (40,500) | (40,500) | - | 40,500 | 40,500 | - |
| Balance on December 31, 2019 | <u>863,434</u> | <u>531,823</u> | <u>676,028</u> | <u>185,482</u> | <u>2,024,660</u> | <u>2,886,170</u> | <u>(275,080)</u> | <u>52,711</u> | <u>(222,369)</u> | <u>4,059,058</u> |
| Profit for the year ended December 31, 2020 | - | - | - | - | 782,398 | 782,398 | - | - | - | 782,398 |
| Other comprehensive income for the year ended December 31, 2020 | - | - | - | - | (3,497) | (3,497) | 40,004 | (44,726) | (4,722) | (8,219) |
| Comprehensive income for the year ended December 31, 2020 | - | - | - | - | 778,901 | 778,901 | 40,004 | (44,726) | (4,722) | 774,179 |
| Legal reserve | - | - | 70,153 | - | (70,153) | - | - | - | - | - |
| Special reserve | - | - | - | 36,887 | (36,887) | - | - | - | - | - |
| Cash dividends on ordinary shares | - | - | - | - | (420,492) | (420,492) | - | - | - | (420,492) |
| Balance on December 31, 2020 | <u>\$ 863,434</u> | <u>531,823</u> | <u>746,181</u> | <u>222,369</u> | <u>2,276,029</u> | <u>3,244,579</u> | <u>(235,076)</u> | <u>7,985</u> | <u>(227,091)</u> | <u>4,412,745</u> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(ORIGINAL NAME : CHAUN-CHOUNG TECHNOLOGY CORPORATION) AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| | 2020 | 2019 |
|---|--------------|-----------|
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 1,076,963 | 967,857 |
| Adjustments: | | |
| Adjustments to reconcile profit: | | |
| Depreciation expense | 255,372 | 159,537 |
| Amortization expense | 5,171 | 4,236 |
| Expected credit loss | 181 | 485 |
| Interest expense | 1,042 | 900 |
| Interest revenue | (6,903) | (12,597) |
| Dividend income | (371) | (927) |
| (Gain) loss from disposal of property, plant and equipment | (1,587) | 76,537 |
| Property, plant and equipment transferred to expenses | 799 | 420 |
| Gain on disposal of investment properties | (90,619) | - |
| Unrealized foreign exchange loss | 368 | 4,555 |
| Loss from lease modifications | (151) | - |
| Total adjustments to reconcile profit | 163,302 | 233,146 |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| (Increase) decrease in notes receivable | (1,320) | 36,039 |
| Decrease (increase) in accounts receivable | 206,720 | (215,003) |
| Increase in accounts receivable due from related parties | (606,645) | (156,816) |
| (Increase) decrease in other receivables | (6,752) | 5,216 |
| (Increase) decrease in inventories | (206,418) | 110,106 |
| Increase in prepayments | (58,812) | (9,728) |
| Decrease in other current assets | 14,049 | 100,857 |
| Changes in operating liabilities: | | |
| Increase in accounts payable | 413,329 | 119,958 |
| Increase in accounts payable to related parties | 130,217 | - |
| Increase in other payables | 80,671 | 289,419 |
| (Decrease) increase in other payable to related parties | (30,400) | 39,097 |
| (Decrease) increase in provisions | (526) | 494 |
| Decrease in other current liabilities | (5,339) | (272,549) |
| Decrease in net defined benefit liability | (2,156) | (699) |
| Total changes in operating assets and liabilities | (73,382) | 46,391 |
| Total adjustments | 89,920 | 279,537 |
| Cash inflow generated from operations | 1,166,883 | 1,247,394 |
| Interest received | 6,903 | 12,978 |
| Interest paid | (1,042) | (918) |
| Income taxes paid | (214,258) | (209,457) |
| Net cash flows from operating activities | 958,486 | 1,049,997 |
| Cash flows from (used in) investing activities: | | |
| Acquisition of property, plant and equipment | (648,864) | (425,674) |
| Proceeds from disposal of property, plant and equipment | 18,627 | 2,425 |
| (Increase) decrease in refundable deposits | (40,243) | 3,182 |
| Acquisition of intangible assets | (15,811) | (2,871) |
| Acquisition of right-of-use assets | (85,959) | - |
| Proceeds from disposal of investment properties | 147,913 | - |
| Dividends received | 927 | 1,091 |
| Net cash flows used in investing activities | (623,410) | (421,847) |
| Cash flows from (used in) financing activities: | | |
| Increase (decrease) in short-term borrowings | 313,280 | (100,000) |
| Decrease in guarantee deposits received | (899) | (220) |
| Payments of lease liabilities | (9,371) | (7,358) |
| Cash dividends paid | (420,492) | (405,814) |
| Net cash flows used in financing activities | (117,482) | (513,392) |
| Effect of exchange rate changes on cash and cash equivalents | 86,356 | (99,578) |
| Net increase in cash and cash equivalents | 303,950 | 15,180 |
| Cash and cash equivalents at beginning of period | 1,470,714 | 1,455,534 |
| Cash and cash equivalents at end of period | \$ 1,774,664 | 1,470,714 |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(ORIGINAL NAME : CHAUN-CHOUNG TECHNOLOGY CORPORATION)
AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Nidec Chaun-Choung Technology Corporation, formerly called Chaun-Choung Technology Corporation, (“the Company”) was incorporated in December 14, 1973 as a company limited by shares under the approval of Ministry of Economic Affairs. Its registration address is No. 184-3, Zhongxing N. St., Sanchong Dist., New Taipei City 241, Taiwan (R.O.C.). The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The main business activities of the Group are the manufacturing and merchandising of vapor chamber, heat pipe and thermal module. For more detailed information, please refer to note 16.

A resolution was approved during the shareholder’s meeting held on December 9, 2020 to change the name of the Company from “Chaun- Choung Technology Corporation” to “Nidec Chaun-Choung Technology Corporation”.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issue by the Board of Directors on March 24, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The details of impact on the Group’s adoption of the new amendments beginning January 1, 2020 are as follows:

- (i) Amendments to IAS 1 and IAS 8 “Definition of Material”

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

- (ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Group’s consolidated financial statements:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|---|--|--------------------------------|
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. | January 1, 2023 |
| Amendments to IAS 1 “Disclosure of Accounting Policies” | The key amendments to IAS 1 include: <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. | January 1, 2023 |

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|--|---|--------------------------------|
| Amendments to IAS 8 “Definition of Accounting Estimates” | <p>The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.</p> <p>The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.</p> | January 1, 2023 |

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial assets at fair value through other comprehensive income are measured at fair value;
- 2) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(q).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

| Name of investor | Name of subsidiary | Principal activity | Shareholding | |
|------------------|--|--|-------------------|-------------------|
| | | | December 31, 2020 | December 31, 2019 |
| The Company | Conquer Wisdom Co., Ltd. (the "Conquer") | General investing | 100 % | 100 % |
| The Company | Nidec Chaun Choung Vietnam Corporation (the "NCCV") | Production of thermal components for mobile phones | 100 % | - % |
| Conquer | Nidec Chaun Choung Technology America Inc. (Original name: Chaun Choung Technology America Inc., the "NCCI-USA") | Sale of thermal module for computers | 100 % | 100 % |
| Conquer | GLOBE STAR ENTERPRISE Ltd. (the "GSE") | General investing | 100 % | 100 % |
| GSE | Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. (Original name: Kunshan Jue-Choung Electronics Co.,Ltd., the "NJCF") | Production of thermal module for computers | 100 % | 100 % |
| GSE | Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. (Original name: Chongqing Cyun Siang High-Tech Co., Ltd., the "NCSF") | Production of thermal module for computers | 100 % | 100 % |
| NJCI | Nidec Chiuan-Vector Industrial (Dongguan) Co., Ltd. (Original name: Dongguan Chiuan-Vector Industrial Co.,Ltd., the "NCVI") | Research, development and Sale of thermal components | 100 % | 100 % |

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(i) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. Excluding foreign operations in hyperinflationary economies, the income and expenses of foreign operations, are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

(i) Financial assets

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
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12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
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3) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Non-current assets held-for-sale

In the second quarter of 2020, the Board of Directors approved to dispose the investment property of the Group. All related registration of cancellation of mortgage procedures had been completed on September 9, 2020.

Non-current assets or disposal groups, comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held-for-sale. Immediately before classifying as held-for-sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets or disposal groups are generally measured at the lower of their carrying amount and fair value, less costs to sell.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
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Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- | | | |
|----|------------------|------------|
| 1) | buildings | 3~50 years |
| 2) | machinery | 1~10 years |
| 3) | vehicles | 4~10 years |
| 4) | office equipment | 3~10 years |
| 5) | other equipment | 2~10 years |

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

(l) Leases

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

(m) Intangible assets

(i) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for current and comparative periods are as follows:

- 1) Computer software cost 3~10 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as changes in accounting estimates.

(n) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from inventories, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

At each reporting date, the Group reviews the accumulated impairment of its non-financial assets to determine whether there is any indication of reversal of impairment. If any such indication that the asset's recoverable amount is changed exists, the impairment loss will be reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Revenue recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods—vapor chamber, heat pipe and thermal module

The Group manufactures and sells vapor chamber, heat pipe and thermal module. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales of vapor chamber, heat pipe and thermal module are made with a credit term of 100 days, which is consistent with the market practice.

The Group reduces revenue by the amount of expected returns and recognizes a refund liability. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Group reassesses the estimated amount of expected returns.

The Group's obligation to provide a refund for faulty vapor chamber, heat pipe and thermal module under the standard warranty terms is recognized as a provision for warranty.

2) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(Continued)

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(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on the discounted present value of the said defined benefit obligation. Any unrecognized past service costs and the fair value of any plan assets are deducted for purposes of determining the Group's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

| | December 31, 2020 | December 31, 2019 |
|---|------------------------------|------------------------------|
| Cash on hand | \$ 934 | 739 |
| Demand deposits | 1,771,076 | 1,437,579 |
| Check deposit | 2,654 | 3,036 |
| Time deposits | - | 29,360 |
| Cash and cash equivalents in the consolidated statement of cash flows | <u>\$ 1,774,664</u> | <u>1,470,714</u> |

Please refer to note 6(p) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

As of December 31, 2020 and 2019, the cash and cash equivalents of the Group had not been pledged as collateral for borrowings or lawsuit.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Financial assets at fair value through other comprehensive income

| | <u>December 31,</u> <u>2020</u> | <u>December 31,</u> <u>2019</u> |
|--|------------------------------------|------------------------------------|
| Equity investments at fair value through other comprehensive income: | | |
| Domestic unlisted common shares-Everflow Technology Corporation | <u>\$ 27,983</u> | <u>72,709</u> |

(i) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

During the years ended December 31, 2020 and 2019, the dividends of \$371 thousand and \$927 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2020.

The Group derecognized the equity investments at fair value through other comprehensive income because the investee company, "Asia Carbon Corporation," dissolved at September 12, 2019. The accumulated valuation loss of \$40,500 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.

(ii) For market risk, please refer to note 6(p).

(iii) As of December 31, 2020 and 2019, the financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral.

(c) Notes and accounts receivables

| | <u>December 31,</u> <u>2020</u> | <u>December 31,</u> <u>2019</u> |
|--|------------------------------------|------------------------------------|
| Notes receivable from operating activities | \$ 6,326 | 3,974 |
| Notes receivable from non-operating activities | - | 1,032 |
| Notes receivables | <u>\$ 6,326</u> | <u>5,006</u> |
| Accounts receivables (including related parties) | \$ 3,227,576 | 2,828,670 |
| Less: Loss allowance | <u>(250)</u> | <u>(1,090)</u> |
| Net accounts receivables | <u>\$ 3,227,326</u> | <u>2,827,580</u> |

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information. The loss allowance provisions in Taiwan were determined as follows:

| | December 31, 2020 | | |
|-----------------------------|--------------------------------------|--|---|
| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
| Current | \$ 1,996,705 | 0.00030% | 6 |
| 1 to 30 days past due | 39,061 | 0.03072% | 12 |
| 31 to 120 days past due | 13,955 | 0.16482% | 23 |
| 121 to 180 days past due | 474 | 0.21097% | 1 |
| More than 180 days past due | <u>208</u> | 100% | <u>208</u> |
| | <u>\$ 2,050,403</u> | | <u>250</u> |

| | December 31, 2019 | | |
|-----------------------------|--------------------------------------|--|---|
| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
| Current | \$ 1,728,190 | 0.00029% | 6 |
| 1 to 30 days past due | 32,743 | 0.03054% | 10 |
| 31 to 120 days past due | 3,035 | 0.13180% | 4 |
| 121 to 180 days past due | 5,505 | 0.27248% | 15 |
| More than 180 days past due | <u>624</u> | 100% | <u>624</u> |
| | <u>\$ 1,770,097</u> | | <u>659</u> |

The loss allowance provisions of the oversea entities of the Group were determined as follows:

| | December 31, 2020 | | |
|-----------------------------|--------------------------------------|--|---|
| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
| Current | \$ 1,168,935 | - | - |
| 1 to 30 days past due | 14,341 | - | - |
| 31 to 120 days past due | 223 | - | - |
| 121 to 180 days past due | - | - | - |
| More than 180 days past due | <u>-</u> | 100% | <u>-</u> |
| | <u>\$ 1,183,499</u> | | <u>-</u> |

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
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| | December 31, 2019 | | |
|-----------------------------|--------------------------------------|--|---|
| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
| Current | \$ 1,018,183 | - | - |
| 1 to 30 days past due | 33,511 | - | - |
| 31 to 120 days past due | 11,454 | - | - |
| 121 to 180 days past due | - | - | - |
| More than 180 days past due | 431 | 100% | 431 |
| | \$ 1,063,579 | | 431 |

The movement in the allowance for notes and accounts receivables were as follows:

| | 2020 | 2019 |
|---------------------------------|---------------|--------------|
| Balance at January 1 | \$ 1,090 | 5,014 |
| Impairment losses recognized | 181 | 485 |
| Amounts written off | (1,019) | (4,393) |
| Foreign exchange gains/(losses) | (2) | (16) |
| Balance at December 31 | \$ 250 | 1,090 |

As of December 31, 2020 and 2019, the aforementioned notes and accounts receivables of the Group had not been pledged as collateral.

For further credit risk information, please refer to note 6(p).

(d) Inventories

| | December 31, 2020 | December 31, 2019 |
|-----------------------|------------------------------|------------------------------|
| Raw materials | \$ 251,645 | 158,752 |
| Work in progress | 214,647 | 242,755 |
| Finished goods | 648,065 | 509,957 |
| Merchandise inventory | 90,010 | 86,440 |
| | \$ 1,204,367 | 997,904 |

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019, the loss of inventories recognized in operating costs amounted to \$47,514 thousand and \$67,139 thousand, respectively. The details of the loss of inventories were as follows:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|-------------------------|----------------------|
| Unallocated production overheads | \$ 52,201 | 450 |
| Reversal of write-downs | (87,645) | (10,294) |
| Income from sale of scrap and wastes | (65,558) | (39,898) |
| Loss from scrap | 143,615 | 116,907 |
| Inventory shortage and overage | <u>4,901</u> | <u>(26)</u> |
| Increase in cost of sales | <u><u>\$ 47,514</u></u> | <u><u>67,139</u></u> |

For the years ended December 31, 2020 and 2019, raw material, and changes in the finished goods, merchandise inventory and work in progress recognized as cost of sales amounted to \$7,093,225 thousand and \$6,660,838 thousand, respectively.

As of December 31, 2020 and 2019, the Group did not provide any inventories as collateral for its loans

(e) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the years ended December 31, 2020 and 2019, were as follows:

| | <u>Land</u> | <u>Buildings</u> | <u>Machinery</u> | <u>Vehicles</u> | <u>Office equipment</u> | <u>Other equipment</u> | <u>Construction in progress</u> | <u>Total</u> |
|---------------------------------------|-------------------|------------------|------------------|-----------------|-------------------------|------------------------|---------------------------------|------------------|
| Cost: | | | | | | | | |
| Balance on January 1, 2020 | \$ 210,127 | 897,990 | 597,295 | 9,114 | 122,035 | 176,815 | 162,587 | 2,175,963 |
| Additions | - | 43,756 | 144,105 | 1,613 | 137,503 | 44,737 | 277,150 | 648,864 |
| Disposal | - | (4,426) | (10,812) | (779) | (17,566) | (12,197) | - | (45,780) |
| Reclassification | - | 2,918 | 334,452 | - | (124,944) | (74,593) | (139,273) | (1,440) |
| Effect of movements in exchange rates | - | 13,328 | 9,925 | 119 | 2,883 | 940 | 388 | 27,583 |
| Balance on December 31, 2020 | <u>\$ 210,127</u> | <u>953,566</u> | <u>1,074,965</u> | <u>10,067</u> | <u>119,911</u> | <u>135,702</u> | <u>300,852</u> | <u>2,805,190</u> |
| Balance on January 1, 2019 | \$ 210,127 | 867,702 | 568,738 | 9,430 | 153,766 | 149,981 | 19,267 | 1,979,011 |
| Additions | - | 71,894 | 153,179 | - | 5,813 | 36,795 | 157,993 | 425,674 |
| Disposal | - | (12,203) | (121,708) | - | (33,066) | (11,158) | (2,095) | (180,230) |
| Reclassification | - | - | 8,893 | - | 20 | 3,390 | (12,641) | (338) |
| Effect of movements in exchange rates | - | (29,403) | (11,807) | (316) | (4,498) | (2,193) | 63 | (48,154) |
| Balance on December 31, 2019 | <u>\$ 210,127</u> | <u>897,990</u> | <u>597,295</u> | <u>9,114</u> | <u>122,035</u> | <u>176,815</u> | <u>162,587</u> | <u>2,175,963</u> |

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
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| | <u>Land</u> | <u>Buildings</u> | <u>Machinery</u> | <u>Vehicles</u> | <u>Office equipment</u> | <u>Other equipment</u> | <u>Construction in progress</u> | <u>Total</u> |
|---------------------------------------|-------------------|------------------|------------------|-----------------|-------------------------|------------------------|---------------------------------|------------------|
| Depreciation: | | | | | | | | |
| Balance on January 1, 2020 | \$ - | 330,399 | 225,504 | 5,828 | 26,564 | 89,509 | - | 677,804 |
| Depreciation for the year | - | 58,901 | 141,159 | 1,426 | 6,722 | 33,306 | - | 241,514 |
| Disposal | - | (2,094) | (13,878) | (779) | - | (11,989) | - | (28,740) |
| Reclassification | - | - | 61,820 | - | (5,841) | (54,138) | - | 1,841 |
| Effect of movements in exchange rates | - | 5,796 | 5,370 | 100 | 484 | 352 | - | 12,102 |
| Balance on December 31, 2020 | <u>\$ -</u> | <u>393,002</u> | <u>419,975</u> | <u>6,575</u> | <u>27,929</u> | <u>57,040</u> | <u>-</u> | <u>904,521</u> |
| Balance on January 1, 2019 | \$ - | 299,333 | 241,736 | 4,611 | 32,427 | 71,412 | - | 649,519 |
| Depreciation for the year | - | 47,307 | 58,368 | 1,423 | 12,424 | 29,403 | - | 148,925 |
| Disposal | - | (5,117) | (68,821) | - | (17,247) | (10,083) | - | (101,268) |
| Reclassification | - | - | 25 | - | (17) | 74 | - | 82 |
| Effect of movements in exchange rates | - | (11,124) | (5,804) | (206) | (1,023) | (1,297) | - | (19,454) |
| Balance on December 31, 2019 | <u>\$ -</u> | <u>330,399</u> | <u>225,504</u> | <u>5,828</u> | <u>26,564</u> | <u>89,509</u> | <u>-</u> | <u>677,804</u> |
| Carrying amounts: | | | | | | | | |
| Balance on December 31, 2020 | <u>\$ 210,127</u> | <u>560,564</u> | <u>654,990</u> | <u>3,492</u> | <u>91,982</u> | <u>78,662</u> | <u>300,852</u> | <u>1,900,669</u> |
| Balance on December 31, 2019 | <u>\$ 210,127</u> | <u>567,591</u> | <u>371,791</u> | <u>3,286</u> | <u>95,471</u> | <u>87,306</u> | <u>162,587</u> | <u>1,498,159</u> |

As of December 31, 2020, the Group did not provide any property, plant and equipment as collaterals for its loans. As of December 31, 2019, the property, plant and equipment of the Group had been pledged as collateral for borrowings, please refer to note 8.

(f) Right-of-use assets

| | <u>Land</u> | <u>Buildings</u> | <u>Vehicles</u> | <u>Office equipment</u> | <u>Total</u> |
|--|-------------------|------------------|-----------------|-------------------------|----------------|
| Cost: | | | | | |
| Balance at January 1, 2020 | \$ 114,143 | 13,288 | 3,408 | 5,883 | 136,722 |
| Additions | 85,959 | 62,939 | 1,024 | - | 149,922 |
| Disposal | - | (1,319) | (694) | (3,419) | (5,432) |
| Reclassification | - | - | 728 | - | 728 |
| Effect of movements in exchange rates | 1,911 | - | - | (134) | 1,777 |
| Balance at December 31, 2020 | <u>\$ 202,013</u> | <u>74,908</u> | <u>4,466</u> | <u>2,330</u> | <u>283,717</u> |
| Balance at January 1, 2019 | \$ 118,571 | 4,712 | 926 | 5,308 | 129,517 |
| Additions | - | 8,576 | 3,442 | 703 | 12,721 |
| Disposal | - | - | (960) | - | (960) |
| Effect of movements in exchange rates | (4,428) | - | - | (128) | (4,556) |
| Balance at December 31, 2019 | <u>\$ 114,143</u> | <u>13,288</u> | <u>3,408</u> | <u>5,883</u> | <u>136,722</u> |
| Accumulated depreciation and impairment losses: | | | | | |
| Balance at January 1, 2020 | \$ 19,284 | 5,339 | 378 | 848 | 25,849 |
| Depreciation for the year | 3,933 | 7,307 | 1,413 | 693 | 13,346 |
| Disposal | - | (659) | (694) | (810) | (2,163) |
| Reclassification | - | - | 728 | - | 728 |
| Effect of movements in exchange rates | 313 | - | - | (29) | 284 |
| Balance at December 31, 2020 | <u>\$ 23,530</u> | <u>11,987</u> | <u>1,825</u> | <u>702</u> | <u>38,044</u> |

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Notes to the Consolidated Financial Statements

| | <u>Land</u> | <u>Buildings</u> | <u>Vehicles</u> | <u>Office equipment</u> | <u>Total</u> |
|---------------------------------------|-------------------|------------------|-----------------|-----------------------------|----------------|
| Balance at January 1, 2019 | \$ 17,653 | - | - | - | 17,653 |
| Depreciation for the year | 2,380 | 5,339 | 1,338 | 873 | 9,930 |
| Disposal | - | - | (960) | - | (960) |
| Effect of movements in exchange rates | (749) | - | - | (25) | (774) |
| Balance at December 31, 2019 | <u>\$ 19,284</u> | <u>5,339</u> | <u>378</u> | <u>848</u> | <u>25,849</u> |
| Carrying amount: | | | | | |
| Balance at December 31, 2020 | <u>\$ 178,483</u> | <u>62,921</u> | <u>2,641</u> | <u>1,628</u> | <u>245,673</u> |
| Balance at December 31, 2019 | <u>\$ 94,859</u> | <u>7,949</u> | <u>3,030</u> | <u>5,035</u> | <u>110,873</u> |

For the new factory construction plans, NCCV obtained the land use rights in Vietnam at the amount of \$85,959 thousand, with lease term maturing at the end of August 2060.

(g) Investment property

| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
|----------------------------------|------------------|------------------|-------------------|
| Cost: | | | |
| Balance at January 1, 2020 | \$ 36,370 | 34,776 | 71,146 |
| Additions | (36,370) | (34,776) | (71,146) |
| Balance at December 31, 2020 | <u>\$ -</u> | <u>-</u> | <u>-</u> |
| Balance at January 1, 2019 | <u>\$ 36,370</u> | <u>34,776</u> | <u>71,146</u> |
| Balance at December 31, 2019 | <u>\$ 36,370</u> | <u>34,776</u> | <u>71,146</u> |
| Accumulated depreciation: | | | |
| Balance at January 1, 2020 | \$ - | 13,340 | 13,340 |
| Depreciation for the year | - | 512 | 512 |
| Disposal | - | (13,852) | (13,852) |
| Balance at December 31, 2020 | <u>\$ -</u> | <u>-</u> | <u>-</u> |
| Balance at January 1, 2019 | <u>\$ -</u> | <u>12,658</u> | <u>12,658</u> |
| Depreciation for the year | - | 682 | 682 |
| Balance at December 31, 2019 | <u>\$ -</u> | <u>13,340</u> | <u>13,340</u> |
| Carrying amount: | | | |
| Balance at December 31, 2020 | <u>\$ -</u> | <u>-</u> | <u>-</u> |
| Balance at December 31, 2019 | <u>\$ 36,370</u> | <u>21,436</u> | <u>57,806</u> |
| Fair value: | | | |
| Balance at December 31, 2019 | | | <u>\$ 141,396</u> |

The Group classifies its land and building as investment property with the intention of earning a return on the investment, either through rental income, the future resale of the property, or both.

The fair value of investment property is based on the appraisal report of the independent professionals or publicly available average price of recent transactions.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
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On May 11, 2020, the Board of Directors approved to dispose the investment property of the Group. All related registration of cancellation of mortgage procedures had been completed on September 9, 2020. Once an investment property is classified as held-for-sale, it is no longer depreciated. On October 16, 2020, the Group disposed its property to Kuan Chynan Industrial Co., Ltd. at the amount of \$147,913 thousand. For the gain and loss on the disposal of investment property, please refer to note(o).

As of December 31, 2020 and 2019, the investment property of the Group had been pledged as collateral for its borrowings, please refer to note 8.

(h) Short-term borrowings from related parties

The short-term borrowings were summarized as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Unsecured short-term borrowings from related parties | \$ 313,280 | - |
| Short-term borrowings | <u>\$ 313,280</u> | <u>-</u> |
| Unused credit lines | <u>\$ 578,300</u> | <u>1,213,880</u> |
| Range of interest rates | <u>0.57038%~0.60613%</u> | <u>-</u> |

On August 24, 2020, Nidec Corporation agreed to make a loan to the Group in the amount of USD11,000 thousand. The loan will be due on June 30, 2021. The interest expense for the year amounted to \$673 thousand.

For the collateral for short-term borrowings, please refer to note 8.

(i) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Present value of the defined benefit obligations | \$ 57,189 | 53,314 |
| Fair value of plan assets | (53,737) | (52,078) |
| Net defined benefit liabilities | <u>\$ 3,452</u> | <u>1,236</u> |

The Group's employee benefit liabilities were as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--------------------------------|--------------------------|--------------------------|
| Compensated absences liability | <u>\$ 10,463</u> | <u>7,787</u> |

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The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$53,737 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

| | <u>2020</u> | <u>2019</u> |
|--|------------------|----------------|
| Defined benefit obligations at January 1 | \$ 53,314 | 58,085 |
| Current service costs and interest cost | 1,298 | 1,846 |
| Remeasurements loss (gain): | | |
| – Return on plan assets (excluding interest income) | 3,458 | 3,482 |
| – Actuarial loss (gain) arising from financial assumptions | 2,486 | (4,832) |
| Benefits paid | <u>(3,367)</u> | <u>(5,267)</u> |
| Defined benefit obligations at December 31 | <u>\$ 57,189</u> | <u>53,314</u> |

3) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Group were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|------------------|----------------|
| Fair value of plan assets at January 1 | \$ 52,078 | 53,115 |
| Interest income | 595 | 739 |
| Remeasurements loss (gain): | | |
| – Return on plan assets (excluding interest income) | 1,573 | 1,686 |
| Contributions paid by the employer | 1,754 | 1,805 |
| Benefits paid | <u>(2,263)</u> | <u>(5,267)</u> |
| Fair value of plan assets at December 31 | <u>\$ 53,737</u> | <u>52,078</u> |

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|---------------|--------------|
| Current service costs | \$ 700 | 1,050 |
| Net interest of net liabilities for defined benefit obligations | <u>3</u> | <u>57</u> |
| | <u>\$ 703</u> | <u>1,107</u> |
| | <u>2020</u> | <u>2019</u> |
| Operating cost | \$ 36 | 57 |
| Administration expenses | <u>667</u> | <u>1,050</u> |
| | <u>\$ 703</u> | <u>1,107</u> |

5) Remeasurement of net defined benefit liability recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2020 and 2019, was as follows:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|--------------------|----------------|
| Accumulated amount at January 1 | \$ (9,938) | (12,367) |
| Recognized during the period | <u>(3,497)</u> | <u>2,429</u> |
| Accumulated amount at December 31 | <u>\$ (13,435)</u> | <u>(9,938)</u> |

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------------------|------------------------------|------------------------------|
| Discount rate | 0.750 % | 1.125 % |
| Future salary increase rate | 1.000 % | 1.000 % |

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$1,822 thousand.

The weighted average lifetime of the defined benefits plans is 17.01 years.

7) Sensitivity analysis

When calculating the present value of defined benefit obligation, the Group must use judgment and estimates to determine the relevant actuarial assumptions at the balance sheet date, including discount rate, employee turnover rate, and future salary increase rate. Any change in actuarial assumptions could materially affect the amount of the Group's defined benefit obligation.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

| | Influences of defined benefit obligations | |
|---|--|----------------------------|
| | Increased 0.25% | Decreased 0.25% |
| December 31, 2020 | | |
| Discount rate (0.25% variation) | \$ (1,676) | 1,751 |
| Future salary increasing rate (0.25% variation) | 1,716 | (1,652) |
| December 31, 2019 | | |
| Discount rate (0.25% variation) | 208 | (1,974) |
| Future salary increasing rate (0.25% variation) | (2,001) | (5,412) |

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of net defined benefit liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Group allocates 6.00% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The domestic companies of the Group which pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$13,284 thousand and \$10,106 thousand for the years ended December 31, 2020 and 2019, respectively.

The overseas subsidiaries of the Group which pension costs recognized in accordance with local government regulations amounted to \$30,156 thousand and \$33,575 thousand for the years ended December 31, 2020 and 2019, respectively.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Income taxes

(i) Income tax expense

The components of income tax in the years 2020 and 2019 were as follows:

| | <u>2020</u> | <u>2019</u> |
|----------------------|-------------------|----------------|
| Current tax expense | \$ 83,708 | 197,154 |
| Deferred tax expense | 210,857 | 69,169 |
| Income tax expense | <u>\$ 294,565</u> | <u>266,323</u> |

Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows.

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|----------------|
| Profit excluding income tax | <u>\$ 1,076,963</u> | <u>967,857</u> |
| Income tax using the Company's domestic tax rate | \$ 215,393 | 193,571 |
| Effect of tax rates in foreign jurisdiction | 35,453 | 26,142 |
| Effect of tax on foreign investment income recognized under equity method | (12,643) | (8,867) |
| Non-deductible expenses | 1,101 | (7,097) |
| Tax incentives | (53,965) | (28,170) |
| Difference between estimate and assessment | (15,106) | 3,989 |
| Under-estimation (over-estimation) from prior periods | 16,516 | (5,660) |
| Additional tax on undistributed earnings | 6,797 | 5,766 |
| Land Value Increment Tax | 696 | - |
| Others | 100,323 | 86,649 |
| Total | <u>\$ 294,565</u> | <u>266,323</u> |

The Group's tax expenses recognized in other comprehensive income for the years ended December 31, 2020 and 2019, was as follows:

(ii)

| | <u>2020</u> | <u>2019</u> |
|--|------------------|-----------------|
| Items that may not be reclassified subsequently to profit or loss: | | |
| Remeasurements (gain) loss | <u>\$ (874)</u> | <u>607</u> |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation | <u>\$ 10,001</u> | <u>(24,983)</u> |

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

Deferred Tax Liabilities:

| | Investment income recognized under equity method | Cumulative translation adjustments | Reserve revaluation increment tax | Others | Total |
|--|--|--|---|---------------|----------------|
| Balance at January 1, 2020 | \$ 431,398 | - | 26,241 | 1,877 | 459,516 |
| Recognized in profit or loss | 98,414 | - | - | 61,989 | 160,403 |
| Foreign currency translation differences for foreign operations | - | - | - | 1,201 | 1,201 |
| Balance at December 31, 2020 | <u>\$ 529,812</u> | <u>-</u> | <u>26,241</u> | <u>65,067</u> | <u>621,120</u> |
| Balance at January 1, 2019 | \$ 359,690 | - | 26,241 | 1,737 | 387,668 |
| Recognized in profit or loss | 71,708 | - | - | 140 | 71,848 |
| Balance at December 31, 2019 | <u>\$ 431,398</u> | <u>-</u> | <u>26,241</u> | <u>1,877</u> | <u>459,516</u> |

Deferred Tax Assets:

| | Allowance for inventory valuation and obsolescence losses | Unrealized gain from downstream transaction | Cumulative translation adjustments | Others | Total |
|--|--|---|--|---------------|----------------|
| Balance at January 1, 2020 | \$ 24,575 | 11,824 | 50,561 | 28,468 | 115,428 |
| Recognized in profit or loss | (19,507) | (9,461) | - | (21,486) | (50,454) |
| Recognized directly in equity | - | - | (10,001) | 874 | (9,127) |
| Foreign currency translation differences for foreign operations | (32) | - | - | (101) | (133) |
| Balance at December 31, 2020 | <u>\$ 5,036</u> | <u>2,363</u> | <u>40,560</u> | <u>7,755</u> | <u>55,714</u> |
| Balance at January 1, 2019 | \$ 20,946 | 18,302 | 25,579 | 25,017 | 89,844 |
| Recognized in profit or loss | 3,958 | (6,478) | - | 5,199 | 2,679 |
| Recognized directly in equity | - | - | 24,982 | (606) | 24,376 |
| Foreign currency translation differences for foreign operations | (329) | - | - | (1,142) | (1,471) |
| Balance at December 31, 2019 | <u>\$ 24,575</u> | <u>11,824</u> | <u>50,561</u> | <u>28,468</u> | <u>115,428</u> |

(iv) Assessment of tax

The Company's tax returns for the years through 2018 were assessed by the R.O.C. tax authority.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Capital and other equity

(i) Ordinary shares

As of December 31, 2020 and 2019, the Company's government-registered total authorized capital both amounted to \$1,200,000 thousand, and total issued capital stock both amounted to \$863,434 thousand, divided into 86,343 thousand shares of stock with \$10 par value per share.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2020 and 2019, were as follows:

| | December 31, 2020 | December 31, 2019 |
|---------------------|------------------------------|------------------------------|
| Share capital | \$ 376,600 | 376,600 |
| Conversion of bonds | 155,223 | 155,223 |
| | \$ 531,823 | 531,823 |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The distribution of retained earnings of the Company should not be less than 15% of the net income. In addition, the stock dividends shall not be more than 80% of total dividends and the cash dividends shall not be less than 20% of total dividends when distributing the dividends.

1) Legal reserve

According to the R.O.C. Company Act the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Special reserve

As the Company opted to avail of the exemptions allowed under IFRS 1 “First-time Adoption of International Financial Reporting Standards” during the Company’s first-time adoption of the IFRSs as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments (gain) which were previously recognized in shareholders’ equity were reclassified to retained earnings. According to regulations, retained earnings would be increased by \$84,833 thousand, by recognizing the fair value on the adoption date as deemed cost. In accordance with Ruling No.1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first time adoption of the IFRSs shall be reclassified as a special reserve during earning distribution, and when the relevant assets were used, disposed of or reclassified, this special reserve shall be reversed as distributable earnings proportionately. The balance of special reserve amounted to \$222,369 thousand and \$185,482 thousand as of December 31, 2020 and 2019, respectively.

In accordance with Ruling mentioned above, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders’ equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders’ equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders’ equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2019 and 2018 was decided by the resolution adopted, at the general meeting of shareholders held on June 22, 2020 and June 24, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

| | <u>2019</u> | | <u>2018</u> | |
|---|-------------------------|-----------------------|-------------------------|-----------------------|
| | <u>Amount per share</u> | <u>Total amount</u> | <u>Amount per share</u> | <u>Total amount</u> |
| Dividends distributed to ordinary shareholders: | | | | |
| Cash | \$ 4.87 | <u><u>420,492</u></u> | 4.70 | <u><u>405,814</u></u> |

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Other equity accounts, net of tax

| | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total |
|---|---|---|------------------|
| Balance on January 1, 2020 | \$ (275,080) | 52,711 | (222,369) |
| Exchange differences on translation of foreign financial statements, net of tax | 40,004 | - | 40,004 |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | - | (44,726) | (44,726) |
| Balance on December 31, 2020 | <u>\$ (235,076)</u> | <u>7,985</u> | <u>(227,091)</u> |
| Balance on January 1, 2019 | \$ (175,147) | (10,335) | (185,482) |
| Exchange differences on translation of foreign financial statements, net of tax | (99,933) | - | (99,933) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | - | 22,546 | 22,546 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | 40,500 | 40,500 |
| Balance on December 31, 2019 | <u>\$ (275,080)</u> | <u>52,711</u> | <u>(222,369)</u> |

(l) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2020 and 2019, were based on the profit attributable to ordinary shareholders of the Company of \$782,398 thousand and \$701,534 thousand, respectively, and the weighted average number of ordinary shares outstanding of 86,343 thousand shares, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|----------------|
| Profit attributable to ordinary shareholders of the Company | <u>\$ 782,398</u> | <u>701,534</u> |

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2) Weighted average number of ordinary shares

| | <u>2020</u> | <u>2019</u> |
|---|------------------|---------------|
| Issued ordinary shares at January 1 | <u>86,343</u> | <u>86,343</u> |
| Weighted average number of ordinary shares at December 31 | <u>\$ 86,343</u> | <u>86,343</u> |

Considering the employee profit sharing plan and the dividend payout experience in the most recent 2 year, the Company paid the cash bonus and the cash dividends. As the result, the basic earnings per share and the diluted earnings per share were the same for the years ended, 2020 and 2019.

(m) Revenue from contracts with customers

(i) Details of revenue

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|---------------------|------------------|
| Primary geographical markets: | | |
| Chinese mainland | \$ 6,096,371 | 4,743,478 |
| Taiwan | 1,034,074 | 1,400,672 |
| Singapore | 468,674 | 702,726 |
| Malaysia | 601,772 | 517,392 |
| United States | 267,143 | 442,220 |
| Others | <u>655,387</u> | <u>779,684</u> |
| | <u>\$ 9,123,421</u> | <u>8,586,172</u> |
| Major products: | | |
| Thermal module | \$ 6,416,095 | 6,338,744 |
| Thermal products | 1,682,927 | 1,504,308 |
| Others | <u>1,024,399</u> | <u>743,120</u> |
| | <u>\$ 9,123,421</u> | <u>8,586,172</u> |

(ii) Contract balances

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> | <u>January 1, 2019</u> |
|--|------------------------------|------------------------------|----------------------------|
| Notes receivables from operating activities | \$ 6,326 | 3,974 | 40,478 |
| Accounts receivables (including related parties) | 3,227,576 | 2,828,670 | 2,461,244 |
| Less: allowance for impairment | <u>(250)</u> | <u>(1,090)</u> | <u>(5,014)</u> |
| Total | <u>\$ 3,233,652</u> | <u>2,831,554</u> | <u>2,496,708</u> |

For details on accounts receivables and allowance for impairment, please refer to note 6(c).

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(n) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 3% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$30,360 thousand and \$46,000 thousand, and directors' and supervisors' remuneration amounting to \$3,300 thousand and \$5,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. The related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019. For the year ended December 31, 2020, the difference between the amount stated in the financial statements and the amount to be distributed, approved by Board of Directors, is as follows:

| | 2020 | | |
|--|--|---|--------------------|
| | The amount to be distributed approved by Board of Directors | The amount stated in the financial statement | Differences |
| Employee remuneration | \$ 28,847 | 30,360 | (1,513) |
| Director and supervisor's remuneration | 3,300 | 3,300 | - |
| | <u>\$ 32,147</u> | <u>33,660</u> | <u>(1,513)</u> |

(o) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

| | 2020 | 2019 |
|------------------------------------|-----------------|---------------|
| Interest income from bank deposits | \$ 6,903 | 12,597 |
| | <u>\$ 6,903</u> | <u>12,597</u> |

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(ii) Other income

The details of other income were as follows:

| | <u>2020</u> | <u>2019</u> |
|----------------------|-------------------------|----------------------|
| Rental income | \$ 3,324 | 4,199 |
| Dividend income | 371 | 927 |
| Other income, others | <u>56,379</u> | <u>33,976</u> |
| | <u>\$ 60,074</u> | <u>39,102</u> |

(iii) Other gains and losses

The details of other gains and losses were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------------|------------------------|
| Loss on disposal of property, plant and equipment | \$ (1,587) | (76,537) |
| Gain on disposal of investment property | 90,619 | - |
| Foreign currency exchange (loss) gain | (154,328) | 28,858 |
| Depreciation of investment property | (512) | (682) |
| Others | <u>(5,840)</u> | <u>(7,877)</u> |
| | <u>\$ (71,648)</u> | <u>(56,238)</u> |

(iv) Finance costs

The details of finance costs were as follows:

| | <u>2020</u> | <u>2019</u> |
|--|------------------------|-------------------|
| Interest expense | \$ 673 | 410 |
| Amortization interest of lease liabilities | 365 | 483 |
| Other finance costs | <u>4</u> | <u>7</u> |
| | <u>\$ 1,042</u> | <u>900</u> |

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(p) Financial instruments

(i) Categories of financial instruments

1) Financial assets

| | December 31, 2020 | December 31, 2019 |
|---|------------------------------|------------------------------|
| Financial assets at fair value through other comprehensive income | \$ <u>27,983</u> | <u>72,709</u> |
| Financial assets at amortized cost (loans and receivables) | | |
| Cash and cash equivalents | 1,774,664 | 1,470,714 |
| Notes and accounts receivables (including related parties) | 3,233,652 | 2,832,586 |
| Other receivables (including related parties) | <u>61,827</u> | <u>2,041</u> |
| Subtotal | <u>5,070,143</u> | <u>4,305,341</u> |
| Total | <u>\$ 5,098,126</u> | <u>4,378,050</u> |

2) Financial liabilities

| | December 31, 2020 | December 31, 2019 |
|---|------------------------------|------------------------------|
| Financial liabilities at amortized cost | | |
| Short-term borrowings from related parties | \$ 313,280 | - |
| Accounts payables (including related parties) | 2,534,453 | 1,990,907 |
| Other payables (including related parties) | 663,450 | 637,547 |
| Lease liabilities | <u>67,216</u> | <u>16,175</u> |
| Total | <u>\$ 3,578,399</u> | <u>2,644,629</u> |

(ii) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. December 31, 2020 and 2019, the Group's exposure to credit risk and the maximum exposure were mainly from notes and accounts receivables and other receivables, the amount is \$3,295,479 thousand and \$2,834,627 thousand, respectively.

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2) Concentration of credit risk

The major customers of the Group are centralized in the high-tech computer industry. To minimize credit risk, the Group periodically evaluates the Group's financial positions and the possibility of collecting accounts receivables. Besides, the Group monitors and reviews the recoverable amount of the accounts receivables to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2020 and 2019, 35% and 31%, respectively, of accounts receivables were three major customers. Thus, credit risk is significantly centralized.

3) Credit risk of receivables

For credit risk exposure of notes and accounts receivables, please refer to note 6(c).

Other financial assets at amortized cost includes other receivables.

All of other receivables are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g). For the years ended December 31, 2020 and 2019, no allowance for impairment were provided because there was no indication of credit-impaired for other receivables.

(iii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

| | Carrying amount | Contractual cash flows | Within 6 months | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|---|---------------------|---------------------------|--------------------|----------------|-----------------|-----------------|----------------------|
| December 31, 2020 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Short-term borrowings from related parties | \$ 313,280 | (314,202) | (314,202) | - | - | - | - |
| Accounts payables (including related parties) | 2,534,453 | (2,534,453) | (2,534,453) | - | - | - | - |
| Other payables (including related parties) | 663,450 | (663,450) | (663,450) | - | - | - | - |
| Lease liabilities | 67,216 | (68,295) | (9,179) | (8,866) | (15,894) | (34,356) | - |
| | <u>\$ 3,578,399</u> | <u>(3,580,400)</u> | <u>(3,521,284)</u> | <u>(8,866)</u> | <u>(15,894)</u> | <u>(34,356)</u> | <u>-</u> |
| December 31, 2019 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Accounts payables (including related parties) | \$ 1,990,907 | (1,990,907) | (1,990,907) | - | - | - | - |
| Other payables (including related parties) | 637,547 | (637,547) | (637,547) | - | - | - | - |
| Lease liabilities | 16,175 | (17,011) | (4,562) | (4,538) | (3,551) | (4,028) | (332) |
| | <u>\$ 2,644,629</u> | <u>(2,645,465)</u> | <u>(2,633,016)</u> | <u>(4,538)</u> | <u>(3,551)</u> | <u>(4,028)</u> | <u>(332)</u> |

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The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iv) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk were as follows:

| | December 31, 2020 | | | December 31, 2019 | | |
|------------------------------|---------------------|------------------|-----------|---------------------|------------------|-----------|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | \$ 121,625 | 28.480 | 3,463,880 | 96,745 | 29.980 | 2,900,415 |
| CNY | 6,211 | 4.377 | 27,186 | 1,729 | 4.305 | 7,443 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | 40,595 | 28.480 | 1,156,146 | 30,157 | 29.980 | 904,107 |
| CNY | 4,975 | 4.377 | 21,776 | 2,844 | 4.305 | 12,243 |

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, loans and borrowings; and accounts and other payables that are denominated in foreign currency. A weakening of 1% of the NTD against the USD and CNY as of December 31, 2019 and 2018 would have increased the net income before tax by \$23,131 thousand and \$19,915 thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2020 and 2019.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(154,328) thousand and \$28,858 thousand, respectively.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1% basis points, the Group's net income would have decreased / increased by \$2,506 thousand and \$0 thousand, respectively, for the years ended December 31, 2020 and 2019 with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(vi) Fair value of financial instruments

1) Fair value hierarchy

The financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value and lease liabilities, disclosure of fair value information is not required:

| | December 31, 2020 | | | | |
|---|--------------------------|-------------------|----------------|----------------|---------------|
| | Book Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 1,774,664 | - | - | - | - |
| Notes and accounts receivable (including related parties) | 3,233,652 | - | - | - | - |
| Other receivables (including related parties) | 61,827 | - | - | - | - |
| Financial assets at fair value through other comprehensive income | <u>27,983</u> | <u>-</u> | <u>-</u> | <u>27,983</u> | <u>27,983</u> |
| Total | <u>\$ 5,098,126</u> | <u>-</u> | <u>-</u> | <u>27,983</u> | <u>27,983</u> |

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
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| | December 31, 2020 | | | | |
|---|--------------------------|-------------------|----------------|----------------|--------------|
| | Book Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial liabilities at amortized cost | | | | | |
| Short-term borrowings from related parties | \$ 313,280 | - | - | - | - |
| Accounts payables (including related parties) | 2,534,453 | - | - | - | - |
| Other payables (including related parties) | 663,450 | - | - | - | - |
| Lease liabilities | 67,216 | - | - | - | - |
| Total | \$ 3,578,399 | - | - | - | - |

| | December 31, 2019 | | | | |
|---|--------------------------|-------------------|----------------|----------------|---------------|
| | Book Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 1,470,714 | - | - | - | - |
| Notes and accounts receivable (including related parties) | 2,832,586 | - | - | - | - |
| Other receivables (including related parties) | 2,041 | - | - | - | - |
| Financial assets at fair value through other comprehensive income | 72,709 | - | - | 72,709 | 72,709 |
| Total | \$ 4,378,050 | - | - | 72,709 | 72,709 |
| Financial liabilities at amortized cost | | | | | |
| Accounts payables (including related parties) | \$ 1,990,907 | - | - | - | - |
| Other payables (including related parties) | 637,547 | - | - | - | - |
| Lease liabilities | 16,175 | - | - | - | - |
| Total | \$ 2,644,629 | - | - | - | - |

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
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2) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Fair value of the Group's financial instruments that have an active market is displayed by category and attribute as follows:

The listed callable bonds, listed stocks, bill of exchange and corporate bonds are financial assets and liabilities with standard transaction terms and conditions, and traded on active market. The fair value of such items is determined in reference to the quoted market price.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

Fair value of the Group's financial instruments that without an active market is displayed by category and attribute as follows:

Equity instruments without an open quoted price: Fair value is estimated using the approach of comparative companies. The main assumptions are the estimated EBITDA of the investee, and the earnings multiplier derived from the quoted price of a comparative publicly listing company. Such estimate has been adjusted by the discount due from the lack of market circulation of the equity securities.

3) Transfers between Level 1 and Level 2

There were no transfers between levels of fair value hierarchy for the years ended December 31, 2020 and 2019.

4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value is fair value through other comprehensive income – equity investments.

The equity investments without active market has multiple significant unobservable inputs. The significant unobservable inputs are independent of each other, and no interrelationship exists.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
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Quantified information of significant unobservable inputs was as follows:

| Item | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value |
|---|------------------------------------|--|--|
| Financial assets at fair value through other comprehensive income-equity investments without an active market | Market comparable companies method | Discount rate for lack of market circulation (25% as of December 31, 2020 and 2019) | The higher the discount rate for lack of market circulation, the lower the fair value. |

vii) Other pricing risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

| Price of securities at the reporting date | 2020 | | 2019 | |
|---|--|--------------------------|--|--------------------------|
| | Other comprehensive profit or loss after tax | Profit or loss after tax | Other comprehensive profit or loss after tax | Profit or loss after tax |
| Increased by 1% | \$ 280 | - | 727 | - |
| Decreased by 1% | \$ (280) | - | (727) | - |

(q) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Chairman's office and Group operations center, which are responsible for developing and monitoring the Group's risk management policies.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customer.

1) Accounts and other receivable

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Group; these limits are reviewed regularly. No collateral required for accounts and other receivable. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Clients who transaction with the Group has few experiences on default losses. When monitoring customers' credit risk, customers are grouped according to its credit characteristics, including whether it is an individual or a legal entity, geographical distinction, industry, aging schedule, maturity date and previously existing financial difficulties. Customers who are rated as high risk are classified as restricted and these customers may transact with the Group only on a prepayment basis.

The Group established an impairment allowance that represents its estimate of incurred losses in respect of accounts and other receivables, as well as investments. Major components of this impairment allowance are specific losses related to individually significant exposure and collective losses which have incurred but have not been identified. The collective losses are based on historical payment experience of similar financial assets.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries.

As of December 31, 2020 and 2019, the Group did not provide financial guarantees to other third parties.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group depend its accounting policy to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities (other than accounts payables) over the succeeding 60 days. The Group also monitors the level of expected cash outflows on accounts and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2020 and 2019, the Group's unused credit line were amounted to \$578,300 thousand and \$1,213,880 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Board of Directors.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the NTD, US Dollar (USD), and Chinese Yuan (CNY). The currencies used in these transactions are the NTD, USD, and CNY.

Loan interest is denominated in the currency of the loan. Generally, the currency of the borrowings is the same as the currency of the cash flows from operating activities, which is mainly NTD and USD. As a result, economic hedging is provided, and without signing derivatives, so the Group doesn't apply hedge accounting.

2) Interest rate risk

The Group holds floating interest rate of assets and liabilities, and thus suffer from cash flow interest rate risk exposure. The detail of floating interest rate of the Group's assets and liabilities, please refer to note "liquidity risk management".

3) Other market price risk

The Group doesn't sign merchandise contract except for meeting the expected consumption and sales demand.

(r) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain the future development of the business. The capital includes ordinary shares, capital surplus and retained earnings. The Board monitors the return on capital and controls the level of common stock dividends.

The Group monitors funds by regularly review debt-to-equity ratio. As of December 31, 2020 and 2019, the Group's debt-to-equity ratio is as follows:

| | December 31, 2020 | December 31, 2019 |
|---------------------------------|------------------------------|------------------------------|
| Total liabilities | \$ 4,298,743 | 3,207,917 |
| Less: cash and cash equivalents | <u>(1,774,664)</u> | <u>(1,470,714)</u> |
| Net debt | <u>\$ 2,524,079</u> | <u>1,737,203</u> |
| Total equity | <u>\$ 4,412,745</u> | <u>4,059,058</u> |
| Debt-to-equity ratio | <u>57.20 %</u> | <u>42.80 %</u> |

(Continued)

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Notes to the Consolidated Financial Statements

(7) Related-party transactions

(a) Parent company and ultimate controlling company

Nidec Corporation is both the parent company and the ultimate controlling party of the Company. As of December 31, 2020 and 2019, it owns 67.02% and 52.14% of all shares outstanding of the Company, respectively. Nidec Corporation has issued the consolidated financial statements available for public use.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

| <u>Name of related party</u> | <u>Relationship with the Group</u> |
|--|--|
| Nidec Corporation | The parent company |
| Nidec Machinery Corporation | The Group's other related parties |
| Nidec Precision (Thailand) Co., Ltd | The Group's other related parties |
| Nidec America Corporation | The Group's other related parties |
| Nidec Sankyo Corporation | The Group's other related parties |
| Nidec Management Shanghai Corporation | The Group's other related parties |
| Nidec Sankyo (H.K.) Co., Limited | The Group's other related parties |
| Nidec (H.K.) Co., Limited | The Group's other related parties |
| Nidec Machinery (Zhejiang) Corporation | The Group's other related parties |
| Nidec Taiwan Corporation | The Group's other related parties |
| Nidec Seimitsu Motor Technology (Dongguan) Co., Ltd. | The Group's other related parties |
| Nidec (Dalian) Limited | The Group's other related parties |
| Nidec (Shenzhen) Co., Ltd. | The Group's other related parties |
| Nidec (Zhejiang) Corporation | The Group's other related parties |
| Nidec (Shanghai) International Trading Co., Ltd. | The Group's other related parties |
| Create Area Interior Design Co., Ltd. | The Group's other related parties |
| Nidec Copal (Zhejiang) Co., Ltd. | The Group's other related parties |
| Shanghai Lvyao Energy Technology Co., Ltd. | The Group's other related parties (Note) |
| Suzhou Zhuoyao Intelligent Technology Co., Ltd. | The Group's other related parties (Note) |

Note: The company was no longer listed as one of the Group's other related parties since July 1, 2020.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Group to related parties and the balance of accounts receivables were as follows:

| | <u>Sales</u> | | <u>Accounts receivables</u> | |
|---------------------------|---------------------|----------------|-----------------------------|--------------------------|
| | <u>2020</u> | <u>2019</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| The parent company | \$ 15,027 | 2,324 | 2,378 | 2,956 |
| Other related parties | | | | |
| Nidec (H.K.) Co., Limited | 764,584 | - | 628,191 | - |
| Other related parties | <u>288,301</u> | <u>142,188</u> | <u>132,892</u> | <u>153,860</u> |
| | <u>\$ 1,067,912</u> | <u>144,512</u> | <u>763,461</u> | <u>156,816</u> |

The selling price for related parties approximated the market price. The accounts receivables arising from sales of related parties are collected 90 to 120 days after the account day. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

(ii) Purchases

| | <u>Acquisition price</u> | | <u>Other payables</u> | |
|-----------------------|--------------------------|-------------|--------------------------|--------------------------|
| | <u>2020</u> | <u>2019</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Other related parties | \$ <u>198,221</u> | <u>-</u> | <u>130,217</u> | <u>-</u> |

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms are 120 days, which were no different from the payment terms given by other vendors.

(iii) Property transactions

The acquisition price of property, plant and equipment purchased from related parties and the balance of other payables are summarized as follows:

| | <u>Acquisition price</u> | | <u>Other payables</u> | |
|---------------------------------------|--------------------------|---------------|--------------------------|--------------------------|
| | <u>2020</u> | <u>2019</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Other related parties | | | | |
| Create Area Interior Design Co., Ltd. | \$ 508 | 31,316 | 60 | 3,198 |
| Other related parties | <u>47,927</u> | <u>36,426</u> | <u>4</u> | <u>33,988</u> |
| | <u>\$ 48,435</u> | <u>67,742</u> | <u>64</u> | <u>37,186</u> |

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| | <u>Acquisition price</u> | | <u>Other payables</u> | |
|---------------------------------------|--------------------------|-------------|--------------------------|--------------------------|
| | <u>2020</u> | <u>2019</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Create Area Interior Design Co., Ltd. | \$ <u>416</u> | <u>-</u> | <u>-</u> | <u>-</u> |

| | <u>Proceeds from disposal of property, plant and equipment</u> | | <u>Loss (gain) from disposal of property, plant and equipment</u> | | <u>Other receivables</u> | |
|-----------------------|--|-------------|---|-------------|--------------------------|--------------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Other related parties | \$ <u>17,582</u> | <u>-</u> | <u>9,579</u> | <u>-</u> | <u>-</u> | <u>-</u> |

(iv) Borrowing from a Related Party

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--------------------|--------------------------|--------------------------|
| The parent company | \$ <u>313,280</u> | <u>-</u> |

The Group's unsecured borrowing from the related party has ICE 3 months USD LIBOR rates fixed on two working days before the starting date of the next period every three months plus 0.35% per annum.

(v) Others

- 1) The amounts of advance payment by the Group to related parties and the balance of other receivables were as follows:

| | <u>Disbursement</u> | | <u>Other receivables</u> | |
|-----------------------|---------------------|-------------|--------------------------|--------------------------|
| | <u>2020</u> | <u>2019</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| The parent company | \$ 135 | 25 | 135 | - |
| Other related parties | 1,152 | - | - | - |
| | <u>\$ 1,287</u> | <u>25</u> | <u>135</u> | <u>-</u> |

- 2) The amounts of advance payment by the Group from related parties and the balance of other payables were as follows:

| | <u>Disbursement</u> | | <u>Other payables</u> | |
|-----------------------|---------------------|--------------|--------------------------|--------------------------|
| | <u>2020</u> | <u>2019</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| The parent company | \$ 12,026 | 5,591 | 4,614 | 1,523 |
| Other related parties | 4,344 | 2,564 | 4,020 | 389 |
| | <u>\$ 16,370</u> | <u>8,155</u> | <u>8,634</u> | <u>1,912</u> |

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Notes to the Consolidated Financial Statements

(d) Key management personnel compensation

Key management personnel compensation comprised:

| | <u>2020</u> | <u>2019</u> |
|------------------------------|------------------|---------------|
| Short-term employee benefits | \$ 56,706 | 54,089 |
| Post-employment benefits | 1,016 | 658 |
| | <u>\$ 57,722</u> | <u>54,747</u> |

(8) Pledged assets:

The carrying values of pledged assets were as follows:

| <u>Pledged assets</u> | <u>Object</u> | <u>December 31,</u> <u>2020</u> | <u>December 31,</u> <u>2019</u> |
|---|---------------|------------------------------------|------------------------------------|
| Property, plant and equipment-land | Bank loans | \$ - | 78,218 |
| Property, plant and equipment-buildings | Bank loans | - | 43,312 |
| Investment property-land | Bank loans | - | 36,370 |
| Investment property-buildings | Bank loans | - | 21,436 |
| | | <u>\$ -</u> | <u>179,336</u> |

(9) Commitments and contingencies: None

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

In order to raise funds for NCCV's new factory construction plans, Nidec Corporation loan the Company the amount of USD24,000 thousand on March 9, 2021, wherein the Company transferred the above amount, plus an additional amount of USD904 thousand, totaling USD24,904 thousand, to NCCV on March 11, 2021, resulting in the government-registered total authorized capital to be USD34,904 thousand. The funds will be available after NCCV obtains the Enterprise Registration Certificate in accordance with the law in Vietnam.

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(12) Other:

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

| By item | By function | For the year ended December 31 | | | | | |
|----------------------------|-------------|--------------------------------|-------------------|---------|--------------|-------------------|---------|
| | | 2020 | | | 2019 | | |
| | | Cost of Sale | Operating Expense | Total | Cost of Sale | Operating Expense | Total |
| Employee benefits | | | | | | | |
| Salary | | 609,288 | 365,349 | 974,637 | 530,968 | 311,799 | 842,767 |
| Labor and health insurance | | 50,278 | 28,410 | 78,688 | 37,804 | 21,399 | 59,203 |
| Pension | | 28,699 | 15,444 | 44,143 | 30,757 | 14,031 | 44,788 |
| Remuneration of directors | | - | 2,742 | 2,742 | - | 4,078 | 4,078 |
| Others | | 34,047 | 18,057 | 52,104 | 22,088 | 15,158 | 37,246 |
| Depreciation | | 183,871 | 70,989 | 254,860 | 112,855 | 46,000 | 158,855 |
| Amortization | | 275 | 4,896 | 5,171 | 122 | 4,114 | 4,236 |

(b) Impact assessment of the COVID-19:

The Company's subsidiaries, Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. and Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd., are experiencing uncertainty in the operating environment in mainland China due to the COVID-19 outbreak in the beginning of 2020, which has affected their operations, including delays in production, delivery and collection. This incident has prompted both subsidiaries to adjust their production schedules and re-organized their shipment plans after the resumption of their production. The above matter did not have a significant impact on the Group's operating and financial condition.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

| Number | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower (note 1) | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral | | Individual funding loan limits | Maximum limit of fund financing | Notes |
|--------|--|---|--|---------------|---|-------------------------|---------------------------------------|---|--|---|----------------------------------|------------------------|------------|-------|--------------------------------|---------------------------------|--------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | The Company | Nidec Chaun Vietnam Corporation | Other receivables from related parties | Yes | 142,400 (USD5,000) | 142,400 (USD5,000) | 113,920 (USD4,000) | 1% | 2 | - | Operating capital | - | None | - | 441,275 | 1,765,098 | Note 5 |
| 1 | Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | The Company | Other receivables from related parties | Yes | 199,360 (USD7,000) | 199,360 (USD7,000) | - | USD floating rate | - | - | Operating capital | - | None | - | 2,777,014 (RMB634,456) | 2,777,014 (RMB634,456) | Note 5 |
| 2 | Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | Nidec Cym-Siang High-Tech (Chongqing) Co., Ltd. | Other receivables from related parties | Yes | 569,010 (RMB130,000) | 525,240 (RMB120,000) | 372,045 (RMB85,000) | 4.35% | - | - | Operating capital | - | None | - | 2,777,014 (RMB634,456) | 2,777,014 (RMB634,456) | Note 5 |

Note 1: Those with business contact please fill in 1

Those necessary for short-term financing please fill in 2

Note 2: The total amount allowed for financing should not exceed 40% of the Company's net equity. The maximum amount of loans to individual entity should not exceed 10% of the Company's net equity. The maximum amount of loans to the Company's foreign subsidiaries, which directly and indirectly hold 100% of the voting shares, should not exceed the borrower's net equity on its latest financial statements.

Note 3: The total amount allowed for financing of Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. should not exceed 40% of its net equity on its current financial statements.

Note 4: Within NJCI's maximum financing allowed, it should not exceed the 10% of NJCI's net worth individually. If the counterpart is the Company owns 100% of its outstanding common shares directly or indirectly, the total financing amount to any individuals should not exceed the most recent net worth of NJCI.

Note 5: The transactions are eliminated when preparing the consolidated financial statements.

Note 6: The exchange rate of NTD to CNY and NTD to USD at December 31, 2020 are NTD4.377:CNY1 and NTD28.480:USD1, respectively.

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Highest percentage of ownership (%) | Note |
|----------------|---------------------------------|---------------------------|---|--------------------------|----------------|-----------------------------|------------|-------------------------------------|------|
| | | | | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value | | |
| The Company | Everflow Technology Corporation | - | Non-current financial assets at fair value through other comprehensive income | 1,854 | 27,983 | 11.21% | 27,983 | 11.21 % | |

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|--|--|------------------------|---------------------|-------------|--------------------------------------|---------------|---|---------------|-------------------------------------|---|------|
| | | | Purchase(Sale) | Amount | Percentage of total purchases(sales) | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. | Parent-subsiary | Purchase | 1,295,797 | 25.07% | O/A 120 days | - | - | (893,017) | (32.65)% | Note |
| The Company | Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | Parent-subsiary | Purchase | 2,163,120 | 41.85% | O/A 150 days | - | - | (1,180,031) | (43.14)% | Note |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | The Company | Parent-subsiary | (Sales) | (2,163,120) | 58.89% | O/A 150 days | - | - | 1,180,031 | 66.62% | Note |
| Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. | The Company | Parent-subsiary | (Sales) | (1,295,797) | 45.82% | O/A 120 days | - | - | 893,017 | 60.76% | Note |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | Nidec Seimitsu Motor Technology (Dongguan) Co., Ltd. | Other related parties | Purchase | 198,221 | 8.42% | O/A 120 days | - | - | (130,217) | (10.73)% | |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | Nidec (Shenzhen) Co., Ltd. | Other related parties | (Sales) | (267,763) | 7.29% | O/A 120 days | - | - | 129,301 | 7.30% | |
| The Company | Nidec (H.K.) Co., Limited | Other related parties | (Sales) | (764,414) | 12.59% | O/A 90 days | - | - | 628,191 | 30.31% | |

Note: The transaction has already been written off in the consolidated financial statement.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company | Counter-party | Nature of relationship | Ending balance (note) | Turnover rate | Overdue | | Amounts received in subsequent period | Allowance for bad debts | Note |
|--|--|------------------------|-----------------------|---------------|---------|--------------|---------------------------------------|-------------------------|------|
| | | | | | Amount | Action taken | | | |
| The Company | Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | Parent-subsiary | 271,249 | 1.77 | - | | 55,259 | - | Note |
| The Company | Nidec Chaun Choung Vietnam Corporation | Parent-subsiary | 113,920 | Note 1 | - | | - | - | Note |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | The Company | Parent-subsiary | 1,180,031 | 5.16 | - | | 261,792 | - | Note |
| Nidec Chongqing Qunxiang Technology Co., Ltd. | The Company | Parent-subsiary | 893,017 | 5.82 | - | | 293,426 | - | Note |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. | Fellow subsidiary | 372,045 | Note 1 | - | | - | - | Note |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | Nidec (Shenzhen) Co., Ltd. | Other related parties | 129,301 | 3.39 | - | | 17,391 | - | |
| The Company | Nidec (H.K.) Co., Limited | Other related parties | 628,197 | 2.43 | - | | 442,316 | - | |

Note: The transaction has already been written off in the consolidated financial statements.

Note 1: The calculation of turnover rate excludes other receivables from related parties.

- (ix) Trading in derivative instruments: None.

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

| No. (note1) | Name of company | Name of counter-party | Nature of relationship (note1) | Intercompany transactions | | | |
|----------------|--------------------|--------------------------|--------------------------------------|---------------------------|-----------|------------------------------------|---|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 0 | The Company | NCCI-USA | 1 | Sales | 54,169 | On the basis of general conditions | 0.59% |
| 0 | The Company | NCCI-USA | 1 | Accounts receivable | 22,665 | O/A 120 days | 0.26% |
| 0 | The Company | NJCI | 1 | Other receivables | 271,249 | O/A 150 days | 3.11% |
| 0 | The Company | NCSI | 1 | Other receivables | 41,993 | O/A 120 days | 0.48% |
| 1 | NJCI | The Company | 2 | Sales | 2,163,120 | On the basis of general conditions | 23.71% |
| 1 | NJCI | The Company | 2 | Accounts receivable | 1,180,031 | O/A 150 days | 13.55% |
| 1 | NJCI | NCSI | 3 | Sales | 1,200 | On the basis of general conditions | 0.01% |
| 1 | NJCI | NCSI | 3 | Accounts receivable | 142 | O/A 120 days | -% |
| 1 | NJCI | NCSI | 3 | Other receivables | 372,045 | On the basis of general conditions | 4.27% |
| 1 | NJCI | NCCV | 2 | Sales | 395 | On the basis of general conditions | -% |
| 1 | NJCI | NCCV | 2 | Accounts receivable | 439 | O/A 120 days | -% |
| 2 | NCSI | The Company | 2 | Sales | 1,295,797 | On the basis of general conditions | 14.20% |
| 2 | NCSI | The Company | 1 | Accounts receivable | 893,017 | O/A 120 days | 10.25% |

Note 1: Assigned numbers represent the following:

1. 0 represents the parent company.
2. The subsidiaries are represented numerically starting from 1.

Note 2: The terms of transactions are defined as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: Intercompany relationships and significant intercompany transactions are only disclosed sales and accounts receivable. The corresponding purchases and accounts payables are not disclosed.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2020 | | | Highest percentage of ownership | Net income (losses) of investee | Share of profits/losses of investee | Note |
|--------------------------|--|------------------------|---|----------------------------|------------------------|---------------------------------|----------------------------|---------------------------|---------------------------------------|---------------------------------------|---|-------------------|
| | | | | December 31, 2020 | December 31, 2019 | Shares | Percentage of ownership | Carrying value | | | | |
| The Company | Conquer Wisdom Co., Ltd. | British Virgin Islands | Investment activities | 737,240 | 737,240 | - | 100.00 % | 3,806,546 | 100.00 % | 562,799 | 576,695 | Note 1 and Note 3 |
| The Company | Nidec Chaun Choung Vietnam Corporation | Vietnam | Sale of thermal module for smart phones | 299,343 | - | - | 100.00 % | 264,158 | 100.00 % | (21,417) | (21,417) | Note 3 |
| Conquer Wisdom Co., Ltd. | Nidec Chaun Choung Technology America Inc. | U.S.A | Sale of thermal module for computers | 8,544 (USD300) | 8,544 (USD300) | 300,000 | 100.00 % | 10,851 (USD381) | 100.00 % | 2,009 (USD68) | 2,009 (USD68) | Note 2 and Note 3 |
| Conquer Wisdom Co., Ltd. | GLOBE STAR ENTERPRISE Ltd. | Hong Kong | Investment activities | 513,836 (USD18,042) | 513,836 (USD18,042) | 140,407,615 | 100.00 % | 3,797,295 (USD133,332) | 100.00 % | 558,476 (USD18,900) | 558,476 (USD18,900) | Note 2 and Note 3 |

Note 1: The Group recognized net income of Conquer Wisdom Co., Ltd. \$562,799 thousand, realized gross profit \$60,438 thousand and unrealized gross profit \$46,542 thousand. The Group recognized share of profits of investee \$576,695 thousand in total.

Note 2: The exchange rate of New Taiwan dollars to US dollars as of December 31, 2020 was 28.480 to 1. The average exchange rate of New Taiwan dollars to US dollars for the year ended December 31, 2020 was 29.549 to 1.

Note 3: The transaction has already been written off in the consolidated financial statements.

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2020 | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31, 2020 (note 4) | Net income (losses) of the investee (note 4 and 7) | Percentage of ownership | Highest percentage of ownership | Investment income (losses) (note 5, 6 and 7) | Book value | Accumulated remittance of earnings in current period |
|---|--|---|----------------------|---|------------------|--------|--|--|-------------------------|---------------------------------|--|--------------------------|--|
| | | | | | Outflow | Inflow | | | | | | | |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | Manufacture the thermal module for computers | 655,040 (USD23,000) Note 2 - Note 3 | 2 Note 1 | 386,588 (USD13,574) | - | - | 386,588 (USD13,574) | 185,361 (USD6,273) | 100.00% | 100.00% | 184,031 (USD6,228) | 2,750,484 (USD96,576) | 321,430 |
| Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. | Manufacture the thermal module for computers | 227,840 (USD8,000) | 2 Note 1 | 227,840 (USD8,000) | - | - | 227,840 (USD8,000) | 374,652 (USD12,679) | 100.00% | 100.00% | 374,652 (USD12,679) | 1,046,298 (USD36,738) | - |
| Nidec Chiuan-Vector Industrial (Dongguan) Co., Ltd. | Research, development and sale of thermal components | 16,633 (RMB3,800) | 2 Note 1 | - | - | - | - | (651) (RMB-152) | 100.00% | 100.00% | (651) (RMB-152) | 8,767 (RMB2,003) | - |

Note 1: Reinvest in Mainland China by establishing investing companies which is the Group 100% owned subsidiary in third region.

Note 2: Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. transferred US dollar 8,800 thousand from retained earnings to capital in 2007.

Note 3: The difference between accumulated outflow of investment from Taiwan and total amount of paid-in-capital is US Dollar 626 thousand, the primary reason is funds acquired from the shareholders in Taiwan and has not remitted to Mainland China.

Note 4: The exchange rate of New Taiwan dollars to US dollars as of December 31, 2020 was 28.480 to 1. The average exchange rate of New Taiwan dollars to US dollars for the year ended December 31, 2020 was 29.549 to 1.

Note 5: Investment income (losses) is recognized according to the financial statements audited by the CPA of the parent company.

Note 6: The Group recognized net income of Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. USD6,273 thousand, realized gross profit USD887 thousand and unrealized gross profit USD932 thousand. The Group recognized share of profits of investee USD6,228 thousand in total.

Note 7: The exchange rate of New Taiwan dollars to Chinese Yuan as of December 31, 2020 was 4.377 to 1. The average exchange rate of New Taiwan dollars to Chinese Yuan for the year ended December 31, 2020 was 4.282 to 1.

(ii) Limitation on investment in Mainland China:

| | Accumulated Investment in Mainland China as of December 31, 2020 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|--|--|---------------------------|
| | 614,428 (USD21,574) | 891,908 (USD31,317) | 2,647,647 |

Note: The exchange rate of New Taiwan dollars to US dollars as of December 31, 2020 was 28.480 to 1.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

| Shareholder's Name | Shareholding | Shares | Percentage |
|--------------------|--------------|------------|------------|
| Nidec Corporation | | 57,872,550 | 67.02 % |

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

- (a) General information: The main operating activities of the Group are manufacturing, processing and trading of thermal components for computer, which is a single industry. The business decision maker considers the overall operation of the Group, customer service and after-sales support, and each segment unit acquires separately as well as retains the management team at the time of acquisition. The business decision makers manage the segment separately according to the economic environment of the segment located regions. The Group identifies the operating segments and reportable segments and assesses the operating segments which have met the quantified thresholds whether meet the core principles of aggregation, and decides to aggregate the reportable segments. If the operating segments do not meet the quantitative threshold, then they are included in other segments.
- (b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 “significant accounting policies” except for the recognition and measurement of pension cost, which is on a cash basis.

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

The Group’s operating segment information and reconciliation are as follows:

| | 2020 | | | | Total |
|---------------------------------|----------------------------|------------------------------|----------------------|--------------------------------------|-------------------------|
| | Segment Taiwan | Segment Mainland China | Other segment | Reconciliation and elimination | |
| Revenue | | | | | |
| Revenue from external customers | \$ 6,019,321 | 3,036,576 | 67,524 | - | 9,123,421 |
| Intersegment revenues | <u>54,169</u> | <u>3,464,566</u> | <u>9,200</u> | <u>(3,527,935)</u> | - |
| Total revenue | <u>\$ 6,073,490</u> | <u>6,501,142</u> | <u>76,724</u> | <u>(3,527,935)</u> | <u>9,123,421</u> |

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | 2020 | | | | |
|---|---------------------|------------------------------|------------------|--------------------------------------|------------------|
| | Segment Taiwan | Segment Mainland China | Other segment | Reconciliation and elimination | Total |
| Interest expenses | \$ 916 | - | 126 | - | 1,042 |
| Depreciation and amortization | 85,316 | 173,271 | 2,252 | (296) | 260,543 |
| Share of profit (loss) of associates subsidiaries accounted for using equity method | 555,278 | - | - | (555,278) | - |
| Reportable segment profit or loss | \$ 927,918 | 707,515 | 543,403 | (1,101,873) | 1,076,963 |
| Investments accounted for using equity method | \$ 4,070,704 | - | - | (4,070,704) | - |
| Reportable segment assets | \$ 8,376,956 | 6,542,025 | 4,288,111 | (10,495,604) | 8,711,488 |
| Reportable segment liabilities | \$ 3,964,211 | 2,744,716 | 148,205 | (2,558,389) | 4,298,743 |

| | 2019 | | | | |
|--|---------------------|------------------------------|------------------|--------------------------------------|------------------|
| | Segment Taiwan | Segment Mainland China | Other segment | Reconciliation and elimination | Total |
| Revenue | | | | | |
| Revenue from external customers | \$ 6,247,640 | 2,266,636 | 71,896 | - | 8,586,172 |
| Intersegment revenues | 61,192 | 3,612,330 | 10,432 | (3,683,954) | - |
| Interest revenue | 4,021 | 7,855 | 721 | - | 12,597 |
| Total revenue | \$ 6,312,853 | 5,886,821 | 83,049 | (3,683,954) | 8,598,769 |
| Interest expenses | \$ 494 | 183 | 223 | - | 900 |
| Depreciation and amortization | 64,607 | 98,486 | 870 | (190) | 163,773 |
| Share of profit (loss) of subsidiaries accounted for using equity method | 402,879 | - | - | (402,879) | - |
| Reportable segment profit or loss | \$ 868,875 | 503,776 | 404,337 | (809,131) | 967,857 |
| Investments accounted for using equity method | \$ 3,118,771 | - | - | (3,118,771) | - |
| Reportable segment assets | \$ 7,055,684 | 5,120,598 | 3,275,679 | (8,184,986) | 7,266,975 |
| Reportable segment liabilities | \$ 2,996,626 | 1,949,029 | 27,983 | (1,765,721) | 3,207,917 |

(c) Product and service information

Revenue from the external customers of the Group was as follows:

| Product and service | 2020 | 2019 |
|----------------------------|---------------------|------------------|
| Thermal module | \$ 6,416,095 | 6,338,744 |
| Thermal product | 1,682,927 | 1,504,308 |
| Others | 1,024,399 | 743,120 |
| | \$ 9,123,421 | 8,586,172 |

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

| Geographical information | 2020 | 2019 |
|----------------------------------|----------------------------|-------------------------|
| Revenue from external customers: | | |
| Chinese mainland | \$ 6,096,371 | 4,743,478 |
| Taiwan | 1,034,074 | 1,400,672 |
| Singapore | 468,674 | 702,726 |
| Malaysia | 601,772 | 517,392 |
| United States | 267,143 | 442,220 |
| Other countries | <u>655,387</u> | <u>779,684</u> |
| | <u>\$ 9,123,421</u> | <u>8,586,172</u> |
| Non-current assets: | | |
| Taiwan | \$ 549,269 | 520,749 |
| Chinese mainland | 1,379,058 | 1,156,320 |
| Other countries | <u>290,645</u> | <u>4,535</u> |
| Total | <u>\$ 2,218,972</u> | <u>1,681,604</u> |

Non-current assets include property, plant and equipment, right-of-use assets investment property, intangible assets, and other assets, not including financial instruments and deferred tax assets.

(e) Major customers

| | 2020 | 2019 |
|----------|----------------------------|-------------------------|
| E00001 | \$ 1,345,105 | 1,232,394 |
| E00011 | 1,003,722 | 1,417,684 |
| L00007 | 560,806 | 780,398 |
| NIDJP001 | <u>1,067,912</u> | <u>144,512</u> |
| Total | <u>\$ 3,977,545</u> | <u>3,574,988</u> |

**NIDEC CHAUN-CHOUNG TECHNOLOGY
CORPORATION**
(Original name : CHAUN-CHOUNG TECHNOLOGY
CORPORATION)

Parent Company Only Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

Address: No. 184-3, Zhongxing N. St., Sanchong Dist., New Taipei City 241, Taiwan
(R.O.C.)

Telephone:(02)2995-2666

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION:

Opinion

We have audited the financial statements of NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION (“the Company”), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits of the financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. 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.

1. Revenue recognition

Please refer to note 4(p) “Revenue recognition” for accounting policy related to revenue recognition, and note 6(n) “Revenue from contracts with customers” for disclosure information about revenue recognition of the financial statements.

Description of key audit matter:

The main revenue of the Company comes from the researching, development, production, and sale of thermal components in the computer and related industries. Since products are highly customized, the revenue recognition is concerned by the users or receiver of the financial statements, the test for revenue recognition is a highly concerned matter when we comply the audit procedure for the financial statements of the Company.

How the matter was addressed in our audit:

Our principal audit procedures included obtaining the list of top-ten customers and newly-added customers for the current year to analyze whether there is an unusual situation or not, inspecting of significant new contracts and understanding terms and conditions to assess whether there are any significant abnormalities, assessing the appropriateness of accounting policies for revenue recognition (including sales returns and discounts), testing the effectiveness of the design and the implementation of internal controls of sales and performing the sales cut-off test on the period before and after the balance sheet date, to ensure sales are recognized in the appropriate accounting period.

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 the independent directors or supervisors) 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 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 investment in other entities accounted for using the equity method 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 a statement 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 of the current period 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 Hsin-Yi Kuo and Hui-Chih Ko.

KPMG

Taipei, Taiwan (Republic of China)

March 24, 2021

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and cash flows in accordance with the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

| | | December 31, 2020 | | December 31, 2019 | | | | December 31, 2020 | | December 31, 2019 | |
|----------------------------|---|-------------------|-----|-------------------|-----|------|--|-------------------|-----|-------------------|-----|
| | | Amount | % | Amount | % | | | Amount | % | Amount | % |
| Assets | | | | | | | | | | | |
| Current assets: | | | | | | | | | | | |
| 1100 | Cash and cash equivalents (notes 6(a)(q)) | \$ 546,497 | 7 | 447,160 | 7 | 2100 | Short-term borrowings from related parties (notes 6(i)(q) and 7) | \$ 313,280 | 4 | - | - |
| 1150 | Notes receivable, net (notes 6(c)(n)(q)) | - | - | 1,033 | - | 2170 | Accounts payable (note 6(q)) | 662,319 | 8 | 811,979 | 11 |
| 1170 | Accounts receivable, net (notes 6(c)(n)(q)) | 1,416,011 | 17 | 1,765,262 | 25 | 2180 | Accounts payable to related parties (notes 6(q) and 7) | 2,073,048 | 25 | 1,389,422 | 20 |
| 1181 | Accounts receivable due from related parties, net (notes 6(c)(n)(q) and 7) | 656,807 | 8 | 25,443 | - | 2200 | Other payables (note 6(q)) | 234,018 | 3 | 276,253 | 4 |
| 1200 | Other receivables (notes 6(d)(q)) | 8,464 | - | 8,627 | - | 2220 | Other payables to related parties (notes 6(q) and 7) | 10,919 | - | 6,475 | - |
| 1210 | Other receivables due from related parties (notes 6(d)(q) and 7) | 431,366 | 5 | 351,675 | 5 | 2250 | Current provisions (note 6(q)) | 739 | - | 1,292 | - |
| 130X | Inventories (note 6(e)) | 585,610 | 7 | 658,346 | 9 | 2280 | Current lease liabilities | 17,348 | - | 7,989 | - |
| 1410 | Prepayments | 5,528 | - | 5,835 | - | 2300 | Other current liabilities | 34,614 | - | 38,052 | 1 |
| 1470 | Other current assets | 26,208 | - | 2,579 | - | | Total current liabilities | 3,346,285 | 40 | 2,531,462 | 36 |
| | Total current assets | 3,676,491 | 44 | 3,265,960 | 46 | | Non-current liabilities: | | | | |
| Non-current assets: | | | | | | 2570 | Deferred tax liabilities (note 6(k)) | 565,786 | 7 | 459,516 | 6 |
| 1517 | Non-current financial assets at fair value through other comprehensive income (notes 6(b)(q)) | 27,983 | - | 72,709 | 1 | 2580 | Non-current lease liabilities (note 6(q)) | 48,688 | - | 3,678 | - |
| 1550 | Investments accounted for using equity method (note 6(f)) | 4,070,704 | 49 | 3,118,771 | 44 | 2640 | Net defined benefit liability, non-current (note 6(j)) | 3,452 | - | 1,236 | - |
| 1600 | Property, plant and equipment (notes 6(g) and 8) | 421,011 | 5 | 445,770 | 7 | 2645 | Guarantee deposits received | - | - | 734 | - |
| 1755 | Right-of-use assets | 66,079 | 1 | 11,634 | - | | Total non-current liabilities | 617,926 | 7 | 465,164 | 6 |
| 1760 | Investment property, net (note 6(h) and 8) | - | - | 57,806 | 1 | | Total liabilities | 3,964,211 | 47 | 2,996,626 | 42 |
| 1780 | Intangible assets | 21,128 | - | 4,453 | - | | Equity (note 6(l)): | | | | |
| 1840 | Deferred tax assets (note 6(k)) | 52,509 | 1 | 77,495 | 1 | 3100 | Ordinary shares | 863,434 | 10 | 863,434 | 12 |
| 1900 | Other non-current assets | 41,051 | - | 1,086 | - | 3200 | Capital surplus | 531,823 | 6 | 531,823 | 7 |
| | Total non-current assets | 4,700,465 | 56 | 3,789,724 | 54 | | Retained earnings: | | | | |
| | | | | | | 3310 | Legal reserve | 746,181 | 9 | 676,028 | 10 |
| | | | | | | 3320 | Special reserve | 222,369 | 3 | 185,482 | 3 |
| | | | | | | 3350 | Unappropriated retained earnings (note 6(j)) | 2,276,029 | 27 | 2,024,660 | 29 |
| | | | | | | | Total retained earnings | 3,244,579 | 39 | 2,886,170 | 42 |
| | | | | | | 3400 | Other equity | (227,091) | (2) | (222,369) | (3) |
| | | | | | | | Total equity | 4,412,745 | 53 | 4,059,058 | 58 |
| | | | | | | | Total liabilities and equity | \$ 8,376,956 | 100 | \$ 7,055,684 | 100 |
| | Total assets | \$ 8,376,956 | 100 | 7,055,684 | 100 | | | | | | |

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
 (Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar, Except for Earnings Per Share)

| | 2020 | | 2019 | |
|---|-------------------|------------|------------------|------------|
| | Amount | % | Amount | % |
| 4000 Operating revenues (notes 6(n) and 7) | \$ 6,073,490 | 100 | 6,308,832 | 100 |
| 5000 Operating costs (notes 6(e)(g)(j)(o) and 7) | <u>5,463,870</u> | <u>90</u> | <u>5,595,000</u> | <u>89</u> |
| Gross profit from operations | <u>609,620</u> | <u>10</u> | <u>713,832</u> | <u>11</u> |
| Operating expenses (notes 6(g)(j)(o) and 7): | | | | |
| 6100 Selling expenses | 108,225 | 2 | 127,323 | 2 |
| 6200 Administrative expenses | 123,538 | 2 | 125,382 | 2 |
| 6300 Research and development expenses | 222,328 | 3 | 204,851 | 3 |
| 6450 Impairment loss determined in accordance with IFRS 9 (note 6(c)) | <u>181</u> | <u>-</u> | <u>37</u> | <u>-</u> |
| Total operating expenses | <u>454,272</u> | <u>7</u> | <u>457,593</u> | <u>7</u> |
| Net operating income | <u>155,348</u> | <u>3</u> | <u>256,239</u> | <u>4</u> |
| Non-operating income and expenses: | | | | |
| 7100 Interest income (note 6(p) and 7) | 944 | - | 4,021 | - |
| 7010 Other income (notes 6(p) and 7) | 108,453 | 1 | 213,388 | 3 |
| 7020 Other gains and losses, net (note 6(h)(p)) | 108,811 | 2 | (7,158) | - |
| 7050 Finance costs (notes 6(p) and 7) | (916) | - | (494) | - |
| 7070 Share of profit of subsidiaries accounted for using equity method, net | <u>555,278</u> | <u>9</u> | <u>402,879</u> | <u>7</u> |
| Total non-operating income and expenses | <u>772,570</u> | <u>12</u> | <u>612,636</u> | <u>10</u> |
| 7900 Profit before income tax | 927,918 | 15 | 868,875 | 14 |
| 7950 Less: Income tax expenses (note 6(k)) | <u>145,520</u> | <u>2</u> | <u>167,341</u> | <u>3</u> |
| Profit | <u>782,398</u> | <u>13</u> | <u>701,534</u> | <u>11</u> |
| 8300 Other comprehensive income: | | | | |
| 8310 Items that may not be reclassified subsequently to profit or loss | | | | |
| 8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (44,726) | (1) | 22,546 | - |
| 8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total components of other comprehensive income that will not be reclassified to profit or loss | <u>(44,726)</u> | <u>(1)</u> | <u>22,546</u> | <u>-</u> |
| 8360 Items that may be reclassified subsequently to profit or loss | | | | |
| 8361 Exchange differences on translation | 50,005 | 1 | (124,916) | (2) |
| 8391 Other components of other comprehensive income that will be reclassified to profit or loss | (4,371) | - | 3,036 | - |
| 8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss | <u>9,127</u> | <u>-</u> | <u>(24,376)</u> | <u>(1)</u> |
| Total components of other comprehensive income that will be reclassified to profit or loss | <u>36,507</u> | <u>1</u> | <u>(97,504)</u> | <u>(1)</u> |
| 8300 Other comprehensive income | <u>(8,219)</u> | <u>-</u> | <u>(74,958)</u> | <u>(1)</u> |
| Total comprehensive income | <u>\$ 774,179</u> | <u>13</u> | <u>626,576</u> | <u>10</u> |
| Basic earnings per share (note 6(m)) | | | | |
| Basic earnings per share (NT Dollars) | <u>\$ 9.06</u> | | <u>8.12</u> | |

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
 (Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

| | Retained earnings | | | | | Other equity | | | | |
|---|-------------------|-----------------|---------------|-----------------|----------------------------------|-------------------------|---|---|-----------|--------------|
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Total | Total equity |
| Balance on January 1, 2019 | \$ 863,434 | 531,823 | 616,467 | 130,906 | 1,881,148 | 2,628,521 | (175,147) | (10,335) | (185,482) | 3,838,296 |
| Profit for the year ended December 31, 2019 | - | - | - | - | 701,534 | 701,534 | - | - | - | 701,534 |
| Other comprehensive income for the year ended December 31, 2019 | - | - | - | - | 2,429 | 2,429 | (99,933) | 22,546 | (77,387) | (74,958) |
| Comprehensive income for the year ended December 31, 2019 | - | - | - | - | 703,963 | 703,963 | (99,933) | 22,546 | (77,387) | 626,576 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Legal reserve | - | - | 59,561 | - | (59,561) | - | - | - | - | - |
| Special reserve | - | - | - | 54,576 | (54,576) | - | - | - | - | - |
| Cash dividends on ordinary share | - | - | - | - | (405,814) | (405,814) | - | - | - | (405,814) |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | (40,500) | (40,500) | - | 40,500 | 40,500 | - |
| Balance on December 31, 2019 | 863,434 | 531,823 | 676,028 | 185,482 | 2,024,660 | 2,886,170 | (275,080) | 52,711 | (222,369) | 4,059,058 |
| Profit for the year ended December 31, 2020 | - | - | - | - | 782,398 | 782,398 | - | - | - | 782,398 |
| Other comprehensive income for the year ended December 31, 2020 | - | - | - | - | (3,497) | (3,497) | 40,004 | (44,726) | (4,722) | (8,219) |
| Comprehensive income for the year ended December 31, 2020 | - | - | - | - | 778,901 | 778,901 | 40,004 | (44,726) | (4,722) | 774,179 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Legal reserve | - | - | 70,153 | - | (70,153) | - | - | - | - | - |
| Special reserve | - | - | - | 36,887 | (36,887) | - | - | - | - | - |
| Cash dividends on ordinary share | - | - | - | - | (420,492) | (420,492) | - | - | - | (420,492) |
| Balance on December 31, 2020 | \$ 863,434 | 531,823 | 746,181 | 222,369 | 2,276,029 | 3,244,579 | (235,076) | 7,985 | (227,091) | 4,412,745 |

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

| | 2020 | 2019 |
|---|------------|-----------|
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 927,918 | 868,875 |
| Adjustments: | | |
| Adjustments to reconcile profit: | | |
| Depreciation expense | 82,970 | 62,550 |
| Amortization expense | 2,346 | 2,057 |
| Expected credit loss | 181 | 37 |
| Interest expense | 916 | 494 |
| Interest income | (944) | (4,021) |
| Dividend income | (371) | (927) |
| Share of profit of subsidiaries, accounted for using equity method | (555,278) | (402,879) |
| Loss on disposal of property, plant and equipment | 6,905 | 11,054 |
| Property, plant and equipment transferred to expenses | 2,443 | - |
| Gain on disposal of investment properties | (90,619) | - |
| Unrealized gain on transactions with affiliates | (48,103) | (32,390) |
| Unrealized foreign exchange loss | 368 | 4,555 |
| Loss from lease modifications | (15) | - |
| Total adjustments to reconcile profit | (599,201) | (359,470) |
| Changes in operating assets and liabilities: | | |
| Decrease in notes receivable | 1,033 | 471 |
| Decrease (increase) in accounts receivable | 349,070 | (72,119) |
| Increase in accounts receivable due from related parties | (631,364) | (10,780) |
| Increase in other receivables | (393) | (2,468) |
| (Increase) decrease in other receivable due from related parties | (79,691) | 92,953 |
| Decrease in inventories | 72,736 | 44,472 |
| Increase in prepayments | (3,953) | (3,546) |
| Increase in other current assets | (23,649) | (1,265) |
| (Decrease) increase in accounts payable | (149,660) | 14,270 |
| Increase (decrease) in accounts payable to related parties | 683,626 | (89,278) |
| (Decrease) increase in other payables | (38,318) | 48,571 |
| Increase in other payable to related parties | 4,444 | 3,917 |
| Decrease in provisions | (553) | (384) |
| Decrease in other current liabilities | (3,438) | (5,784) |
| Decrease in net defined benefit liability | (2,156) | (698) |
| Total changes in operating assets and liabilities | 177,734 | 18,332 |
| Total adjustments | (421,467) | (341,138) |
| Cash inflow generated from operations | 506,451 | 527,737 |
| Interest received | 944 | 4,402 |
| Interest paid | (916) | (512) |
| Income taxes paid | (27,307) | (98,027) |
| Net cash flows from operating activities | 479,172 | 433,600 |
| Cash flows from (used in) investing activities: | | |
| Acquisition of investments accounted for using equity method | (299,343) | - |
| Acquisition of property, plant and equipment | (67,053) | (112,484) |
| Proceeds from disposal of property, plant and equipment | 8,660 | 991 |
| Increase in refundable deposits | (39,965) | (1,086) |
| Acquisition of intangible assets | (13,740) | (1,065) |
| Proceeds from disposal of investment properties | 147,913 | - |
| Dividends received | 927 | 1,091 |
| Net cash flows used in investing activities | (262,601) | (112,553) |
| Cash flows from (used in) financing activities: | | |
| Increase (decrease) in short-term borrowings | 313,280 | (100,000) |
| Decrease in guarantee deposits | (734) | - |
| Payment of lease liabilities | (8,920) | (6,691) |
| Cash dividends paid | (420,492) | (405,814) |
| Net cash flows used in financing activities | (116,866) | (512,505) |
| Effect of exchange rate changes on cash and cash equivalents | (368) | (4,555) |
| Net increase (decrease) in cash and cash equivalents | 99,337 | (196,013) |
| Cash and cash equivalents at beginning of period | 447,160 | 643,173 |
| Cash and cash equivalents at end of period | \$ 546,497 | 447,160 |

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(ORIGINAL NAME : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar, Unless Otherwise Specified)

(1) Company history

Nidec Chaun-Choung Technology Corporation, formerly called Chaun-Choung Technology Corporation, (“the Company”) was incorporated in December 14, 1973 as a company limited by shares under the approval of Ministry of Economic Affairs. Its registration address is No. 184-3, Zhongxing N. St., Sanchong Dist., New Taipei City 241, Taiwan (R.O.C.). The main business activities of the Company are the manufacturing and merchandising of vapor chamber, heat pipe and thermal module. For more detailed information, please refer to note 14.

A resolution was approved during the shareholder’s meeting held on December 9, 2020 to change the name of the Company from “Chaun- Choung Technology Corporation” to “Nidec Chaun-Choung Technology Corporation”.

(2) Approval date and procedures of the financial statements:

These financial statements were authorized for issue by the Board of Directors on March 24, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The details of impact on the Company’s adoption of the new amendments beginning January 1, 2020 are as follows:

- (i) Amendments to IAS 1 and IAS 8 “Definition of Material”

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

- (ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Company’s financial statements:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|--|--|--------------------------------|
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. | January 1, 2023 |
| Amendments to IAS 1 “Disclosure of Accounting Policies” | The key amendments to IAS 1 include: <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. | January 1, 2023 |

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|--|---|--------------------------------|
| Amendments to IAS 8 “Definition of Accounting Estimates” | <p>The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.</p> <p>The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.</p> | January 1, 2023 |

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent-company-only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent-company-only financial statements.

(a) Statement of compliance

These parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent-company-only financial statements have been prepared on a historical cost basis:

- 1) Financial assets at fair value through other comprehensive income are measured at fair value;
- 2) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(p).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent-company-only financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
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(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. Excluding foreign operations in hyperinflationary economies, the income and expenses of foreign operations, are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
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(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

(i) Financial assets

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
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A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
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The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘ investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or twA or higher per Taiwan Ratings’.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘ credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
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4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss.

3) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

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5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Non-current assets held-for-sale

In the second quarter of 2020, the Board of Directors approved to dispose the investment property of the Company. All related registration of cancellation of mortgage procedures had been completed on September 9, 2020.

Non-current assets or disposal groups, comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held-for-sale. Immediately before classifying as held-for-sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter, the assets or disposal groups are generally measured at the lower of their carrying amount and fair value, less costs to sell.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under equity method, profit or loss and other comprehensive income recognized in the parent-company-only financial statement is the same as total comprehensive income attributable to shareholders of the Company in the consolidated financial statements. In addition, changes in equity recognized in parent-company-only financial statements is the same as changes in equity attributable to owners of parent in the consolidated financial statements.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control as equity transactions between the proprietors.

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(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

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(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- | | | |
|----|------------------|------------|
| 1) | buildings | 3~50 years |
| 2) | machinery | 1~10 years |
| 3) | office equipment | 3~6 years |
| 4) | other equipment | 2~10 years |

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

(l) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

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- the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

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- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

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(m) Intangible assets

(i) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for current and comparative periods are as follows:

- 1) Computer software cost 5~6 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as changes in accounting estimates.

(n) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from inventories, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

At each reporting date, the Company reviews the accumulated impairment of its non-financial assets to determine whether there is any indication of reversal of impairment. If any such indication that the asset's recoverable amount is changed exists, the impairment loss will be reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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(o) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(p) Revenue recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods—vapor chamber, heat pipe and thermal module

The Company manufactures and sells vapor chamber, heat pipe and thermal module. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales of vapor chamber, heat pipe and thermal module are made with a credit term of 100 days, which is consistent with the market practice.

The Company reduces revenue by the amount of expected returns and recognizes a refund liability. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Company reassesses the estimated amount of expected returns.

The Company's obligation to provide a refund for faulty vapor chamber, heat pipe and thermal module under the standard warranty terms is recognized as a provision for warranty.

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2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on the discounted present value of the said defined benefit obligation. Any unrecognized past service costs and the fair value of any plan assets are deducted for purposes of determining the Company's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings.

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Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

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Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(t) Operating segments

The Company discloses its information on operating segments in its consolidated financial statements, so it need not disclose such information in its parent-company-only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent-company-only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|------------------------------|------------------------------|
| Cash on hand | \$ 219 | 249 |
| Demand deposits | 546,278 | 446,901 |
| Check deposit | <u>-</u> | <u>10</u> |
| Cash and cash equivalents in the statement of cash flows | <u>\$ 546,497</u> | <u>447,160</u> |

Please refer to note 6(q) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

As of December 31, 2020 and 2019, the cash and cash equivalents of the Company had not been pledged as collateral for borrowings or lawsuit.

(b) Financial assets at fair value through other comprehensive income

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|------------------------------|------------------------------|
| Equity investments at fair value through other comprehensive income: | | |
| Domestic unlisted common shares-Everflow Technology Corporation | <u>\$ 27,983</u> | <u>72,709</u> |

(i) Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.

During the years ended December 31, 2020 and 2019, the dividends of \$371 thousand and \$927 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized.

The Company derecognized the equity investments at fair value through other comprehensive income because the investee company, "Asia Carbon Corporation," dissolved at September 12, 2019. The accumulated valuation loss of \$40,500 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2020.

(ii) For market risk, please refer to note 6(q).

(iii) As of December 31, 2020 and 2019, the financial assets at fair value through other comprehensive income of the Company had not been pledged as collateral.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(c) Notes and accounts receivables

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|------------------------------|------------------------------|
| Notes receivable from operating activities | \$ - | 1 |
| Notes receivable from non-operating activities | - | 1,032 |
| Notes receivables | <u>\$ -</u> | <u>1,033</u> |
| Accounts receivables (including related parties) | \$ 2,073,068 | 1,791,364 |
| Less: Loss allowance | <u>(250)</u> | <u>(659)</u> |
| Net accounts receivables | <u>\$ 2,072,818</u> | <u>1,790,705</u> |

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information. The loss allowance provisions were determined as follows:

| | <u>December 31, 2020</u> | | |
|-----------------------------|--------------------------------------|--|---|
| | <u>Gross carrying amount</u> | <u>Weighted- average loss rate</u> | <u>Loss allowance provision</u> |
| Current | \$ 2,019,369 | 0.00030% | 6 |
| 1 to 30 days past due | 39,061 | 0.03072% | 12 |
| 31 to 120 days past due | 13,955 | 0.16482% | 23 |
| 121 to 180 days past due | 475 | 0.21053% | 1 |
| More than 180 days past due | <u>208</u> | 100% | <u>208</u> |
| | <u>\$ 2,073,068</u> | | <u>250</u> |

| | <u>December 31, 2019</u> | | |
|-----------------------------|--------------------------------------|--|---|
| | <u>Gross carrying amount</u> | <u>Weighted- average loss rate</u> | <u>Loss allowance provision</u> |
| Current | \$ 1,750,490 | 0.00029% | 6 |
| 1 to 30 days past due | 32,743 | 0.03054% | 10 |
| 31 to 120 days past due | 3,035 | 0.13180% | 4 |
| 121 to 180 days past due | 5,505 | 0.27248% | 15 |
| More than 180 days past due | <u>624</u> | 100% | <u>624</u> |
| | <u>\$ 1,792,397</u> | | <u>659</u> |

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

The movement in the allowance for notes and accounts receivables were as follows:

| | <u>2020</u> | <u>2019</u> |
|------------------------------|---------------|-------------|
| Balance at January 1 | \$ 659 | 622 |
| Impairment losses recognized | 181 | 37 |
| Amounts written off | <u>(590)</u> | <u>-</u> |
| Balance at December 31 | <u>\$ 250</u> | <u>659</u> |

As of December 31, 2020 and 2019, the aforementioned notes and accounts receivables of the Company had not been pledged as collateral.

For further credit risk information, please refer to note 6(q).

(d) Other receivables

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|------------------------------|------------------------------|
| Other receivables | \$ 8,464 | 8,627 |
| Other receivables due from related parties | <u>431,366</u> | <u>351,675</u> |
| | <u>\$ 439,830</u> | <u>360,302</u> |

As of December 31, 2020 and 2019, no allowance for impairment was provided because all of the other receivables were still within the normal credit terms.

For further credit risk information, please refers to note 6(q).

(e) Inventories

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------------|------------------------------|------------------------------|
| Raw materials | \$ 18,876 | 23,332 |
| Work in progress | 27,382 | 58,289 |
| Finished goods | 449,772 | 490,285 |
| Merchandise inventory | <u>89,580</u> | <u>86,440</u> |
| | <u>\$ 585,610</u> | <u>658,346</u> |

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

For the years ended December 31, 2020 and 2019, the loss of inventories recognized in operating costs amounted to \$61,095 thousand and \$33,306 thousand, respectively. The details of the loss of inventories were as follows:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|------------------|---------------|
| Unallocated production overheads | \$ 5,759 | 92 |
| Reversal of write-downs | (33,590) | (13,221) |
| Income from sale of scrap and wastes | (10,989) | (13,595) |
| Loss from scrap | 99,883 | 60,030 |
| Inventory shortage | <u>32</u> | <u>-</u> |
| Increase in cost of sales | <u>\$ 61,095</u> | <u>33,306</u> |

For the years ended December 31, 2020 and 2019, raw material, and changes in the finished goods, merchandise inventory and work in progress recognized as cost of sales amounted to \$5,402,775 thousand and \$5,561,694 thousand, respectively.

As of December 31, 2020 and 2019, the Company did not provide any inventories as collateral for its loans.

(f) Investments accounted for using equity method

A summary of the Company's investments accounted for using the equity method at the reporting date is as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--------------|------------------------------|------------------------------|
| Subsidiaries | <u>\$ 4,070,704</u> | <u>3,118,771</u> |

(i) Subsidiaries

For the information of subsidiaries, please refer to the consolidated financial statements for the years ended December 31, 2020.

(ii) Collateral

As of December 31, 2020 and 2019, the Company did not provide any investments accounted for using equity method as collateral for its loans.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, were as follows:

| | <u>Land</u> | <u>Buildings</u> | <u>Machinery</u> | <u>Office equipment</u> | <u>Other equipment</u> | <u>Construction in progress</u> | <u>Total</u> |
|------------------------------|-------------------|------------------|------------------|-----------------------------|----------------------------|-------------------------------------|----------------|
| Cost: | | | | | | | |
| Balance on January 1, 2020 | \$ 210,127 | 102,608 | 165,815 | 209 | 108,012 | 30,991 | 617,762 |
| Additions | - | 7,090 | 27,865 | 3,965 | 11,343 | 16,790 | 67,053 |
| Disposal | - | (4,426) | (23,977) | - | (11,360) | - | (39,763) |
| Reclassification | - | 1,748 | 70,218 | - | (44,419) | (30,991) | (3,444) |
| Balance on December 31, 2020 | <u>\$ 210,127</u> | <u>107,020</u> | <u>239,921</u> | <u>4,174</u> | <u>63,576</u> | <u>16,790</u> | <u>641,608</u> |
| Balance on January 1, 2019 | \$ 210,127 | 68,322 | 161,467 | 209 | 89,856 | 8,011 | 537,992 |
| Additions | - | 34,504 | 27,214 | - | 25,985 | 24,781 | 112,484 |
| Disposal | - | (218) | (24,667) | - | (7,829) | - | (32,714) |
| Reclassification | - | - | 1,801 | - | - | (1,801) | - |
| Balance on December 31, 2019 | <u>\$ 210,127</u> | <u>102,608</u> | <u>165,815</u> | <u>209</u> | <u>108,012</u> | <u>30,991</u> | <u>617,762</u> |
| Depreciation: | | | | | | | |
| Balance on January 1, 2020 | \$ - | 43,645 | 72,488 | 157 | 55,702 | - | 171,992 |
| Depreciation for the year | - | 13,864 | 35,350 | 184 | 24,201 | - | 73,599 |
| Disposal | - | (2,094) | (11,705) | - | (11,195) | - | (24,994) |
| Reclassification | - | - | 28,760 | - | (28,760) | - | - |
| Balance on December 31, 2020 | <u>\$ -</u> | <u>55,415</u> | <u>124,893</u> | <u>341</u> | <u>39,948</u> | <u>-</u> | <u>220,597</u> |
| Balance on January 1, 2019 | \$ - | 34,936 | 62,005 | 131 | 40,445 | - | 137,517 |
| Depreciation for the year | - | 8,927 | 24,201 | 26 | 21,990 | - | 55,144 |
| Disposal | - | (218) | (13,718) | - | (6,733) | - | (20,669) |
| Balance on December 31, 2019 | <u>\$ -</u> | <u>43,645</u> | <u>72,488</u> | <u>157</u> | <u>55,702</u> | <u>-</u> | <u>171,992</u> |
| Carrying amounts: | | | | | | | |
| Balance on December 31, 2020 | <u>\$ 210,127</u> | <u>51,605</u> | <u>115,028</u> | <u>3,833</u> | <u>23,628</u> | <u>16,790</u> | <u>421,011</u> |
| Balance on December 31, 2019 | <u>\$ 210,127</u> | <u>58,963</u> | <u>93,327</u> | <u>52</u> | <u>52,310</u> | <u>30,991</u> | <u>445,770</u> |

As of December 31, 2020, the Company did not provide any property, plant and equipment as collaterals for its loans. As of December 31, 2019, the property, plant and equipment of the Company had been pledged as collateral for borrowings, please refer to note 8.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(h) Investment property

| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
|----------------------------------|------------------|------------------|-------------------|
| Cost: | | | |
| Balance at January 1, 2020 | \$ 36,370 | 34,776 | 71,146 |
| Disposal | <u>(36,370)</u> | <u>(34,776)</u> | <u>(71,146)</u> |
| Balance at December 31, 2020 | <u>\$ -</u> | <u>-</u> | <u>-</u> |
| Balance at January 1, 2019 | <u>\$ 36,370</u> | <u>34,776</u> | <u>71,146</u> |
| Balance at December 31, 2019 | <u>\$ 36,370</u> | <u>34,776</u> | <u>71,146</u> |
| Accumulated depreciation: | | | |
| Balance at January 1, 2020 | \$ - | 13,340 | 13,340 |
| Depreciation for the year | - | 512 | 512 |
| Disposal | <u>-</u> | <u>(13,852)</u> | <u>(13,852)</u> |
| Balance at December 31, 2020 | <u>\$ -</u> | <u>-</u> | <u>-</u> |
| Balance at January 1, 2019 | \$ - | 12,658 | 12,658 |
| Depreciation for the year | <u>-</u> | <u>682</u> | <u>682</u> |
| Balance at December 31, 2019 | <u>\$ -</u> | <u>13,340</u> | <u>13,340</u> |
| Carrying amount: | | | |
| Balance at December 31, 2020 | <u>\$ -</u> | <u>-</u> | <u>-</u> |
| Balance at December 31, 2019 | <u>\$ 36,370</u> | <u>21,436</u> | <u>57,806</u> |
| Fair value: | | | |
| Balance at December 31, 2019 | | | <u>\$ 141,396</u> |

The Company classifies its land and building as investment property with the intention of earning a return on the investment either through rental income, the future resale of the property, or both.

The fair value of investment property is based on the appraisal report of the independent professionals or publicly available average price of recent transactions.

On May 11, 2020, the Board of Directors approved to dispose the investment property of the Company. All related registration of cancellation of mortgage procedures had been completed on September 9, 2020. Once an investment property is classified as held-for-sale, it is no longer depreciated. On October 16, 2020, the Company disposed its property to Kuan Chynan Industrial Co., Ltd. at the amount of \$147,913 thousand. For the gain and loss on the disposal of investment property, please refer to note(p).

As of December 31, 2019, the investment property of the Company had been pledged as collateral for its borrowings, please refer to note 8.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(i) Short-term borrowings from related parties

The short-term borrowings were summarized as follows:

| | December 31, 2020 | December 31, 2019 |
|--|------------------------------|------------------------------|
| Unsecured short-term borrowings from related parties | \$ <u>313,280</u> | <u>-</u> |
| Short-term borrowings | \$ <u>313,280</u> | <u>-</u> |
| Unused credit lines | \$ <u>490,759</u> | <u>1,127,780</u> |
| Range of interest rates | <u>0.57038%-0.60613%</u> | <u>-</u> |

On August 24, 2020, Nidec Corporation agreed to make a loan to the Company in the amount of USD11,000 thousand. The loan will be due on June 30, 2021. The interest expense for the year amounted to \$673 thousand.

For the collateral for short-term borrowings, please refer to note 8.

(j) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

| | December 31, 2020 | December 31, 2019 |
|--|------------------------------|------------------------------|
| Present value of the defined benefit obligations | \$ 57,189 | 53,314 |
| Fair value of plan assets | <u>(53,737)</u> | <u>(52,078)</u> |
| Net defined benefit liabilities | \$ <u>3,452</u> | <u>1,236</u> |

The Company's employee benefit liabilities were as follows:

| | December 31, 2020 | December 31, 2019 |
|--------------------------------|------------------------------|------------------------------|
| Compensated absences liability | \$ <u>5,293</u> | <u>4,211</u> |

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$53,737 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows:

| | <u>2020</u> | <u>2019</u> |
|--|------------------|----------------|
| Defined benefit obligations at January 1 | \$ 53,314 | 58,085 |
| Current service costs and interest cost | 1,298 | 1,846 |
| Remeasurements loss (gain): | | |
| — Return on plan assets (excluding interest income) | 3,458 | 3,482 |
| — Actuarial loss (gain) arising from financial assumptions | 2,486 | (4,832) |
| Benefits paid | <u>(3,367)</u> | <u>(5,267)</u> |
| Defined benefit obligations at December 31 | <u>\$ 57,189</u> | <u>53,314</u> |

3) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|------------------|----------------|
| Fair value of plan assets at January 1 | \$ 52,078 | 53,115 |
| Interest income | 595 | 739 |
| Remeasurements loss (gain): | | |
| — Return on plan assets (excluding interest income) | 1,573 | 1,686 |
| Contributions paid by the employer | 1,754 | 1,805 |
| Benefits paid | <u>(2,263)</u> | <u>(5,267)</u> |
| Fair value of plan assets at December 31 | <u>\$ 53,737</u> | <u>52,078</u> |

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|---------------|--------------|
| Current service costs | \$ 700 | 1,050 |
| Net interest of net liabilities for defined benefit obligations | <u>3</u> | <u>57</u> |
| | <u>\$ 703</u> | <u>1,107</u> |
| | <u>2020</u> | <u>2019</u> |
| Operating cost | \$ 36 | 57 |
| Administration expenses | <u>667</u> | <u>1,050</u> |
| | <u>\$ 703</u> | <u>1,107</u> |

5) Remeasurement of net defined benefit liability recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2020 and 2019, was as follows:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|--------------------|----------------|
| Accumulated amount at January 1 | \$ (9,938) | (12,367) |
| Recognized during the period | <u>(3,497)</u> | <u>2,429</u> |
| Accumulated amount at December 31 | <u>\$ (13,435)</u> | <u>(9,938)</u> |

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------------------|------------------------------|------------------------------|
| Discount rate | 0.750 % | 1.125 % |
| Future salary increase rate | 1.000 % | 1.000 % |

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$1,822 thousand.

The weighted average lifetime of the defined benefits plans is 17.01 years.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

7) Sensitivity analysis

When calculating the present value of defined benefit obligation, the Company must use judgment and estimates to determine the relevant actuarial assumptions at the balance sheet date, including discount rate, employee turnover rate, and future salary increase rate. Any change in actuarial assumptions could materially affect the amount of the Company's defined benefit obligation.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

| | Influences of defined benefit obligations | |
|---|--|----------------------------|
| | Increased 0.25% | Decreased 0.25% |
| December 31, 2020 | | |
| Discount rate (0.25% variation) | \$ (1,676) | 1,751 |
| Future salary increasing rate (0.25% variation) | 1,716 | (1,652) |
| December 31, 2019 | | |
| Discount rate (0.25% variation) | 208 | (1,974) |
| Future salary increasing rate (0.25% variation) | (2,001) | (5,412) |

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of net defined benefit liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company allocates 6.00% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$13,284 thousand and \$10,106 thousand for the years ended December 31, 2020 and 2019, respectively.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(k) Income taxes

(i) Income tax expense

The components of income tax in the years 2020 and 2019 were as follows:

| | <u>2020</u> | <u>2019</u> |
|----------------------|-------------------|----------------|
| Current tax expense | \$ 23,391 | 85,376 |
| Deferred tax expense | 122,129 | 81,965 |
| Income tax expense | <u>\$ 145,520</u> | <u>167,341</u> |

Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows.

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|----------------|
| Profit excluding income tax | <u>\$ 927,918</u> | <u>868,875</u> |
| Income tax using the Company's domestic tax rate | \$ 185,584 | 173,775 |
| Effect of tax rates in foreign jurisdiction | (12,643) | (8,867) |
| Tax-exempt income | (12,856) | (185) |
| Tax incentives | (10,500) | (4,500) |
| Difference between estimate and assessment | (3,638) | 3,989 |
| Land Value Increment Tax | 696 | - |
| Over-estimation from prior periods | (7,920) | (985) |
| Additional tax on undistributed earnings | 6,797 | 5,766 |
| Others | - | (1,652) |
| Total | <u>\$ 145,520</u> | <u>167,341</u> |

The amount of income tax recognized in other comprehensive income were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|------------------|-----------------|
| Items that will not be reclassified subsequently to profit or loss: | | |
| Remeasurements (gain) loss | <u>\$ (874)</u> | <u>607</u> |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation | <u>\$ 10,001</u> | <u>(24,983)</u> |

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

Deferred Tax Liabilities:

| | Investment income recognized under equity method | Cumulative translation adjustments | Reserve for land revaluation increment tax | Others | Total |
|-------------------------------------|--|--|---|--------------|----------------|
| Balance at January 1, 2020 | \$ 431,398 | - | 26,241 | 1,877 | 459,516 |
| Recognized in profit or loss | 98,414 | - | - | 7,856 | 106,270 |
| Balance at December 31, 2020 | <u>\$ 529,812</u> | <u>-</u> | <u>26,241</u> | <u>9,733</u> | <u>565,786</u> |
| Balance at January 1, 2019 | \$ 359,690 | - | 26,241 | 1,737 | 387,668 |
| Recognized in profit or loss | 71,708 | - | - | 140 | 71,848 |
| Balance at December 31, 2019 | <u>\$ 431,398</u> | <u>-</u> | <u>26,241</u> | <u>1,877</u> | <u>459,516</u> |

Deferred Tax Assets:

| | Allowance for inventory valuation and obsolescence losses | Unrealized profit on downstream transactions | Cumulative translation adjustments | Others | Total |
|-------------------------------------|--|--|--|--------------|---------------|
| Balance at January 1, 2020 | \$ 9,502 | 11,824 | 50,561 | 5,608 | 77,495 |
| Recognized in profit or loss | (6,718) | (9,461) | - | 320 | (15,859) |
| Recognized directly in equity | - | - | (10,001) | 874 | (9,127) |
| Balance at December 31, 2020 | <u>\$ 2,784</u> | <u>2,363</u> | <u>40,560</u> | <u>6,802</u> | <u>52,509</u> |
| Balance at January 1, 2019 | \$ 12,147 | 18,302 | 25,579 | 7,208 | 63,236 |
| Recognized in profit or loss | (2,645) | (6,478) | - | (994) | (10,117) |
| Recognized directly in equity | - | - | 24,982 | (606) | 24,376 |
| Balance at December 31, 2019 | <u>\$ 9,502</u> | <u>11,824</u> | <u>50,561</u> | <u>5,608</u> | <u>77,495</u> |

(iii) Assessment of tax

The Company's tax returns for the years through 2018 were assessed by the R.O.C. tax authority.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(l) Capital and other equity

(i) Ordinary shares

As of December 31, 2020 and 2019, the Company's government-registered total authorized capital both amounted to \$1,200,000 thousand, and total issued capital stock both amounted to \$863,434 thousand, divided into 86,343 thousand shares of stock with \$10 par value per share.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2020 and 2019, were as follows:

| | December 31, 2020 | December 31, 2019 |
|---------------------|------------------------------|------------------------------|
| Share capital | \$ 376,600 | 376,600 |
| Conversion of bonds | 155,223 | 155,223 |
| | \$ 531,823 | 531,823 |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The distribution of retained earnings of the Company should not be less than 15% of the net income. In addition, the stock dividends shall not be more than 80% of total dividends and the cash dividends shall not be less than 20% of total dividends when distributing the dividends.

1) Legal reserve

According to the R.O.C. Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

2) Special reserve

As the Company opted to avail of the exemptions allowed under IFRS 1 “First-time Adoption of International Financial Reporting Standards” during the Company’s first-time adoption of the IFRSs as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments (gain) which were previously recognized in shareholders’ equity were reclassified to retained earnings. According to regulations, retained earnings would be increased by \$84,833 thousand, by recognizing the fair value on the adoption date as deemed cost. In accordance with Ruling No.0 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first time adoption of the IFRSs shall be reclassified as a special reserve during earning distribution, and when the relevant assets were used, disposed of or reclassified, this special reserve shall be reversed as distributable earnings proportionately. The balance of special reserve amounted to \$222,369 thousand and \$185,482 thousand as of December 31, 2020 and 2019, respectively.

In accordance with Ruling mentioned above, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders’ equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders’ equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders’ equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2019 and 2018 was decided by the resolution adopted, at the general meeting of shareholders held on June 22, 2020 and June 24, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

| | <u>2019</u> | | <u>2018</u> | |
|---|-------------------------|-----------------------|-------------------------|-----------------------|
| | <u>Amount per share</u> | <u>Total amount</u> | <u>Amount per share</u> | <u>Total amount</u> |
| Dividends distributed to ordinary shareholders: | | | | |
| Cash | \$ 4.87 | <u><u>420,492</u></u> | 4.70 | <u><u>405,814</u></u> |

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iv) Other equity accounts, net of tax

| | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total |
|---|---|---|------------------|
| Balance at January 1, 2020 | \$ (275,080) | 52,711 | (222,369) |
| Exchange differences on translation of foreign financial statements, net of tax | 40,004 | - | 40,004 |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | - | (44,726) | (44,726) |
| Balance at December 31, 2019 | <u>\$ (235,076)</u> | <u>7,985</u> | <u>(227,091)</u> |
| Balance at January 1, 2019 | \$ (175,147) | (10,335) | (185,482) |
| Exchange differences on translation of foreign financial statements, net of tax | (99,933) | - | (99,933) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | - | 22,546 | 22,546 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | 40,500 | 40,500 |
| Balance at December 31, 2019 | <u>\$ (275,080)</u> | <u>52,711</u> | <u>(222,369)</u> |

(m) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2020 and 2019, were based on the profit attributable to ordinary shareholders of the Company of \$782,398 thousand and \$701,534 thousand, respectively, and the weighted average number of ordinary shares outstanding of 86,343 thousand shares, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|----------------|
| Profit attributable to ordinary shareholders of the Company | <u>\$ 782,398</u> | <u>701,534</u> |

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

2) Weighted average number of ordinary shares

| | <u>2020</u> | <u>2019</u> |
|---|------------------|---------------|
| Issued ordinary shares at January 1 | \$ <u>86,343</u> | <u>86,343</u> |
| Weighted average number of ordinary shares at December 31 | \$ <u>86,343</u> | <u>86,343</u> |

Considering the employee profit sharing plan and the dividend payout experience in the most recent 2 year, the Company paid the cash bonus and the cash dividends. As the result, the basic earnings per share and the diluted earnings per share were the same for the years ended, 2020 and 2019.

(n) Revenue from contracts with customers

(i) Details of revenue

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|---------------------|------------------|
| Primary geographical markets: | | |
| Chinese mainland | \$ 3,075,400 | 2,479,669 |
| Taiwan | 1,034,074 | 1,400,672 |
| Singapore | 468,670 | 702,726 |
| Malaysia | 601,772 | 517,392 |
| United States | 253,788 | 431,517 |
| Others | <u>639,786</u> | <u>776,856</u> |
| | <u>\$ 6,073,490</u> | <u>6,308,832</u> |
| Major products: | | |
| Thermal module | \$ 4,112,168 | 4,321,815 |
| Thermal products | 1,371,132 | 1,265,690 |
| Others | <u>590,190</u> | <u>721,327</u> |
| | <u>\$ 6,073,490</u> | <u>6,308,832</u> |

(ii) Contract balances

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> | <u>January 1, 2019</u> |
|--|------------------------------|------------------------------|----------------------------|
| Notes receivables from operating activities | \$ - | 1 | 10 |
| Accounts receivables (including related parties) | 2,073,068 | 1,791,364 | 1,708,465 |
| Less: allowance for impairment | <u>(250)</u> | <u>(659)</u> | <u>(622)</u> |
| Total | <u>\$ 2,072,818</u> | <u>1,790,706</u> | <u>1,707,853</u> |

For details on accounts receivables and allowance for impairment, please refer to note 6(c).

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(o) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 3% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$30,360 thousand and \$46,000 thousand, and directors' and supervisors' remuneration amounting to \$3,300 thousand and \$5,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. The related information would be available at the Market Observation Post System website. The amounts, as stated in the parent-company-only financial statements, are identical to those of the actual distributions for 2019. For the year ended December 31, 2020, the difference between the amount stated in the financial statements and the amount to be distributed, approved by Board of Directors, is as follows:

| | 2020 | | |
|--|--|---|--------------------|
| | The amount to be distributed approved by Board of Directors | The amount stated in the financial statement | Differences |
| Employee remuneration | \$ 28,847 | 30,360 | (1,513) |
| Director and supervisor's remuneration | 3,300 | 3,300 | - |
| | \$ 32,147 | 33,660 | (1,513) |

(p) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

| | 2020 | 2019 |
|------------------------------------|---------------|--------------|
| Interest income from bank deposits | \$ 887 | 4,021 |
| Other interest income | 57 | - |
| | \$ 944 | 4,021 |

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(ii) Other income

The details of other income were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|-----------------------|
| Rental income | \$ 3,324 | 4,199 |
| Dividend income | 371 | 927 |
| Commission income from purchase of raw materials and equipments | 90,142 | 199,640 |
| Other income, others | <u>14,616</u> | <u>8,622</u> |
| | <u><u>\$ 108,453</u></u> | <u><u>213,388</u></u> |

(iii) Other gains and losses

The details of other gains and losses were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|-----------------------|
| Loss on disposal of property, plant and equipment | \$ (6,905) | (11,054) |
| Gain on disposal of investment property | 90,619 | - |
| Foreign currency exchange gain | 26,150 | 4,880 |
| Depreciation of investment property | (512) | (682) |
| Others | <u>(541)</u> | <u>(302)</u> |
| | <u><u>\$ 108,811</u></u> | <u><u>(7,158)</u></u> |

(iv) Finance costs

The details of finance costs were as follows:

| | <u>2020</u> | <u>2019</u> |
|--|------------------------|---------------------|
| Interest expense | \$ (673) | (227) |
| Amortization interest of lease liabilities | (239) | (260) |
| Other finance costs | <u>(4)</u> | <u>(7)</u> |
| | <u><u>\$ (916)</u></u> | <u><u>(494)</u></u> |

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(q) Financial instruments

(i) Categories of financial instruments

1) Financial assets

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|------------------------------|------------------------------|
| Financial assets at fair value through other comprehensive income | \$ 27,983 | 72,709 |
| Financial assets at amortized cost (loans and receivables) | | |
| Cash and cash equivalents | 546,497 | 447,160 |
| Notes and accounts receivables (including related parties) | 2,072,818 | 1,791,738 |
| Other receivables (including related parties) | <u>439,830</u> | <u>360,302</u> |
| Subtotal | <u>3,059,145</u> | <u>2,599,200</u> |
| Total | <u>\$ 3,087,128</u> | <u>2,671,909</u> |

2) Financial liabilities

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|------------------------------|------------------------------|
| Financial liabilities at amortized cost | | |
| Short-term borrowings | \$ 313,280 | - |
| Accounts payables (including related parties) | 2,735,367 | 2,201,401 |
| Other payables (including related parties) | 244,937 | 282,728 |
| Lease liabilities | <u>66,036</u> | <u>11,667</u> |
| Total | <u>\$ 3,359,620</u> | <u>2,495,796</u> |

(ii) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2020 and 2019, the Company's exposure to credit risk and the maximum exposure were mainly from notes and accounts receivables and other receivables, the amount is \$2,512,648 thousand and \$2,152,040 thousand, respectively.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

2) Concentration of credit risk

The major customers of the Company are centralized in the high-tech computer industry. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting accounts receivables. Besides, the Company monitors and reviews the recoverable amount of the accounts receivables to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2020 and 2019, 35% and 40%, respectively, of accounts receivables were three major customers. Thus, credit risk is significantly centralized.

3) Credit risk of receivables

For credit risk exposure of notes and accounts receivables, please refer to note 6(c).

Other financial assets at amortized cost includes other receivables.

All of other receivables are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f). For the years ended December 31, 2020 and 2019, no allowance for impairment were provided because there was no indication of credit-impaired for other receivables.

(iii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

| | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>Within 6 months</u> | <u>6-12 months</u> | <u>1-2 years</u> | <u>2-5 years</u> |
|--|----------------------------|-----------------------------------|----------------------------|------------------------|------------------|------------------|
| December 31, 2020 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term borrowings from related parties | \$ 313,280 | (314,202) | (314,202) | - | - | - |
| Accounts payable (including related parties) | 2,735,367 | (2,735,367) | (2,680,342) | (55,025) | - | - |
| Other payables (including related parties) | 244,937 | (244,937) | (244,937) | - | - | - |
| Lease liabilities | <u>66,036</u> | <u>(66,998)</u> | <u>(9,034)</u> | <u>(8,720)</u> | <u>(15,599)</u> | <u>(33,645)</u> |
| | <u>\$ 3,359,620</u> | <u>(3,361,504)</u> | <u>(3,248,515)</u> | <u>(63,745)</u> | <u>(15,599)</u> | <u>(33,645)</u> |
| December 31, 2019 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Accounts payable (including related parties) | \$ 2,201,401 | (2,201,401) | (2,201,401) | - | - | - |
| Other payables (including related parties) | 282,728 | (282,728) | (282,728) | - | - | - |
| Lease liabilities | <u>11,667</u> | <u>(11,947)</u> | <u>(4,109)</u> | <u>(4,080)</u> | <u>(2,624)</u> | <u>(1,134)</u> |
| | <u>\$ 2,495,796</u> | <u>(2,496,076)</u> | <u>(2,488,238)</u> | <u>(4,080)</u> | <u>(2,624)</u> | <u>(1,134)</u> |

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iv) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk were as follows:

| | December 31, 2020 | | | December 31, 2019 | | |
|------------------------------|---------------------|------------------|-----------|---------------------|------------------|-----------|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | \$ 119,271 | 28.480 | 3,396,838 | 81,510 | 29.980 | 2,443,670 |
| CNY | 17,026 | 4.377 | 74,523 | 28,166 | 4.305 | 121,255 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | 105,488 | 28.480 | 3,004,298 | 71,549 | 29.980 | 2,145,039 |
| CNY | 5,114 | 4.377 | 22,384 | 2,946 | 4.305 | 12,683 |

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, loans and borrowings and accounts and other payables that are denominated in foreign currency. A weakening of 1% of the NTD against the USD and CNY as of December 31, 2020 and 2019, would have decreased the net income before tax by \$4,447 thousand and \$4,072 thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2020 and 2019.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$26,150 thousand and \$4,880 thousand, respectively.

(v) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

If the interest rate had increased / decreased by 1%, the Company's net income would have decreased / increased by \$2,506 thousand and \$0 thousand, respectively, for the years ended December 31, 2020 and 2019 with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates.

(vi) Other pricing risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

| <u>Price of securities at the reporting date</u> | <u>2020</u> | | <u>2019</u> | |
|--|---|---------------------------------|---|---------------------------------|
| | <u>Other comprehensive profit or loss after tax</u> | <u>Profit or loss after tax</u> | <u>Other comprehensive profit or loss after tax</u> | <u>Profit or loss after tax</u> |
| Increased by 1% | \$ <u>280</u> | <u>-</u> | <u>727</u> | <u>-</u> |
| Decreased by 1% | \$ <u>(280)</u> | <u>-</u> | <u>(727)</u> | <u>-</u> |

(vii) Fair value of financial instruments

1) Fair value hierarchy

The financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value and lease liabilities, disclosure of fair value information is not required:

| | <u>December 31, 2020</u> | | | | |
|---|--------------------------|-------------------|----------------|----------------|---------------|
| | <u>Book Value</u> | <u>Fair Value</u> | | | <u>Total</u> |
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 546,497 | - | - | - | - |
| Notes and accounts receivable (including related parties) | 2,072,818 | - | - | - | - |
| Other receivables (including related parties) | 439,830 | - | - | - | - |
| Financial assets at fair value through other comprehensive income | <u>27,983</u> | <u>-</u> | <u>-</u> | <u>27,983</u> | <u>27,983</u> |
| Total | <u>\$ 3,087,128</u> | <u>-</u> | <u>-</u> | <u>27,983</u> | <u>27,983</u> |

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

| | December 31, 2020 | | | | |
|---|--------------------------|-------------------|----------------|----------------|--------------|
| | Book Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial liabilities at amortized cost | | | | | |
| Short-term borrowings from related parties | \$ 313,280 | - | - | - | - |
| Notes and accounts payables (including related parties) | 2,735,367 | - | - | - | - |
| Other payables (including related parties) | 244,937 | - | - | - | - |
| Lease liabilities | 66,036 | - | - | - | - |
| Total | \$ 3,359,620 | - | - | - | - |

| | December 31, 2019 | | | | |
|---|--------------------------|-------------------|----------------|----------------|---------------|
| | Book Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 447,160 | - | - | - | - |
| Notes and accounts receivable (including related parties) | 1,791,738 | - | - | - | - |
| Other receivables (including related parties) | 360,302 | - | - | - | - |
| Financial assets at fair value through other comprehensive income | 72,709 | - | - | 72,709 | 72,709 |
| Total | \$ 2,671,909 | - | - | 72,709 | 72,709 |
| Financial liabilities at amortized cost | | | | | |
| Notes and accounts payables (including related parties) | \$ 2,201,401 | - | - | - | - |
| Other payables (including related parties) | 282,728 | - | - | - | - |
| | 11,667 | - | - | - | - |
| Total | \$ 2,495,796 | - | - | - | - |

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

2) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Fair value of the Company's financial instruments that have an active market is displayed by category and attribute as follows:

The listed callable bonds, listed stocks, bill of exchange and corporate bonds are financial assets and liabilities with standard transaction terms and conditions, and traded on active market. The fair value of such items is determined in reference to the quoted market price.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

Fair value of the Company's financial instruments that without an active market is displayed by category and attribute as follows:

Equity instruments without an open quoted price: Fair value is estimated using the approach of comparative companies. The main assumptions are the estimated EBITDA of the investee, and the earnings multiplier derived from the quoted price of a comparative publicly listing company. Such estimate has been adjusted by the discount due from the lack of market circulation of the equity securities.

3) Transfers between Level 1 and Level 2

There were no transfers between levels of fair value hierarchy for the years ended December 31, 2020 and 2019.

4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value is fair value through other comprehensive income – equity investments.

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Notes to the Financial Statements

The equity investments without active market has multiple significant unobservable inputs. The significant unobservable inputs are independent of each other, and no interrelationship exists.

Quantified information of significant unobservable inputs was as follows:

| <u>Item</u> | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationship between significant unobservable inputs and fair value measurement</u> |
|---|------------------------------------|--|--|
| Financial assets at fair value through other comprehensive income - equity investments without an active market | Market comparable companies method | Discount rate for lack of market circulation (25% as of December 31, 2020 and 2019) | The higher the discount rate for lack of market circulation, the lower the fair value. |

(r) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying parent-Company-only financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Chairman's office and Group operations center, which are responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
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The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customer.

1) Accounts and other receivable

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Company; these limits are reviewed regularly. No collateral required for accounts and other receivable, Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Clients who transaction with the Company has few experiences on default losses. When monitoring customers' credit risk, customers are grouped according to its credit characteristics, including whether it is an individual or a legal entity, geographical distinction, industry, aging schedule, maturity date and previously existing financial difficulties. Customers who are rated as high risk are classified as restricted and these customers may transact with the Company only on a prepayment basis.

The Company established an impairment allowance that represents its estimate of incurred losses in respect of accounts and other receivables, as well as investments. Major components of this impairment allowance are specific losses related to individually significant exposure and collective losses which have incurred but have not been identified. The collective losses are based on historical payment experience of similar financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2020 and 2019, the Company did not provide financial guarantees to other third parties.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company depend its accounting policy to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities (other than accounts payables) over the succeeding 60 days. The Company also monitors the level of expected cash outflows on accounts and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2020 and 2019, the Company's unused credit line were amounted to \$490,759 thousand and \$1,127,780 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Board of Directors.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the NTD, US Dollar (USD), and Chinese Yuan (CNY). The currencies used in these transactions are the NTD, USD, and CNY.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

Loan interest is denominated in the currency of the loan. Generally, the currency of the borrowings is the same as the currency of the cash flows from operating activities, which is mainly NTD and USD. As a result, economic hedging is provided, and without signing derivatives, so the Company doesn't apply hedge accounting.

2) Interest rate risk

The Company holds floating interest rate of assets and liabilities, and thus suffer from cash flow interest rate risk exposure. The detail of floating interest rate of the Company's assets and liabilities, please refer to note "liquidity risk management".

3) Other market price risk

The Company doesn't sign merchandise contract except for meeting the expected consumption and sales demand.

(s) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain the future development of the business. The capital includes ordinary shares, capital surplus and retained earnings. The Board monitors the return on capital and controls the level of common stock dividends.

The Company monitors funds by regularly review debt-to-equity ratio. As of December 31, 2020 and 2019, the Company's debt-to-equity ratio is as follows:

| | December 31, 2020 | December 31, 2019 |
|---------------------------------|------------------------------|------------------------------|
| Total liabilities | \$ 3,964,211 | 2,996,626 |
| Less: cash and cash equivalents | <u>(546,497)</u> | <u>(447,160)</u> |
| Net debt | <u>\$ 3,417,714</u> | <u>2,549,466</u> |
| Total equity | <u>\$ 4,412,745</u> | <u>4,059,058</u> |
| Debt-to-equity ratio | <u>77.45 %</u> | <u>62.81 %</u> |

(7) Related-party transactions

(a) Parent company and ultimate controlling company

Nidec Corporation acquired 48% of the Company's ordinary shares through public tender offer during October 3, 2018 to November 21, 2018. Therefore, Nidec Corporation is both the parent company and the ultimate controlling party of the Company. As of December 31, 2020 and 2019, it owns 67.02% and 52.14% of all shares outstanding of the Company, respectively. Nidec Corporation has issued the consolidated financial statements available for public use.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the parent-company-only financial statements.

| <u>Name of related party</u> | <u>Relationship with the Company</u> |
|---|--------------------------------------|
| Nidec Corporation | The parent company |
| Conquer Wisdom Co., Ltd. | The Company's subsidiary |
| Nidec Chaun Choung Vietnam Corporation | The Company's subsidiary |
| Nidec Chaun Choung Techonology America Inc. (Original name: Chaun Choung Techonology America Inc.) | The Company's subsidiary |
| GLOBE STAR ENTERPRISE Ltd. | The Company's subsidiary |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. (Original name: Kunshan Jue-Choung Electronics Co.,Ltd.) | The Company's subsidiary |
| Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. (Original name: Chongqing Cyun Siang High-Tech Co., Ltd.) | The Company's subsidiary |
| Nidec Chiuan-Vector Industrial (Dongguan) Co., Ltd. (Original name: Dongguan Chiuan-Vector Industrial Co.,Ltd.) | The Company's subsidiary |
| Nidec America Corporation | The Company's subsidiary |
| Nidec Machinery Corporation | The Company's other related parties |
| Nidec Sankyo Corporation | The Company's other related parties |
| Nidec (Zhejiang) Corporation | The Company's other related parties |
| Nidec (H.K.) Co., Limited | The Company's other related parties |
| Nidec (Dalian) Limited | The Company's other related parties |
| Nidec Sankyo (H.K.) Co LTD | The Company's other related parties |
| Nidec Machinery (Zhejiang) Corporation | The Company's other related parties |
| Nidec Seimitsu Motor Technology (Dongguan) Co., Ltd. | The Company's other related parties |
| Nidec (DongGuan) Limited | The Company's other related parties |
| Nidec (Dalian) Limited | The Company's other related parties |
| Nidec Management Shanghai Corporation. | The Company's other related parties |
| Nidec Sankyo Taiwan Corporation | The Company's other related parties |
| Create Area Interior Design Co., Ltd. | The Company's other related parties |

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to related parties and the balance of accounts receivables were as follows:

| | Sales | | Accounts receivables | |
|---------------------------|-------------------|---------------|----------------------|-------------------|
| | 2020 | 2019 | December 31, 2020 | December 31, 2019 |
| The parent company | \$ 14,251 | 2,324 | 2,378 | 2,956 |
| Subsidiaries | 54,169 | 61,192 | 22,665 | 22,299 |
| Other related parties | | | | |
| Nidec (H.K.) Co., Limited | 764,414 | - | 628,191 | - |
| Other related parties | 4,231 | 188 | 3,573 | 188 |
| | <u>\$ 837,065</u> | <u>63,704</u> | <u>656,807</u> | <u>25,443</u> |

The selling price for related parties approximated the market price. The accounts receivables arising from sales of parent company and other related parties are collected 90 to 120 days after the account day. The accounts receivables arising from sales of subsidiaries are collected on the 120 days after the account day. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

(ii) Purchases

The amounts of significant purchases by the Company from related parties and the balance of accounts payable were as follows:

| | Purchase | | Accounts Payable | |
|--|---------------------|------------------|-------------------|-------------------|
| | 2020 | 2019 | December 31, 2020 | December 31, 2019 |
| Subsidiaries | | | | |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | \$ 2,163,120 | 2,474,864 | 1,180,031 | 1,049,345 |
| Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. | 1,295,797 | 930,842 | 893,017 | 340,077 |
| | <u>\$ 3,458,917</u> | <u>3,405,706</u> | <u>2,073,048</u> | <u>1,389,422</u> |

The pricing of purchase transactions with subsidiaries were not significantly different from those offered by other vendors. The payment terms within 120 to 150 days after the account day, which were no different from the payment terms given by other vendors.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iii) Property transactions

The acquisition price of property, plant and equipment purchased from related parties and the balance of other payables are summarized as follows:

| | <u>Acquisition price</u> | | <u>Other payables</u> | |
|--|--------------------------|---------------|--------------------------|--------------------------|
| | <u>2020</u> | <u>2019</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Other related parties | | | | |
| Create Area Interior Design Co., Ltd. \$ | 508 | 31,316 | 60 | 3,198 |
| Other related parties | - | 3,153 | - | - |
| | <u>\$ 508</u> | <u>34,469</u> | <u>60</u> | <u>3,198</u> |

(iv) Loans to a Related Party

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Nidec Chaun Choung Vietnam Corporation | <u>\$ 113,920</u> | <u>-</u> |

The Company's unsecured loans to the related party had an interest rate of 1% per annum, wherein the interest income for the year amounted to \$57 thousand. No impairment loss had been recognized as of the reporting date.

(v) Borrowing from a Related Party

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--------------------|--------------------------|--------------------------|
| The parent company | <u>\$ 313,280</u> | <u>-</u> |

The Company's unsecured borrowing from the related party has ICE 3 months USD LIBOR rates fixed on two working days before the starting date of the next period every three months plus 0.35% per annum. The interest expense for the year amounted to \$673 thousand.

(vi) Others

- 1) The amounts of purchase of raw materials and equipment and advance payment by the Company to related parties, and the balance of other receivables were as follows:

| | <u>Purchase of raw materials and equipment and advance payment to related parties</u> | |
|--------------------|---|----------------|
| | <u>2020</u> | <u>2019</u> |
| The parent company | <u>\$ -</u> | <u>25</u> |
| Subsidiaries | <u>\$ 429,273</u> | <u>809,743</u> |

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

| | Other receivables | |
|--|------------------------------|------------------------------|
| | December 31, 2020 | December 31, 2019 |
| Subsidiaries | | |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | \$ 271,249 | 305,437 |
| Other subsidiaries | <u>46,197</u> | <u>46,238</u> |
| | <u>\$ 317,446</u> | <u>351,675</u> |

- 2) The amounts of purchase of machine part, raw materials and equipment and advance payment by the Company from related parties, and commission expenses to related parties, as well as the balance of other payables were as follows:

| | Purchase of raw materials and equipment and advance payment from related parties | | Commission expense | | Operating expense | |
|-----------------------|---|--------------|---------------------------|---------------|--------------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| The parent company | \$ <u>6,796</u> | <u>3,604</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Subsidiaries | \$ <u>5,683</u> | <u>3,382</u> | <u>9,200</u> | <u>10,432</u> | <u>2,701</u> | <u>473</u> |
| Other related parties | \$ <u>184</u> | <u>30</u> | <u>-</u> | <u>-</u> | <u>177</u> | <u>99</u> |

| | Other payables | |
|--|------------------------------|------------------------------|
| | December 31, 2020 | December 31, 2019 |
| The parent company | | |
| Nidec Corporation | \$ <u>3,185</u> | <u>1,264</u> |
| Subsidiaries | | |
| Nidec Chaun Choung Technology America Inc. | \$ 1,468 | 1,645 |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | 5,208 | 97 |
| Other subsidiaries | <u>945</u> | <u>145</u> |
| | <u>\$ 7,621</u> | <u>1,887</u> |
| Other related parties | \$ <u>53</u> | <u>126</u> |

The abovementioned transactions, the Company write off the unrealized miscellaneous revenue and give rise to unrealized profit amounted to \$11,814 thousand and \$59,122 thousand as of December 31, 2020 and 2019, respectively, and the unrealized profit is recognized as the deduction of investments accounted for using equity method.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(d) Key management personnel compensation

Key management personnel compensation comprised:

| | <u>2020</u> | <u>2019</u> |
|------------------------------|------------------|---------------|
| Short-term employee benefits | \$ 56,706 | 54,089 |
| Post-employment benefits | 1,016 | 658 |
| Other long-term benefits | - | - |
| Termination benefits | - | - |
| Share-based payments | - | - |
| | <u>\$ 57,722</u> | <u>54,747</u> |

(8) Pledged assets:

The carrying values of pledged assets were as follows:

| <u>Pledged assets</u> | <u>Object</u> | <u>December 31,</u> <u>2020</u> | <u>December 31,</u> <u>2019</u> |
|---|---------------|------------------------------------|------------------------------------|
| Property, plant and equipment-land | Bank loans | \$ - | 78,218 |
| Property, plant and equipment-buildings | Bank loans | - | 43,312 |
| Investment property-land | Bank loans | - | 36,370 |
| Investment property-buildings | Bank loans | - | 21,436 |
| | | <u>\$ -</u> | <u>179,336</u> |

(9) Commitments and contingencies:None

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:

In order to raise funds for NCCV's new factory construction plans, Nidec Corporation loan the Company the amount of USD24,000 thousand on March 9, 2021, wherein the Company transferred the above amount, plus an additional amount of USD904 thousand, totaling USD24,904 thousand, to NCCV on March 11, 2021, resulting in the government-registered total authorized capital to be USD34,904 thousand. The funds will be available after NCCV obtains the Enterprise Registration Certificate in accordance with the law in Vietnam.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

| By item | By function | 2020 | | | 2019 | | |
|----------------------------|-------------|--------------|-------------------|---------|--------------|-------------------|---------|
| | | Cost of Sale | Operating Expense | Total | Cost of Sale | Operating Expense | Total |
| Employee benefits | | | | | | | |
| Salary | | 115,573 | 213,887 | 329,460 | 108,503 | 195,745 | 304,248 |
| Labor and health insurance | | 11,625 | 19,303 | 30,928 | 9,862 | 14,845 | 24,707 |
| Pension | | 3,889 | 10,098 | 13,987 | 3,016 | 8,197 | 11,213 |
| Remuneration of directors | | - | 2,742 | 2,742 | - | 4,078 | 4,078 |
| Others | | 6,070 | 10,148 | 16,218 | 5,717 | 8,205 | 13,922 |
| Depreciation | | 56,424 | 26,034 | 82,458 | 44,191 | 17,677 | 61,868 |
| Amortization | | 17 | 2,329 | 2,346 | 18 | 2,039 | 2,057 |

Additional information on the number of employees and employee benefits is disclosed as followed:

| | For the years ended December 31, | |
|--|-------------------------------------|----------------|
| | 2020 | 2019 |
| Number of employees | <u>516</u> | <u>414</u> |
| Number of directors who were not employees | <u>4</u> | <u>4</u> |
| The average employee benefit | <u>\$ 763</u> | <u>864</u> |
| The average salaries and wages | <u>\$ 643</u> | <u>742</u> |
| Adjustment percentage of average employee salaries | <u>(13.34)%</u> | <u>12.08 %</u> |
| Supervisors' remuneration | <u>\$ 817</u> | <u>1,151</u> |

The Company's salary and remuneration policies (including directors, supervisors, managers and employees) are as follows:

The Company establishes a remuneration committee to periodically review its performance assessment standards, as well as policies, systems and standards for the remuneration to the directors, supervisors, and managers. The Company takes into account its general employees' salary levels in the same industry, ensuring that its salary policies arrangements are sufficient to recruit outstanding talents.

- (b) Impact assessment of the COVID-19: The Company's subsidiaries, Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. and Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd., are experiencing uncertainty in the operating environment in mainland China due to the COVID-19 outbreak in the beginning of 2020, which has affected their operations, including delays in production, delivery and collection. This incident has prompted both subsidiaries to adjust their production schedules and re-organized their shipment plans after the resumption of their production. The above matter did not have a significant impact on the Company's operating and financial condition.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION

Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

| Number | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower (note 1) | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral | | Individual funding loan limits | Maximum limit of fund financing | Notes |
|--------|--|--|--|---------------|---|-------------------------|---------------------------------------|---|--|---|----------------------------------|------------------------|------------|-------|--------------------------------|---------------------------------|-------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | The Comapany | Nidec Chaun Choung Vietnam Corporation | Other receivables from related parties | Yes | 142,400 (USD5,000) | 142,400 (USD5,000) | 113,920 (USD4,000) | 1% | 2 | - | Operating capital | - | None | - | 441,275 | 1,765,098 | - |
| 1 | Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | The Comapany | Other receivables from related parties | Yes | 199,360 (USD7,000) | 199,360 (USD7,000) | - | USD floating rate | 2 | - | Operating capital | - | None | - | 2,777,014 (RMB634,456) | 2,777,014 (RMB634,456) | |
| 2 | Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. | Other receivables from related parties | Yes | 569,010 (RMB130,000) | 525,240 (RMB120,000) | 372,045 (RMB85,000) | 4.35% | 2 | - | Operating capital | - | None | - | 2,777,014 (RMB634,456) | 2,777,014 (RMB634,456) | |

Note 1: Those with business contact please fill in 1

Those necessary for short-term financing please fill in 2

Note 2: The total amount allowed for financing should not exceed 40% of the Company's net equity. The maximum amount of loans to individual entity should not exceed 10% of the Company's net equity. The maximum amount of loans to the Company's foreign subsidiaries, which directly and indirectly hold 100% of the voting shares, should not exceed the borrower's net equity on its latest financial statements.

Note 3: The total amount allowed for financing of Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. should not exceed 40% of its net equity on its current financial statements.

Note 4: The maximum amount of loans of Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. to individual entity should not exceed 10% of the current financial statements net equity of Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. The maximum amount of loans of Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. to the Company's foreign subsidiaries, which directly and indirectly hold 100% of the voting shares, should not exceed the latest financial statements net equity of Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.

Note 5: The exchange rate of NTD to CNY and NTD to USD at December 31, 2020 are NTD4.377:CNY1 and NTD28.480:USD1, respectively.

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Note |
|----------------|---------------------------------|---------------------------|---|--------------------------|----------------|-----------------------------|------------|------|
| | | | | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value | |
| The Company | Everflow Technology Corporation | - | Non-current financial assets at fair value through other comprehensive income | 1,854 | 27,983 | 11.21% | 27,983 | |

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|--|--|------------------------|---------------------|-------------|---------------------------------------|---------------|---|---------------|-------------------------------------|---|------|
| | | | Purchase (Sale) | Amount | Percentage of total purchases (sales) | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. | Parent-subsiary | Purchase | 1,295,797 | 25.07% | O/A 120 days | - | - | (893,017) | (32.65)% | |
| The Company | Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | Parent-subsiary | Purchase | 2,163,120 | 41.85% | O/A 150 days | - | - | (1,180,031) | (43.14)% | |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | The Company | Parent-subsiary | (Sales) | (2,163,120) | 58.89% | O/A 150 days | - | - | 1,180,031 | 66.62% | |
| Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. | The Company | Parent-subsiary | (Sales) | (1,295,797) | 45.82% | O/A 120 days | - | - | 893,017 | 60.76% | |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | Nidec Seimitsu Motor Technology (Dongguan) Co., Ltd. | Other related parties | Purchase | 198,221 | 8.42% | O/A 120 days | - | - | (130,217) | (10.73)% | |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | Nidec (Shenzhen) Co., Ltd. | Other related parties | (Sales) | (267,763) | 7.29% | O/A 120 days | - | - | 129,301 | 7.30% | |
| The Company | Nidec (H.K.) Co., Limited | Other related parties | (Sales) | (764,414) | 12.59% | O/A 90 days | - | - | 628,191 | 30.31% | |

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company | Counter-party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period | Allowance for bad debts |
|--|--|------------------------|----------------|---------------|---------|--------------|---------------------------------------|-------------------------|
| | | | | | Amount | Action taken | | |
| The Company | Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | Parent-subsiary | 271,249 | 1.77 | - | | 55,259 | - |
| The Company | Nidec Chaun Choung Vietnam Corporation | Parent-subsiary | 113,920 | Note 1 | - | | - | - |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | The Company | Parent-subsiary | 1,180,031 | 5.16 | - | | 261,792 | - |
| Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. | The Company | Parent-subsiary | 893,017 | 5.82 | - | | 293,426 | - |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. | Fellow subsidiary | 372,045 | Note 1 | - | | - | - |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | Nidec (Shenzhen) Co., Ltd. | Other related parties | 129,301 | 3.39 | - | | 17,391 | - |
| The Company | Nidec (H.K.) Co., Limited | Other related parties | 628,191 | 2.43 | - | | 442,316 | - |

Note 1: The calculation of turnover rate excludes other receivables from related parties.

- (ix) Trading in derivative instruments: None.

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION

Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2020 | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|--------------------------|--|------------------------|---|----------------------------|------------------------|---------------------------------|-------------------------|----------------------------|---------------------------------|-------------------------------------|--------|
| | | | | December 31, 2020 | December 31, 2019 | Shares | Percentage of ownership | Carrying value | | | |
| The Company | Conquer Wisdom Co., Ltd. | British Virgin Islands | Investment activities | 737,240 | 737,240 | 18,093,265 | 100.00 % | 3,806,546 | 562,799 | 576,695 | Note 1 |
| The Company | Nidec Chaun Choung Technology America Inc. | Vietnam | Sale of thermal module for smart phones | 299,343 | - | - | 100.00 % | 264,158 | (21,417) | (21,417) | |
| Conquer Wisdom Co., Ltd. | Nidec Chaun Choung Technology America Inc. | Hong Kong | Sale of thermal module for computers | 8,544 (USD300) | 8,544 (USD300) | 300,000 | 100.00 % | 10,851 (USD 381) | 2,009 (USD 68) | 2,009 (USD 68) | Note 2 |
| Conquer Wisdom Co., Ltd. | GLOBE STAR ENTERPRISE Ltd. | Hong Kong | Investment activities | 513,836 (USD18,042) | 513,836 (USD18,042) | 140,407,615 | 100.00 % | 3,797,295 (USD 133,332) | 558,476 (USD 18,900) | 558,476 (USD 18,900) | Note 2 |

Note 1: The Company recognized net income of Conquer Wisdom Co., Ltd. \$562,799 thousand, realized gross profit \$60,438 thousand and unrealized gross profit \$46,542 thousand. The Company recognized share of profits of investee \$576,695 thousand in total.

Note 2: The exchange rate of New Taiwan dollars to US dollars as of December 31, 2020 was 28.480 to 1. The average exchange rate of New Taiwan dollars to US dollars for the year ended December 31, 2020 was 29.549 to 1.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2020 (note 4) | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31, 2020 (note 4) | Net income (losses) of the investee (note 4 and 7) | Percentage of ownership | Investment income (losses) (note 5, 6 and 7) | Book value | Accumulated remittance of earnings in current period |
|---|--|---|----------------------|--|------------------|--------|--|--|-------------------------|--|---------------------------|--|
| | | | | | Outflow | Inflow | | | | | | |
| Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. | Manufacture the thermal module for computers | 655,040 (USD23,000) Note 2 · Note 3 | 2 Note 1 | 386,588 (USD13,574) | - | - | 386,588 (USD13,574) | 185,361 (USD 6,273) | 100.00% | 184,031 (USD 6,228) | 2,750,484 (USD 96,576) | 321,430 |
| Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. | Manufacture the thermal module for computers | 227,840 (USD8,000) | 2 Note 1 | 227,840 (USD8,000) | - | - | 227,840 (USD8,000) | 374,652 (USD 12,679) | 100.00% | 374,652 (USD 12,679) | 1,046,298 (USD 36,738) | - |
| Nidec Chiuan-Vector Industrial (Dongguan) Co., Ltd. | Research, development and sale of thermal components | 16,633 (RMB3,800) | 2 Note 1 | - | - | - | - | (651) (RMB -152) | 100.00% | (651) (RMB -152) | 8,767 (RMB 2,003) | - |

Note 1: Reinvest in Mainland China by establishing investing companies which is the Company 100% owned subsidiary in third region.

Note 2: Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. transferred US dollar 8,800 thousand from retained earnings to capital in 2007.

Note 3: The difference between accumulated outflow of investment from Taiwan and total amount of paid-in-capital is US Dollar 626 thousand, the primary reason is funds acquired from the shareholders in Taiwan and has not remitted to Mainland China.

Note 4: The exchange rate of New Taiwan dollars to US dollars as of December 31, 2020 was 28.480 to 1. The average exchange rate of New Taiwan dollars to US dollars for the year ended December 31, 2020 was 29.549 to 1.

Note 5: Investment income (losses) is recognized according to the financial statements audited by the CPA of the parent company.

Note 6: The Company recognized net income of Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. USD6,273 thousand, realized gross profit USD887 thousand and unrealized gross profit USD932 thousand. The Company recognized share of profits of investee USD6,228 thousand in total.

Note 7: The exchange rate of New Taiwan dollars to Chinese Yuan as of December 31, 2020 was 4.377 to 1. The average exchange rate of New Taiwan dollars to Chinese Yuan for the year period ended December 31, 2020 was 4.282 to 1.

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

- (ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of December 31, 2020 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|--|---------------------------|
| 614,428 (USD21,574) | 891,908 (USD31,317) | 2,647,647 |

Note : The exchange rate of New Taiwan dollars to US dollars as of December 31, 2020 was 28.480 to 1.

- (iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China are disclosed in “Information on significant transactions”.

- (d) Major shareholders:

| Shareholder's Name | Shareholding | Shares | Percentage |
|--------------------|--------------|------------|------------|
| Nidec Corporation | | 57,872,550 | 67.02 % |

- (i) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.
- (ii) If share are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider' s equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider' s equity announcement please refer to the TWSE website.

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2020.

Nidec Chaun-Choung Technology Corporation

Chairman: Junichi Nagai