

TSE: 2344

winbond

We Deliver



Winbond Electronics Corp.
2020 Annual Report
Printed on March 31, 2021

Taiwan Stock Exchange Market Observation Post System:
<https://mops.twse.com.tw>
Winbond Website: <http://www.winbond.com>

1. Spokesperson
Jessica Chiou-Jii Huang
CFO, Finance Center
Tel: 886-3-567-8168
E-mail: CCHuan15@winbond.com
2. Deputy Spokesperson
Hsiang-Yun Fan
Vice President, DRAM Product Business Group
Tel: 886-3-567-8168
E-mail: HYFan@winbond.com
Meng-Chi Wu
Financial Executive, Finance Center
Tel: 886-3-567-8168
E-mail: MCWu10@winbond.com
3. Company Address and Telephone
Headquarters and Taichung Site:
No. 8, Keya 1st Rd., Daya Dist., Central Taiwan Science Park, Taichung City 42881, Taiwan
Tel: 886-4-2521-8168
Zhubei Building:
No.539, Sec. 2, Wenxing Rd., Zhubei City, Hsinchu County 30274, Taiwan
Tel: 886-3-5678168
Taipei Office:
2F., No.192, Jingye 1st Rd., Zhongshan Dist., Taipei City 10462, Taiwan
26F, No.1, SongZhi Rd., Xinyi Dist., Taipei City 11047, Taiwan
Tel: 886-2-8177-7168
4. Common Stock Transfer Office
Stock Registrar and Transfer Office, Winbond Electronics Corporation
8F, No.398, Xingshan Rd., Neihu Dist., Taipei City 114, Taiwan,
Tel: 886-2-2790-5885
Website: <https://stock.walsin.com>
5. Auditor
Deloitte & Touche
Wen-Yea Shyu and Hung-Bin Yu
12F, No.156 Sec. 3, Min-Sheng E. Rd., Taipei, 105, Taiwan
Tel: 886-2-2725-9988
Website: <https://www.deloitte.com.tw>
6. Overseas Securities Listing Exchange and Information
Luxembourg Stock Exchange
Website: <https://www.bourse.lu>
7. Company Website: <https://www.winbond.com>

Table of Contents

Letter to Shareholders	1
Company Profile.....	4
Corporate Governance Report	
I. Organization.....	5
II. Profile of Directors, President, Vice Presidents, Assistant Vice Presidents, and Department and Branch Managers.....	8
III. Remunerations to directors, supervisors, president, and vice presidents in recent years.....	18
IV. Implementation of corporate governance	23
V. Information on fees to CPA.....	46
VI. Information on change of accountants.....	46
VII. The chairman, president and financial or accounting manager of the Company who had worked for the certifying accounting firm or its affiliate in the past year.....	46
VIII. Share transfer by directors, managers and shareholders holding more than 10% of shares and changes to share pledging by them in the past year and up to the date of report	47
IX. Information on relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree)	48
X. The shareholding of the Company, Director, manager and an enterprise that is directly or indirectly controlled by the Company in the invested company	49
Capital Raising Overview	
I. Capital and shareholding	51
II. Issuance of corporate bonds.....	55
III. Issuance of preferred stocks	55
IV. Issuance of global depository receipts (GDR)	55
V. Exercise of employee stock option plan (ESOP).....	56
VI. Restricted stock awards	56
VII. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies	56
VIII. Implementation of fund utilization plan	56
Business Overview	
I. Business activities	58
II. Market, production and sales	62
III. Employees.....	66
IV. Environmental protection expenditure information	67
V. Employer-employee relations.....	67
VI. Important contracts.....	72
VII. Financial difficulties and corporate events encountered by the Company and affiliates in the past year and up to the date of report that have material impact on the financial status of the Company Influence	74
Financial Overview	
I. Condensed balance sheets, statements of income, names of CPAs, and audit opinions of the last five years	75
II. Financial analysis of the last five years	77
III. Report of the Audit Committee on 2020 Financial Report	79
IV. 2020 Consolidated Financial Statements.....	80
V. 2020 Standalone Financial Statements.....	164

Review of Financial Position, Financial Performance and Risks

I.	Financial position	233
II.	Financial performance	233
III.	Cash flow.....	234
IV.	Effect of major capital expenditure on financial position and business in the past year	234
V.	Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year	234
VI.	Risk management and evaluation.....	235
VII.	Other important matters	240

Special Disclosures

I.	Profiles of affiliates and subsidiaries	241
II.	Private placement activities.....	247
III.	Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report	247
IV.	Other necessary supplemental information	248
V.	Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 3, Article 36 of Securities and Exchange Act in the past year and up to the date of report	248

Letter to Shareholders

Dear Shareholders,

Year 2020 was marked by both opportunities and challenges for Winbond. The semiconductor industry as a whole was faced with the impact of COVID-19 on global economy and the uncertainties brought by U.S.-China relations. Winbond, however, was able to grasp the opportunities stemming from changes in consumer behavior, results of widespread working from home and the stay-at-home economy. This was thanks to the strength of flexible capacity allocation as well as high-quality, diverse product combinations. The acquisition of a new business by subsidiary Nuvoton Technology Co. has also helped expand overall operations of the Company. As a result, Winbond's consolidated revenue in 2020 hit a record high.

Financial Performance

In 2020, our consolidated revenue amounted to NT\$60.683 billion, an increase of 24.42% in comparison with 2019, mainly attributed to the acquisition of a new business. Memory and logic products made up respectively 66% and 34% of consolidated revenue. The gross margin was 28% and the operating margin was 2.7%. The Company recorded NT\$1.5 billion in net earnings after tax (NT\$1.3 billion are attributed to the parent), up 2.8% from 2019, while earnings per share were NT\$0.33.

Market and Product Applications

Winbond has been focusing on the technology, design, manufacture, and services in the areas of code storage flash and specialty DRAM. These two product lines are the twin engines that have been supporting stable operations of the Company. In 2020, the revenue of our code storage flash and specialty DRAM products accounted for 57% and 43% of memory revenue, respectively. The revenue and shipment of code storage flash products also hit record highs.

Our NOR flash products offer high performance, compact packaging, high reliability, unique security features, and diversified applications. According to a market survey report, our NOR flash products have the largest market share. With respect to specialty DRAM products, we provide complete medium- and low-density flash memory products and services to a wide spectrum of clients. We are currently the world's top 5 own-brand DRAM supplier, successfully operating in the niche memory market with the growth strategies of granularity.

In terms of application, our products are evenly distributed among the four major branches of electronics and we continue to optimize our product combinations. The weight of our communications products as a percentage of memory revenue jumped 33% in 2020, thanks to the booming work-from-home and online education markets driven by the COVID-19 pandemic, while consumer products decreased slightly to 27% of total revenue. The revenue of computer and peripheral products, on the other hand, stayed even at 21%. With respect to our high-end and high quality products for automotive and industrial applications, while the demands for industrial applications were stable, the shipment of products for automotive applications slowed down in the first half of the year due to the pandemic. As a result, the combined revenue of the two products lines slipped to 19% compared with the previous year. As automotive market demands rebounded in Q4 2020, we expect to see strong growth momentum in the future.

Corporate Development

Nuvoton Technology Co., a subsidiary of Winbond, completed the acquisition of Panasonic Semiconductor Solutions Co., Ltd., the semiconductor business of Panasonic Corporation, in September 2020, and renamed the business Nuvoton Technology Corporation Japan (NTCJ). NTCJ is dedicated to cultivating the markets of AI-powered visual sensors, battery management, motor control, smart home, and IoT security technology. Through this acquisition, Nuvoton not only

obtained R&D manpower and system application knowhow, but also acquired sensor, microcontroller, and semiconductor component technologies. Nuvoton also expects to help expand the product lines of the Winbond Group and realize the vision of "enriching human lives with green semiconductor technologies".

While Winbond vigorously builds a global sales and service network, our subsidiary in Germany has begun operation in Q4 2020. The deployment of a subsidiary in Germany enables us to better serve the needs of customers and gradually strengthen the relationship with local partners as we strive to expand operations in the European market.

Capacity Planning

Winbond embraces Industry 4.0 by continuously optimizing the capacity and processes of our 12-inch wafer fab at Central Taiwan Science Park (CTSP). By leveraging our hardware advantages and software value, the output of the CTSP fab was increased from 54,000 wafers per month to 57,000 wafers per month by the end of 2020. We also set up a Digital Transformation Committee in 2020 to continue the efforts in achieving the goal of smart manufacturing. With respect to hardware, we combine IoT and sensing technology to construct a highly-customized and intelligent production mode for the manufacture of a small quantity and large variety of products. In terms of software, we combine cloud computing and Big Data analytics, and make use of AI tools to hone the manufacturing and service processes, and achieve input and output optimization as we aspire to become a long-term trusted partner of our clients.

Product Innovation and Technology Development

We endeavor to improve the cybersecurity features of our flash memory products and unveiled the W77Q TrustME® Secure Flash memory in 2020. This innovative product is pin-to-pin compatible with existing NOR flash products and allows drop-in replacement to instantly enhance the security of electronic devices. The W77Q series protects source code and data storage with external Secure Flash. Independent third-party security certification and guidelines enhance the product's reliability and expandability so that it meets the requirements for information security integration.

For DRAM, we have developed and introduced a series of HyperRAM™ products with low pin count, compact packaging, and superior energy saving features that deliver the best solution for IoT, smartphones, smart watches, and wearable electronic devices. Winbond's 1Gb LPDDR3 DRAM comes with the unique functions of deep power down and clock stop, which, in perfect combination with low power and high data bandwidth, bring dual benefits of space and energy efficiency. LPDDR3 has been used in many edge AI products and turned in impressive performance.

In the aspect of technology development, our 25nm DRAM process has improved significantly in large-scale production and yield in 2020. The development of the next-generation D25s process is also on schedule, and is expected to enter large-scale production in 2021. It will set a solid foundation for Winbond's long-term growth and development. With regard to flash processes, we also continue to develop the 45nm NOR flash process in response to future market demand for high capacity memory. We hope to continuously advance the technological competitiveness of both Winbond and clients through our strong core technology and value-added products.

Honors and Awards

Winbond received multiple awards for product innovation and sustainable development in 2020. In the aspect of product innovation, Winbond's W77Q Secure Flash memory was selected as a winner of the ASPENCORE World Electronics Achievement Awards 2020, receiving the "Outstanding Product Performance of the Year" award in the Memory category for its design that supports secure storage, secure boot, root-of-trust, and system recovery.

In terms of sustainable development, Winbond is committed to good corporate governance and environmental sustainability. In 2020, Winbond won the "Corporate Sustainability Report Platinum Award" and "Taiwan Top 50

Corporate Sustainability Award" in the Taiwan Corporate Sustainability Awards (TCSA) 2020, in recognition of Winbond's leadership and positive influence in corporate social responsibility and sustainable development matters.

Future Outlook

Facing a wide range of challenges brought by international politico-economic uncertainties, the constantly evolving tech industry, and the ongoing pandemic, we will continue to innovate and strengthen the core competitiveness of our products, as well as endeavor to implement digital transformation to optimize operations, enhance our information security framework to address cyber risks, integrate group resources to achieve operating synergy, and maintain long-term growth momentum.

Looking into the future, the semiconductor and memory markets are expected to grow further as 5G infrastructures are gradually built; the technologies for cloud service, IoT, AI and automated driving are becoming prevalent and mature; and industries related to the contactless economy are on the rise. Winbond will stay abreast of the rhythm and trends of emerging industries and grasp growth opportunities while continuing the efforts to reduce resource consumption in products' life cycles to exert a positive influence on the development of the environment, society and economy.

Lastly, on behalf of the management team at Winbond, I would like to thank all shareholders for your continued support and encouragement.

Chairman and CEO

A handwritten signature in black ink, appearing to read "Chih-Yung Chen", written in a cursive style.

Company Profile

(I) Company History

Winbond was established in September 1987 and listed on Taiwan Stock Exchange in 1995, and is headquartered in Central Taiwan Science Park, Taichung, Taiwan. Winbond's 12-inch fab, which is a factory with high levels of smart technology and automation, is located in Taichung Science Park.

Winbond specializes in the production of memory IC. From product design, research and development, and wafer fabrication to the marketing of brand name products, Winbond endeavors to provide its global clientele with total memory solutions. Winbond's major product lines include Code Storage Flash Memory, TrustME® Secure Flash Memory, Specialty DRAM and Mobile DRAM. We are the only company in Taiwan with the ability to develop DRAM and FLASH products in-house. Our advantages of technological autonomy and prudent capacity strategies enable us to build a highly flexible production system and create synergy among product lines, which allows us to meet the diverse demands of customers while building our brand image. Winbond's products are used extensively in handheld devices, consumer electronics, and computer peripherals. We also focus on high-barrier, high-quality applications, such as automotive and industrial electronics.

Winbond has set up operations and distributor networks in the USA, Japan, China, Hong Kong, Israel and Germany to serve clients better and expand the depth and breadth of product sales. With regard to quality, Winbond pursues excellence and zero defects, and is certified in a number of quality and environmental safety management systems. It is also the first memory manufacturer in Taiwan to obtain the ISO 26262 certification, which is the highest standard for automotive functional safety.

Winbond also always adheres to high standards of corporate governance; we have been evaluated by the Taiwan Stock Exchange as one of the top 20% listed corporate governance. Winbond will continue to provide customer-oriented services. Furthermore, by leveraging the strength of our advanced semiconductor design and manufacturing know-how, observing the core values of "accountability, innovation and synergy" and incorporating the corporate spirit of "execution, innovation and passion" in all operational activities, Winbond will strive towards the goal of becoming a hidden champion in providing sustainable semiconductors to enrich human life.

(II) Major business development in the past year and up to the date of report

1. Nuvoton Technology, a subsidiary of Winbond, completed the acquisition of Panasonic Semiconductor Solutions Co., Ltd., the semiconductor business of Panasonic Corporation, in September 2020, and renamed the business Nuvoton Technology Corporation Japan (NTCJ),
2. With improved efficiency, the 12-inch wafer fabrication plant (Taichung Fab) at Central Taiwan Science Park (CTSP) increased its output of 12-inch wafers from 54,000 per month to 57,000 per month by the end of 2020.
3. Our 25nm DRAM process has improved significantly in mass production and yield in 2020. The development of the next-generation D25s process is also on schedule, where trial run will take place at Taichung Fab and production at Kaohsiung Fab.
4. We embarked on the Kaohsiung fab construction project in October 2018, which is expected to be completed in 2021. The new plant will be ready for operation in 2022 and its capacity will be expanded gradually in view of market demands.

(III) Investment in affiliates in the past year and up to the date of report

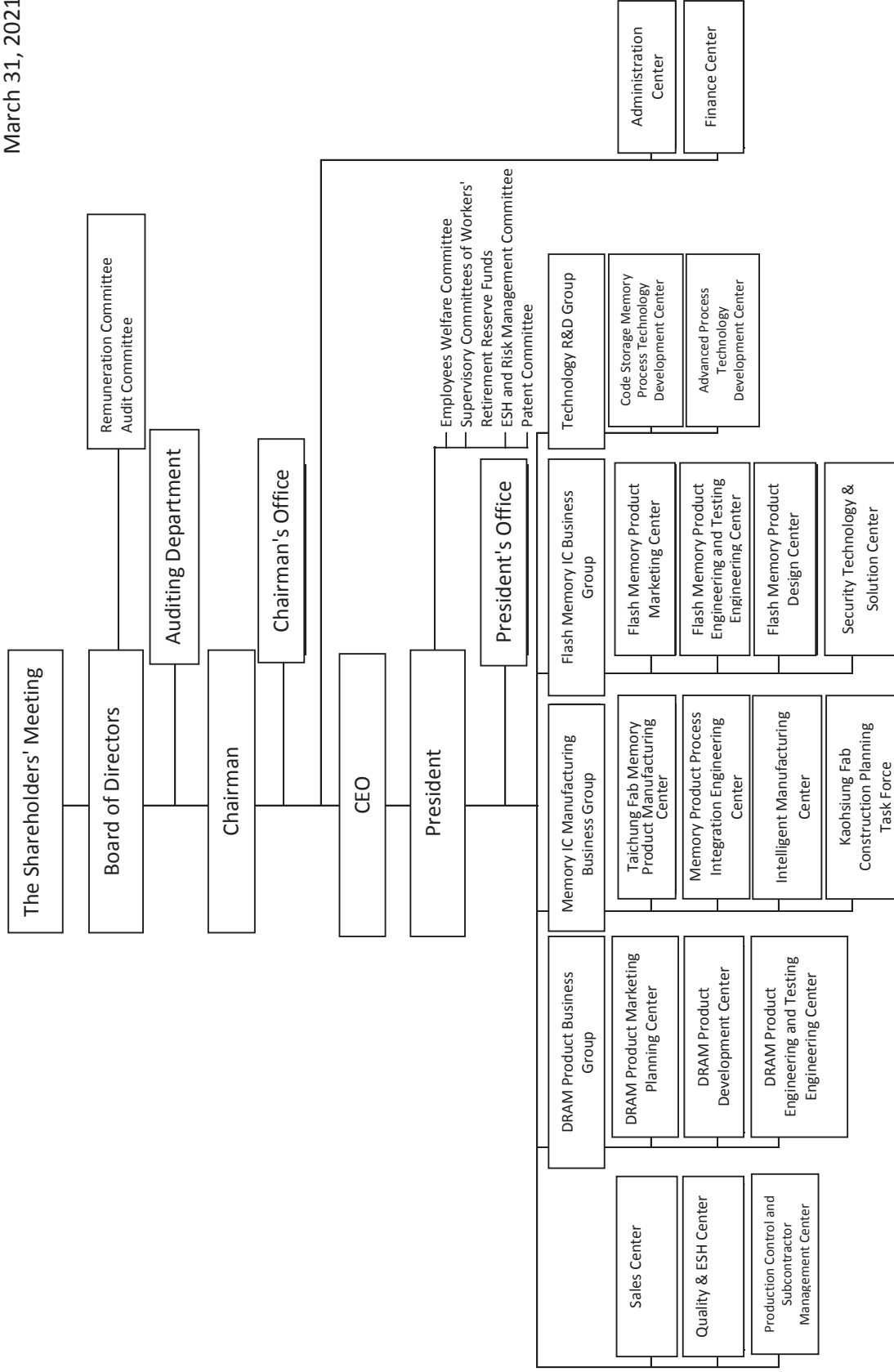
For investments in affiliated enterprises, please see page 241~248 of this report

Corporate Governance Report

(I) Organization

1. Organizational structure

March 31, 2021



2. Major business units and their key businesses

Unit		Function
Auditing Department		<ul style="list-style-type: none"> I. Planning and execution of internal audit operations. II. Planning and execution of internal control self-assessment operations. III. Review of company codes and rules.
Administration Center		<ul style="list-style-type: none"> I. Providing a safe and comfortable working environment in a most cost effective manner, and assisting other business units to achieve the overall business goals of the company. II. Providing software/hardware and IT systems, and assisting related business units to improve productivity and business performance. III. Providing legal and intellectual property consulting support and management, and assisting related business units to operate and improve business performance. IV. Responsible for supply chain management and assisting other business units to achieve the company's overall business goals.
Finance Center		<ul style="list-style-type: none"> I. Planning and execution of accounting system and tax matters. II. Planning and evaluation of budget and costs. III. Planning and maneuvering of company funds and investment management. IV. Planning and execution of investors relations and shareholder services.
Sales Center		<ul style="list-style-type: none"> I. In charge of for worldwide sales (except for foundry). II. New client development and new product promotion. III. Responsible for the attainment of annual sales targets. IV. Management of dealers and distributors. V. Collection of accounts receivable.
Quality & ESH Center		<ul style="list-style-type: none"> I. Planning and execution of company quality policy. II. Drafting and implementing quality indicators and maintaining quality system. III. Elevating the quality and professional knowhow of employees and continuously improving the quality of products through continuous improvement of quality management system and employee training. IV. In charge of internal quality management and external quality assurance, reliability assurance and handling of quality complaints. V. Management of outsourcing quality. VI. Supervising the implementation of effective ESH plans and risk management measures, establishing a work environment in compliance with environmental regulations and international standards, and reducing the company's operational risks.
Production Control and Subcontractor Management Center		<ul style="list-style-type: none"> I. Production planning and execution and production-sales coordination. II. Planning and execution of logistics supply. III. Planning and execution of outsourcing capacity and production plan. IV. Vendor management and quality control. V. Outsourcing process and production procedure streamlining. VI. Import and verification of new IC assembly technology.
DRAM Business Group	DRAM Product Marketing Planning Center	<ul style="list-style-type: none"> I. Planning and execution of medium- and long-term DRAM strategies II. Customer engagement, product advertising and marketing III. New DRAM product planning and product management IV. Product mix optimization and capacity planning V. Strategic customer and third party partner relationship management VI. Trend analysis of DRAM market. VII. Troubleshooting of customer application problems and error analysis.
	DRAM Product Development Center	<ul style="list-style-type: none"> I. Design and R&D project planning of DRAM products. II. Progress control of DRAM design and R&D projects III. Improvement of DRAM design platform IV. Drafting of DRAM product specifications V. Improvement of DRAM product quality VI. Assistance in analysis of DRAM customer returns VII. Planning of worldwide DRAM R&D personnel. VIII. Supporting the design of new DRAM process development IX. Arranging, planning and executing 3rd party projects X. Design personnel education and training XI. Control of R&D data XII. Control of R&D budget XIII. Developing DRAM design technologies and patents
	DRAM Product Engineering and Testing Engineering Center	<ul style="list-style-type: none"> I. Verification of product performance II. Improvement of product yield III. Improvement of product quality IV. Product failure analysis V. Improvement of product testing efficiency VI. Development of advanced product testing technology VII. Process development validation

Unit		Function
Memory IC Manufacturing Business Group	Taichung Fab Memory Product Manufacturing Center	I. Planning of fab establishment, capacity and display. II. Analysis of fab budget/cost structure. III. General administration for fab preparation and equipment and installation and planning of production systems IV. Introduction of new products and new technologies and volume production. V. Operation and maintenance of factory systems and fab equipment VI. Establishment of fab quality system. VII.Planning and risk management for factory systems and fab environmental health and safety systems VIII.Energy conservation and waste reduction for factory and fab systems and compliance IX. Enhancement of efficiency and automation for Fab Industry 4.0 precision manufacturing
	Memory Product Process Integration and Testing Center	I. Transfer and implementation of new processes/products II. Planning and certification of yield and quality improvement processes III. Planning and implementation of processing monitoring system IV. Analysis and improvement of process optimization V. Development and management of generative process VI. Planning and execution of trial production VII.Planning and management of trial production at the Eastern China plant VIII.Installation and enhancement of automation for trial production
	Intelligent Manufacturing Center	I. Establishment and maintenance of fab automation related systems. II. Establishment and maintenance of plant management information systems. III. Establishment and maintenance of yield improvement systems. IV. Establishment and maintenance of automated handling and storage systems. V. Establishment and maintenance of plant quality related systems. VI. Establishment and maintenance of testing systems. VII.Establishment and maintenance of packaging/testing outsourcing information system. VIII.Customer production and engineering report support. IX. Development and applications of big data and artificial intelligence technology. X. Evaluation and planning of capital expenditure on fabs XI. Creation and monitoring of fab's standard capacity parameters XII. Creation of fab's standard cost parameters XIII.Planning and management of fab facilities
	Kaohsiung Fab Construction Planning Task Force	I. Planning and execution of Kaohsiung fab construction. II. Simulation and planning of capacity optimization. III. Implementation of new process and new products.
Flash Memory IC Business Group	Flash Product Marketing Center	I. Planning of new flash products. II. Development management of flash products. III. Promotion of flash products. IV. Optimization of flash product mix. V. Trend analysis of flash market.
	Flash Memory Product Engineering and Testing Engineering Center	I. Design, testing and validation of flash memory products. II. Implementing volume production of new products and improving product yield, quality, costs and process to meet customer demands.
	Flash Memory Development Center	I. Providing high speed, high quality, low power and low voltage code storage memory with innovative design and technology. II. Developing competitive and value-added product design. III. Creating user-friendly EDA/CAD solutions and environment to product design. IV. Producing key documents needed for product design. V. Managing the designed IP and providing design service support.
	Security Technology & Solution Center	I. Development of InfoSec technology and strategic planning II. Assistance in developing InfoSec technology III. Development and promotion of security memory and security components
Technology R&D Group	Code Storage Memory Process Technology Development Center	I. Developing new technologies to lift Winbond's standing in code storage memory market. II. New technologies include but are not limited to NAND, NOR and RRAM. III. Design and development of memory cell and peripheral components. IV. Ensuring attainment of product yield and reliability targets and transferring to volume production. V. Supporting customer product testing service and failure analysis. VI. Supporting company-wide SPICE model parameter extraction and TCAD component simulation. VII.Supporting company-wide ESD/LU design and product analysis.
	Advanced Process Technology Development Center	I. Developing new technologies to lift Company's standing in low-density memory market. II. Developing new technologies to lift Company's standing in working memory market. III. New technologies include but are not limited to DRAM and 3D printing. IV. Design and development of memory cell and peripheral components. V. Ensuring attainment of product yield and reliability targets and transferring to volume production. VI. Developing and supporting company-wide OPC technology. VII.Developing and supporting company-wide modular technology.

(II) Profile of Directors, President, Vice Presidents, Assistant Vice Presidents, and Department and Branch Managers

1. Directors (1)

March 31, 2021																				
Title	Nation ality or place of registr ation	Name	Gen der	Date appointed	Term	Date first elected	Shares held when elected		Shares currently held		Shares currently held by spouse and minor children		Shares held in the name of others		Education/Work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree			Notes
							Shares	Shareholding percentage (Note 1)	Shares	Shareholding percentage (Note 2)	Shares	Shareholding percentage (Note 2)	Shares	Shareholding percentage (Note 2)			Title	Name	Relations hip	
Chairman	ROC	Arthur Yu- Cheng Chiao	M	2020.06.12	3yrs	1987.09.04	63,472,995	1.59%	63,472,995	1.59%	11,778,797	0.30%	-	-	Master in Electrical Engineering and Researcher of Management College of Washington University Chairman of Walsin Lihwa Corp. Chairman of Nuvoton Technology Co. CEO of Winbond (Incumbent)	Note 3	Director and Chief Administ rative Officer Director	Yung Chin	Spouse	Note 15
Vice Chairman	ROC	Tung-Yi Chan	M	2020.06.12	3yrs	2009.06.19 Note 4	901,000	0.02%	613,000	0.02%	-	-	-	-	Ph.D. in Electrical Engineering, U.C. Berkeley and Master in Management Science, Stanford University BCD Semiconductor CEO President of Winbond Deputy CEO of Winbond, (Incumbent)	Note 4	None	None	None	None
Director	ROC	Yung Chin	F	2020.06.12	3yrs	1996.04.09	11,778,797	0.30%	11,778,797	0.30%	63,472,995	1.59%	-	-	Master in Applied Mathematics, Washington University NTU Bachelor of Mathematics Chief Administrative Officer of Winbond; (Incumbent)	Note 5	Chairman and CEO	Arthur Yu-Cheng Chiao	Spouse	None
Independent director	ROC	Allen Hsu	M	2020.06.12	3yrs	2014.06.17	-	-	-	-	-	-	-	-	MBA, National Chengchi University and Refresher course of Walton Business School Chairman of Aitek Corporation Chairman of Taiwan Mask Corporation Chairman of Myson Century, Inc. Convener of Company's Remuneration Committee (Incumbent)	Note 6	None	None	None	None
Independent director	ROC	Stephen T. Tso	M	2020.06.12	3yrs	2019.06.14	-	-	-	-	-	-	-	-	Ph. D. in Material Science, U.C. Berkeley President, WaferTech President of CVD Department, Applied Materials, Inc. Vice President of Operations and Organization, TSMC Convener of the Company's Remuneration Committee (Incumbent)	Note 7	None	None	None	None
Independent director	ROC	Francis Tsai	M	2020.06.12	3yrs	2014.06.17	-	-	-	-	-	-	-	-	Computer & Control Engineering Department, National Chiao Tung University, Taiwan Chairman and CEO of Waffer Technology Corp. (Incumbent)	Note 8	None	None	None	None

Title	Nationality or place of registration	Name	Gender	Date appointed	Term	Date first elected	Shares held when elected		Shares currently held		Shares currently held by spouse and minor children		Shares held in the name of others		Education/Work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree			Notes
							Shares	Shareholding percentage(Note 1)	Shares	Shareholding percentage(Note 2)	Shares	Shareholding percentage(Note 2)	Shares	Shareholding percentage(Note 2)			Title	Name	Relationship	
Independent director	ROC	Jerry Hsu	M	2020.06.12	3yrs	2014.06.17	-	-	-	-	-	-	-	-	MBA, Waseda Business School Director and Executive VP of AcBel Polytech (Incumbent)	Note 9	None	None	None	None
Director	Corporation	Walsin Lihwa Corporation	-	2020.06.12	3	1987.09.04	883,848,423	22.21%	883,848,423	22.21%	-	-	-	-		-	-	-	-	-
	Representative	Fred Pan	M	2020.06.12	3yrs	2020.06.12	-	-	-	-	-	-	-	-	MBA, Tulane University CFO of Philips Semiconductors Asia Pacific, CFO of the sales and marketing division of Philips Semiconductors Taiwan President of Walsin Lihwa (Incumbent)	Note 10	None	None	None	None
Director	Corporation	Chin Xin Investment Co., Ltd	-	2020.06.12	3	2014.06.17	221,003,072	5.55%	239,003,072	6.01%	-	-	-	-		-	-	-	-	-
	Representative	Yuan-Mow Su	M	2020.06.12	3	2017.06.13	-	-	756,279	0.02%	-	-	-	-	MSEE, University of Southern California Bachelor in Department of Electronics Engineering, National Chiao Tung University Vice Chairman and Deputy CEO of Winbond Chairman and CEO of NuvoTon Technology Corp (Incumbent)	Note 12	None	None	None	None
Director	ROC	Jamie Lin	M	2020.06.12	3	2017.06.13	-	-	-	-	-	-	-	-	MBA, Stern School of Business, New York University Bachelor of Science in Chemical Engineering, National Taiwan University President of Taiwan Mobile Corporation Ltd. (Incumbent)	Note 13	None	None	None	None
Director	ROC	Wei-Hsin Ma	F	2020.06.12	3	2017.06.13	-	-	-	-	24,334,166	0.61%	-	-	Ph. D., School of Humanities, Tsinghua University Master of Business Administration for Senior Managers, Peking University University of California (Berkeley), Department of East Asian Languages Chairman of HannsTouch Solution Incorporated	Note 14	Chairman and CEO	Arthur Yu-Cheng Chiao	Relative by marriage	None

Note 1: Shareholding Percentage when appointed is based on then issued and outstanding shares common shares of 3,980,000,193 shares.

Note 2: Shareholding percentage was based on then issued and outstanding common shares of 3,980,000,193 shares as of March 31, 2020.

Note 3: Serving concurrently as Chairman of Chin Xin Investment Corp. and Cheng He Investment Corp; serving concurrently as director of Walsin Lihwa Corp., Walsin Technology Corporation, MITAC Holdings Corporation, United Industrial Gases Co., Ltd., Kolin Cons. & Development Co., Ltd., serving concurrently as Independent director and convener of remuneration committee of Taiwan Cement and Synnex Technology International Corporation.. For information on positions at affiliates and subsidiaries, please refer to 4. Profiles of Directors, Supervisors and Presidents of Affiliates and Subsidiaries under Importance Notice of the annual report.

Note 4: Vice Chairman Tung-Yi Chan served as the director of Winbond and concurrently the director of Walton Advanced Engineering Inc. from June 19, 2009 to June 12, 2017. For information on positions at affiliates and subsidiaries, please refer to 4. Profiles of Directors, Supervisors and Presidents of Affiliates and Subsidiaries under Importance Notice of the annual report.

Note 5: Serving concurrently as chairman of Hwa Bao Botanic Conservation Corp.; serving concurrently as supervisor of Qing An Investment Limited, Yau Cheung Investment Limited, and Cheng He Investment Corp. For information on positions at affiliates and subsidiaries, please refer to 4. Profiles of Directors, Supervisors and Presidents of Affiliates and Subsidiaries under Importance Notice of the annual report.

Note 6: Serving concurrently as Chairman of Yizhong Technology Inc., You Yuan Investment Ltd., and Fortune Star Investment Ltd.; serving concurrently as Independent Director of Nuovton Technology Co.; serving concurrently as Director of Pilot Electronics Corporation, Innodisk Corporation, ACME Electronics Corporation, and Bao Yue Investment Co.

Note 7: Serving as Independent Director of AOPEN Inc.

Note 8: Serving concurrently as Chairman of NAFCO. Serving concurrently as Vice Chairman of Getac Technology Corporation.

Note 9: Serving concurrently as Chairman of AcBel Polytech (Dongguan), AcBel Polytech (Philippines) Inc. and AcBel Polytech (Wuhan); Serving concurrently as vice chairman of Cal-Comp Electronics (Thailand) Ltd.; serving concurrently as director of AcBel Polytech Inc., AcBel (USA) Polytech Inc., Kinpo Electronics Inc., PCHome Online Inc., Esite Spectrum Corp., Compal Electronics Inc., AcBel Polytech Holdings Inc., AcBel Polytech (Ireland) Limited, AcBel Polytech (Singapore) Pte Ltd., AcBel Polytech (UK) Limited, AcBel Polytech (SAMOA) Investment Inc., AcBel Polytech International Inc., Ren Deng Solar Power Inc., Ri Cheng Solar Power Inc., Kang De Energy Inc., Power Station Holdings Ltd., EPI Technology Venture Pte. Ltd., Evercomm Uni-Tech Singapore Pte. Ltd., AcBel Communication Inc., CK Holdings Inc., Cal-Comp Big Data Inc., IZ Electronics (Nantong) Ltd., Reber Biomedical Ltd., and Ray-Kwong Medical Management Consulting Co.; Serving concurrently as Independent Director of Nuovton Technology Co. serving concurrently as supervisor of Kinpo Group Management Service Co., Teleport Access Services, and Fu Bao Investment Inc., Serving concurrently as president of AcBel Polytech Inc., AcBel Polytech (Dongguan) Inc., AcBel (USA) Polytech Inc., AcBel Polytech (Philippines) Inc. and AcBel Polytech (Wuhan); and serving concurrently as deputy chairman of Taiwan Electrical and Electronic Manufacturers' Association (TEEMA), director of the Importers & Exporters Association of Taipei, and chairman of The Third Wednesday Club-Young Entrepreneur Group.

Note 10: Serving concurrently as vice chairman of Walsin (Nanjing) Development Ltd., serving concurrently as director of Nanjing Walsin Property Management Ltd., Walsin International Investment Ltd., and Joint Success Enterprises Limited; and serving concurrently as director and president of Kolin Cons. & Development Co., Walsin (China) Investment Ltd., and Walsin Lihwa (Changzhou) Investment Inc.

Note 11: Chin Xin Investment Corp. served as the supervisor of Winbond from June 17, 2014 to June 12, 2017.

Note 12: Serving concurrently as chairman of Nuovton Technology Corporation Japan; serving concurrently as director of Fubon Multimedia Technology Co., Ltd. Serving concurrently as Director of Fubon Multimedia Technology Co., Ltd. and serving concurrently as Executive Director of Taiwan Internet and E-Commerce Association (TIEA),

Note 13: Serving concurrently as Chairman of AppWorks Ventures and AppWorks Fund III Co., Ltd. Serving concurrently as Director of Fubon Multimedia Technology Co., Ltd. and serving concurrently as Executive Director of Taiwan Internet and E-Commerce Association (TIEA), co-convenor of the Asian Silicon Valley Civic Advisory Committee, and member of the Executive Yuan's Digi+ group.

Note 14: Serving concurrently as the chairman of Glorystones Inc. and Jipingguo Investment Corp.; and serving concurrently as Director of HannStar Display Corporation and Walsin Lihwa Corp.

Note 15: The purpose of having the same person serve concurrently as both chairman and CEO of the company is to have this person lead the management team in efficiently executing the board's decisions. With the aforesaid practice in place, the number of independent directors on the board of the company is raised from the statutory requirement of 3 to 4, and more than half of the board members are individuals who are not managers or employees of the company.

Note 16: Directors who are major shareholders of institutional shareholders

March 31, 2021	
Name of institutional shareholder	Major shareholders of institutional shareholders
Walsin Lihwa Corporation	LGT Bank (Singapore) Investment Fund under the custody of Standard Chartered Bank (Taiwan), Main Branch (7.20%), Winbond Electronics Corporation (6.47%), Chin Xin Investment Corp. (6.41%), TECO (5.98%), Oriental Consortium Investment Limited (2.91%), Rong Chiang International Ltd. (2.86%), Yu-Hui Chiao (2.72%), Yu-Heng Chiao (1.78%), Pictet Bank Investment Fund under the custody of HSBC (1.63%) and Norges Bank Investment Account under the trust of Citibank (Taiwan) (1.63%)
Chin Xin Investment Corp.	Winbond Electronics Corporation (37.69%), Walsin Lihwa Corporation (36.95%), Oriental Consortium Investment Limited (4.43%), Arthur Yu-Cheng Chiao (3.14%), Yu-Lon Chiao (3.14%), Walsin Technology Corporation (1.86%), HannStar Board Corporation (1.34%), and Prosperity Dielectrics Co., Ltd. (0.72%)

Note 17: Major shareholders in the above table who are institutional investor and their major shareholders

March 31, 2021	
Name of institutional shareholder	Major shareholders of institutional shareholders
Winbond Electronics Corporation	Walsin Lihwa Corporation (22.21%), Chin Xin Investment Corp. (6.01%), Arthur Yu-Cheng Chiao (1.59%), Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds under the custody of JPMorgan Chase Bank N.A. Taipei Branch (1.31%), LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (1.13%), Vanguard Emerging Markets Stock Index Fund managed by Vanguard Group under the custody of JPMorgan Chase Bank N.A. Taipei Branch (1.01%), Pai-Yung Hong (0.97%), Singapore Government Fund under the custody of Citibank (Taiwan), Taipei Branch (0.91%), Norges Bank Investment Account under the trust of Citibank (Taiwan) (0.89%), Yu-Lon Chiao (0.74%)
Chin Xin Investment Corp.	Same as Note 16
TECO	PJ Asset Management Co., Ltd. (17.45%), Walsin Lihwa Corporation (9.70%), Land Union Investment Limited (6.34%), Creative Sensor Inc. (3.62%), Silchester International Investors International Value Equity Trust Fund under the custody of Equity Group Trust Fund under the custody of Bank of Taiwan (1.27%), Norges Bank Investment Account under the trust of Citibank (Taiwan) (1.25%), and Guang Yuan Enterprise Co., Ltd. (1.25%)
Oriental Consortium Investment Limited	HannStar Display Corporation (100%)
Rong Chiang International Ltd.	Tian Jiang Co., Ltd. (69.67%), Wonderful Assets Co. Ltd. (30.33%)
Walsin Lihwa Corp.	Same as Note 16
Walsin Technology Corporation	Walsin Lihwa Corporation (18.30%), HannStar Board Corporation (7.46%), Global Brands Manufacture Limited (3.11%), New Labor Pension Fund (2.86%), Walton Advanced Engineering (2.74%), Maybank Kim Eng Securities Investment Account under the trust of Citibank (Taiwan) (2.74%), Yu-Heng Chiao (2.64%), Winbond Electronics Corporation (1.77%), Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds under the custody of JPMorgan Chase Bank N.A. Taipei Branch (1.46%), and Giga Investment Co. (1.37%)
HannStar Board Corporation	Walsin Technology Corporation (20.32%), Walsin Lihwa Corporation (12.06%), Career Technology (Mfg.) Co., Ltd. (5.43%), Chin Xin Investment Corp. (3.54%), Yu-Heng Chiao (2.06%), Hong Pai-Yung (1.86%), BNP Paribas Wealth Management Bank Singapore Branch Account under the trust of HSBC Bank (1.49%), Prosperity Dielectrics Co., Ltd. (1.07%), Yue-Hong Chiu (1.05%), Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds under the custody of JPMorgan Chase Bank N.A. Taipei (0.93%)
Prosperity Dielectrics Co., Ltd.	Walsin Technology Corporation (43.13%), Walton Advanced Engineering, Inc. (0.75%), Yu-Heng Chiao (0.62%), Ta-Ho Maritime Corporation (0.55%), ABC Taiwan Electronics Corp (0.47%), Ying-Ying Su (0.24%), You-Yi Chu (0.15%), Chong-Ya Tsao (0.15%), Cheng-Tai Pang (0.15%), Kui-Mei Lee (0.15%)

Profile of Directors (2)

March 31, 2021

Name	Criteria	Has at least 5 years of work experience and meet one of the following professional qualifications	Meet the independence criteria(Note 1)												Number of Other Taiwanese Public Companies Concurrently Serving as an Independent director	
		An Instructor or Higher Position 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	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		11
Arthur Yu-Cheng Chiao			V						V			V		V	V	2
Tung-Yi Chan			V			V	V		V	V		V	V	V	V	
Yung Chin			V						V		V	V		V	V	-
Allen Hsu			V	V	V	V	V	V	V	V	V	V	V	V	V	1
Stephen T. Tso			V	V	V	V	V	V	V	V	V	V	V	V	V	1
Francis Tsai			V	V	V	V	V	V	V	V	V	V	V	V	V	-
Jerry Hsu			V	V	V	V	V	V	V	V	V	V	V	V	V	1
Walsin Lihwa Corporation (representative: Fred Pan)			V	V		V	V		V	V		V	V	V		-
Chin Xin Investment Co. (representative: Yuan-Mow Su)			V			V	V	V	V	V	V	V	V	V		-
Jamie Lin			V	V		V	V	V	V	V	V	V	V	V	V	-
Wei-Hsin Ma			V	V					V			V		V	V	-

Note 1: If the director meets any of the following criteria in the two years before being elected or during the term of office, please check "V" in the corresponding boxes.

- Not an employee of the Company or any of its affiliates;
- Not a director or supervisor of the Company or any of its affiliates (except where the person is simultaneously an independent director of the Company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.
- Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship or closer to anyone listed in (2) or (3).
- Not a director, supervisor or employee of an institutional shareholder holding directly 5% or more of the company's shares, being one of the top five shareholders, or being appointed a director or supervisor of the company pursuant to Article 27, Paragraph 1 or 2 of the Company Act (except where the person is simultaneously an independent director of the Company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- Not a director, supervisor or employee of another company that has the same directors as the Company or is controlled by the same person that has more than half of the voting power in the Company (except where the person is simultaneously an independent director of the Company or its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations)

- (7) Not a director, supervisor or employee of another company or institution that has the same chairman, president, or the equivalent or a spouse in one of the roles as the Company (except where the person is simultaneously an independent director of the Company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (8) Not a director, supervisor, manager or shareholder holding 5% or more of the Company's shares of certain company or institution that has a financial or business relationship with the Company (except where the certain company or institution holds 20% or more but no more than 50% of the Company's shares and is simultaneously an independent director of the Company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (9) Not a professional who provides audit or receives no more than NT\$500,000 in cumulative compensation in the last two years for commercial, legal, financial, or accounting services to the Company or its affiliates, nor is an owner, partner, director(council member), supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. However, exception applies to members of a remuneration committee, a take-over bid review committee, or a special committee for merger and acquisition exercising their authority pursuant to provisions of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not a spouse or relative within the second degree of kinship to any other directors.
- (11) Not been a person in any of the circumstances listed in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined under Article 27 of the Company Act.

Profile of Directors (3)

The board member diversity policy stated in Article 20 of the Company's corporate governance principles is as follows:

The Company's Board of Directors reports to the Shareholders' Meeting. Operations and arrangements under the Company's corporate governance policy shall ensure that directors will exercise their authority and duty in accordance with laws and regulations, the Company's Articles of Incorporation or resolutions adopted in shareholders' meetings.

The structure of the Board of Directors should take into account the company operations, development and business scale, shareholding of major shareholders and diversity of board members, for example, different professional backgrounds, gender or field of work. The Company should select an appropriate number of board members, which should not be less than five, given consideration to actual operational needs,

The members of the Board of Directors should be selected with an emphasis on gender equality, and general knowledge, skills and the competencies required performing their duties. To achieve an ideal level of corporate governance, the Board of Directors as a whole should be equipped with the following abilities:

- I. Ability to make sound business judgments.
- II. Ability to conduct accounting and financial analysis.
- III. Ability to manage the business.
- IV. Ability to manage a crisis.
- V. Industry knowledge.
- VI. An understanding of international markets.
- VII. Leadership ability.
- VIII. Decision-making ability.

The Board of Directors is Winbond's highest governing body. The 12th-term Board of Directors consists of 11 directors, including 4 independent directors and 2 female directors. Directors who do not hold managerial positions in the Company make up more than two thirds of board members. All board members are highly experienced in business operations. The ages of board members cover different generations and their professional background covers different industries. All board members possess the ability to perform their duties, oversee business activities and give constructive feedback and make recommendations for corporate strategies. Institutional directors Walsin Lihwa Corporation and Chin Xin Investment Corp are major shareholders of the Company. Walsin Lihwa Corporation is a founder of the Company, also the largest shareholder and a director since Company's inception.

Management goal for 12th-term (2020-2023) board diversity policy: According to Article 20 of the Winbond Corporate Governance Best Practice Principles, the board diversity policy pertains to maintaining the seats of major shareholders and participation of female directors, recruiting top talents from different generations and professional fields, and in addition, facilitating succession planning for management and achieving sustainable development. Hence Winbond raises the seat of institutional director from 1 to 2. The election result of the 2020 General Shareholders' Meeting meets the management goal (2 institutional directors on the board).

Implementation of board member diversity policy

Title	Name	Gender	Background					Percentage by gender		Percentage of independent directors	Percentage of directors who are also employees	All directors Age distribution	
			Business management	Leadership	Industry knowledge	Finance/Accounting	Information	Male	Female			Aged 50 and over	Aged 50 and below
Chairman	Arthur Yu-Cheng Chiao	M	✓	✓	✓	✓	✓	82%	18%	36%	27%	82%	18%
Vice Chairman	Tung-Yi Chan	M	✓	✓	✓		✓						
Director	Yung Chin	F	✓	✓	✓	✓	✓						
Independent director	Allen Hsu (Term: 7 year)	M	✓	✓	✓	✓							
Independent director	Stephen T. Tso (Term: 2 year)	M	✓	✓	✓		✓						
Independent director	Francis Tsai (Term: 7 year)	M	✓	✓	✓	✓	✓						
Independent director	Jerry Hsu (Term: 7 year)	M	✓	✓	✓	✓							
Director	Walsin Lihwa Corporation (Representative: Fred Pan)	M	✓	✓	✓	✓							
Director	Chin Xin Investment Corp. (Representative: Yuan-Mow Su)	M	✓	✓	✓	✓	✓						
Director	Jamie Lin	M	✓	✓	✓	✓	✓						
Director	Wei-Hsin Ma	F	✓	✓	✓	✓	✓						

2. Profile of President, Vice Presidents, Assistant Vice Presidents, and Department and Branch Managers

March 31, 2021

Title	Nationality	Name	Gender	Date appointed	Shares held		Shares held by spouse and minor children		Shares held in the name of others		Education/Work experience	Other positions elsewhere	Notes																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
					Shares	Shareholding percentage (Note 2)	Shares	Shareholding percentage (Note 2)	Shares	Shareholding percentage (Note 2)			Relationship	Other manager who is the spouse or a relative within second degree	Note 4	None	None	None	None	None	None																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
					Shares	Shareholding percentage (Note 2)	Shares	Shareholding percentage (Note 2)	Shares	Shareholding percentage (Note 2)			Title	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None

Title	Nationality	Name	Gender	Date appointed	Shares held		Shares held by spouse and minor children		Shares held in the name of others		Education/Work experience	Other positions elsewhere	Notes			
					Shares	Shareholding percentage (Note 2)	Shares	Shareholding percentage (Note 2)	Shares	Shareholding percentage (Note 2)			Relationship	Name	Title	Other manager who is the spouse or a relative within second degree
Vice President	ROC	Pei-Lin Pai	M	2014.10.01	82,608	0.00%	9,000	0.00%	-	-	Ph.D. in Electrical Engineering, U.C. Berkeley Vice President of Embedded Memory Business Group of Winbond Electronics Corp. Vice President of FocalTech Systems Co., Ltd. Vice President of Nanya Technology Co., Ltd. President of Ascent Semiconductor Corporation	Director of HiTi Digital Inc. Independent director of Green River Holding Co., Ltd. Supervisor of Excelsior Bio-System Incorporation	None	None	None	None
Vice President	ROC	Hsiang-Yun Fan	M	2019.08.01	220,804	0.01%	-	-	-	-	MBA, National Chung Cheng University Vice President of Administration Center of Nuvoton Technology Corp.	Director of Winbond Electronics (HK) Ltd. Director of Winbond Electronics Corporation Japan Director of Landmark Group Holdings Ltd. Director of Winbond International Corporation Director of Winbond Electronics Corporation America Director of Winbond Electronics Germany GmbH Director of Callisto Holding Limited Chairman of Song Yong Investment Corporation	None	None	None	None
Vice President	ROC	Wen-Hua Lu	M	2019.11.01	451	0.00%	-	-	-	-	MS in Material Science and Engineering, National Taiwan University Division Director, Assistant Vice President, and Technical Vice Director of Winbond Electronics Corp. Assistant Researcher of Material and Chemical Research Laboratories, ITRI	None	None	None	None	None
Vice President	ROC	Wen-Chang Hong (Note 8)	M	2020.07.01	18,990	0.00%	6,000	0.00%	-	-	M.S. in Industrial Engineering and System Management, Chung Hua University Assistant Vice President of Winbond Electronics Corporation	Director of Winbond Electronics (Suzhou) Ltd. Director of Winbond Electronics Corporation Japan Director of Winbond Electronics Germany GmbH	None	None	None	None
Chief Business Officer	USA	Eungjoon Park	M	2008.08.04	250,000	0.01%	-	-	-	-	Master in Electrical Engineering, U.C. Berkeley Executive Vice President of Winbond Electronics Corp. America Executive Vice President of NexFlash Technologies Inc. Vice President of Azalea Microelectronics Corp.	Director and President of Winbond Electronics Corporation America	None	None	None	None

(III) Remunerations to directors, supervisors, president, and vice presidents in recent years

1. Remuneration to directors and independent directors

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

Title	Name	Director's remuneration						Ratio of total (A), (B), (C), and (D) to after-tax income (%) (Note 7)		Pay received as an employee				Ratio of total (A), (B), (C), (D), (E), (F) and (G) to after-tax income (%) (Note 7)		Remuneration received from parent company or investees other than subsidiaries, if any (Note 8)	
		Remuneration (A) (Note 1)	Pension (B) (Note 2)		Director's remuneration (C) (Note 3)		Business expense (D) (Note 4)			Salary, bonus and special allowance (E) (Note 5)	Pension (F) (Note 2)	Employee compensation (G) (Note 3)					
			Winbond	All companies in consolidated statements	Winbond	All companies in consolidated statements (Note 6)		Winbond	All companies in consolidated statements (Note 6)			Cash	Stock	Winbond	All companies in consolidated statements (Note 6)		Cash
Chairman	Arthur Yu-Cheng Chiao																
Vice Chairman	Yuan-Mow Su (Note 9)																
Vice Chairman	Tung-Yi Chan (Note 10)																
Director	Yung Chin																
Director	Walsin Lihwa Corporation																
Representative	Sophi Pan (Note 11)																
Representative	Fred Pan (Note 12)																
Director	Chin Xin Investment Corp. (Note 13)																
Representative	Yuan-Mow Su (Note 9)																
Director	Jamie Lin																
Director	Wei-Hsin Ma																
Independent Director	Allen Hsu																
Independent Director	Stephen T. Tso																
Independent Director	Francis Tsai	2,400	2,880	-	4,826	1,440	1,680	0.66	0.84	-	-	-	-	0.66	0.84	-	-
Independent Director	Jerry Hsu																

1. The Winbond Rules for Remuneration of Directors and Performance Evaluation of the Board of Directors state explicitly that for remuneration for directors and independent directors, salaries and compensation should depend on the company's long- and short-term business plans, and be based on the industry standards and the results of board performance evaluation. Individual salaries should be decided by a collegial approach consistent with the board's nature, and follow the equality principle. Salaries may be adjusted to reflect changes in responsibilities or actual needs.

2.Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g. acting as a non-employee consultant) rendered to the Company: 0

Note 1: Remuneration to directors in the past year (including salary, additional pay, severance pay, bonuses and rewards).

Note 2: Pension includes:

- Amount equal to 6% of the monthly salary paid into an account at the Bureau of Labor Insurance pursuant to the new pension system under the Labor Pension Act.
 - Amount equal to 2% of the monthly salary deposited into an account at Bank of Taiwan under the name of the Company's Pension Supervision Committee pursuant to the old pension system under the Labor Standards Act.
 - Other types of pensions that should be paid according to law and pension paid in accordance with Winbond's Retirement Rules in addition to the pensions that require appropriation as described above.
- Note 3: For 2020, the Board of Directors has approved a 1% of earnings as remuneration to directors, which amounts to NT\$13,916,000 based on the audited earnings. As of the date of the report, compensation to individual directors who also worked as an employee has not been decided. The figures in the table above are estimates.

Note 4: This is business expense of directors in the past year (including transportation allowance, special allowance, stipends, dormitory, and car).

Note 5: All pays to directors who are also employee of the Company (including the position of president, vice president, other managerial officer and staff), including salary, additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car. In addition, according to IFRS2, salary expenses recognized under "share-based payment" including employee stock options, restricted stock award and stocks subscribed through cash capital increase should also be included in the remuneration.

Note 6: Total pay to Directors from all companies in the consolidated statements (including the Company).

Note 7: Calculated based on the Company's after-tax income from the 2020 stand-alone financial statements of NT\$1,304,019,000.

Note 8: a. This field shows the amount of remuneration a director of the Company receives from investees other than subsidiaries of the Company.

b. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the director serving as a director, supervisor or manager of an investee of the Company other than subsidiaries.

Note 9: Vice Chairman Yuan-Mow Su was discharged as director on June 11, 2020, and becomes the representative of an institutional director on Company's 12th-term Board of Directors.

Note 10: Mr. Tung-Yi Chan is elected as the Vice Chairman of Winbond starting June 12, 2020.

Note 11: Ms. Sophi Pan served as the representative of an institutional director of the Company up to June 11, 2020. The above table discloses his information up to the date her term of office as the representative of an institutional director ends.

Note 12: Mr. Fred Pan is appointed the representative of an institutional director of the Company starting June 12, 2020.

Note 13: Chin Xin Investment Corp is elected a director of the Company starting June 12, 2020.

Range of remuneration paid to each director	Name of director			
	Total amount for the 4 preceding remunerations (A+B+C+D)		Total amount for the 7 preceding remunerations (A+B+C+D+E+F+G)	
	Winbond	All companies in consolidated statements	Winbond	Winbond and all investees (Note)
Below NT\$1,000,000	Yuan-Mow Su, Tung-Yi Chan, Walsin Lihwa Corporation (representative: Sophi Pan), Walsin Lihwa Corporation (representative: Fred Pan, Chin Xin Investment Corporation, Chin Xin Investment Corporation (representative: Yuan-Mow Su)	Yuan-Mow Su, Tung-Yi Chan, Walsin Lihwa Corporation (representative: Sophi Pan), Walsin Lihwa Corporation (representative: Fred Pan, Chin Xin Investment Corporation, Chin Xin Investment Corporation (representative: Yuan-Mow Su)	Walsin Lihwa Corporation (representative: Sophi Pan), Walsin Lihwa Corporation (representative: Fred Pan, Chin Xin Investment Corporation, Chin Xin Investment Corporation (representative: Yuan-Mow Su)	Walsin Lihwa Corporation (representative: Sophi Pan), Walsin Lihwa Corporation (representative: Fred Pan, Chin Xin Investment Corporation
NT\$1,000,000 (inclusive) ~ NT\$ 2,000,000 (exclusive)	Yung Chin, Wei-Hsin Ma, Jamie Lin, Walsin Lihwa Corporation	Wei-Hsin Ma, Jamie Lin, Walsin Lihwa Corporation	Wei-Hsin Ma, Jamie Lin, Walsin Lihwa Corporation	Wei-Hsin Ma, Jamie Lin, Walsin Lihwa Corporation
NT\$2,000,000 (inclusive) ~ NT\$ 3,500,000 (exclusive)	Arthur Yu-Cheng Chiao, Allen Hsu, Stephen Tso, Francis Tsai, Jerry Hsu	Allen Hsu, Stephen Tso, Francis Tsai, Jerry Hsu	Allen Hsu, Stephen Tso, Francis Tsai, Jerry Hsu	Allen Hsu, Stephen Tso, Francis Tsai, Jerry Hsu, Chin Xin Investment Corporation (representative: Yuan-Mow Su)
NT\$3,500,000 (inclusive) ~ NT\$ 5,000,000 (exclusive)		Arthur Yu-Cheng Chiao		
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)			Yung Chin, Tung-Yi Chan	Yung Chin, Tung-Yi Chan
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)			Arthur Yu-Cheng Chiao	Arthur Yu-Cheng Chiao
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)			Yuan-Mow Su	Yuan-Mow Su
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)				
Greater than NT\$ 100,000,000				
Total	15 people	15 people	15 people	15 people

Note: When calculating the range of remuneration, remuneration received by each director from investees other than subsidiaries was also included.

2. Remunerations to president and vice president

December 31, 2020, Unit: NT\$1,000														
Title	Name	Salary (A) (Note 1)		Pension (B) (Note 2)		Bonus and special allowance (C) (Note 3)		Employee compensation (D) (Note 4)				Ratio of total (A), (B), (C), and (D) to after-tax income (%) (Note 6)		Remuneration received from parent company or investees other than subsidiaries, if any (Note 7)
		Winbond	All companies in consolidated statements (Note 5)	Winbond	All companies in consolidated statements (Note 5)	Winbond		All companies in consolidated statements (Note 5)		Winbond	All companies in consolidated statements (Note 5)			
CEO	Arthur Yu- Cheng Chiao													
Deputy CEO	Yuan-Mow Su (Note 8)													
Deputy CEO	Tung-Yi Chan													
President	Pei-Ming Chen (Note 9)													
Chief Information Officer	Cheng-Kung Lin	50,900	51,836	39,136	39,173	16,882	16,882	535	0	535	0	8.24	8.31	
Chief Financial Officer	Jessica Huang													
Vice President	Chin-Fen Tsai													
Vice President	Pei-Lin Pai													
Vice President	Hsiang-Yun Fan													
Vice President	Wen-Hua Lu													
Vice President	Eddy Hung (Note 10)												2,630	

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

Note 2: Pension includes:

- Amount equal to 6% of the monthly salary paid into an account at the Bureau of Labor Insurance pursuant to the new pension system under the Labor Pension Act.
- Amount equal to 2% of the monthly salary deposited into an account at Bank of Taiwan under the name of the Company's Pension Supervision Committee pursuant to the old pension system under the Labor Standards Act.
- Other types of pensions that should be paid according to law and pension paid in accordance with Winbond's Retirement Rules in addition to the pensions that require appropriation as described above.

Note 3: Bonus, reward, transportation allowance, special allowance, stipends, dormitory, car and other pays received by the president or vice president in the past year. In addition, according to IFRS2, salary expenses recognized under "share-based payment" including employee stock options, restricted stock award and stocks subscribed through cash capital increase should also be included in the remuneration.

Note 4: The Company's Board of Directors has passed the 2020 compensation plan for employees. Figures of employee compensation to president and vice presidents in the table above are estimates.

Note 5: The total pay to the president or vice president from all companies in the consolidated statements (including the Company).

Note 6: Calculated based on the Company's after-tax income from the 2020 stand-alone financial statements of NT\$1,304,019,000.

Note 7: a. This field shows the amount of remuneration the president or vice president of the Company receives from investees other than subsidiaries of the Company.

b. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expense received by the president or vice president serving as a director, supervisor or manager of an investee of the Company other than subsidiaries.

Note 8: Mr. Yuan-Mow Su was a deputy CEO at Winbond from June 13, 2017 to February 28, 2020. The above table discloses his information up to the date his service as a managerial officer of the Company ends.

Note 9: Mr. Pei-Ming Chen is appointed president of Winbond starting March 1, 2020. The above table discloses his information during his service as a manager of the Company.

Note 10: Mr. Eddy Hung is appointed vice president of Winbond starting July 1, 2020. The above table discloses his information during his service as a manager of the Company.

Range of remuneration paid to presidents and vice presidents	Names of presidents and vice presidents	
	Winbond	Winbond and all investees (Note)
Below NT\$1,000,000		
NT\$1,000,000 (inclusive) ~ NT\$ 2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) ~ NT\$ 3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) ~ NT\$ 5,000,000 (exclusive)	Eddy Hung	Eddy Hung
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Arthur Yu-Cheng Chiao, Pei-Ming Chen, Pei-Lin Pai, Hsiang-Yun Fan, Chin-Fen Tsai, Wen-Hua Lu	Pei-Ming Chen, Pei-Lin Pai, Hsiang-Yun Fan, Chin-Fen Tsai, Wen-Hua Lu
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Tung-Yi Chan, Jessica Huang	Arthur Yu-Cheng Chiao, Tung-Yi Chan, Jessica Huang
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Yuan-Mow Su, Cheng-Kung Lin	Yuan-Mow Su, Cheng-Kung Lin
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)		
Greater than NT\$ 100,000,000		
Total	11 people	11 people

Note: When calculating the range of remuneration, remuneration received by president and vice presidents from investees other than subsidiaries was also included.

3. Manager's name and the distribution of employee bonus

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

	Title	Name	Stock	Cash	Total	Total as a percentage of after-tax income (%) (Note 2)
Manager	CEO	Arthur Yu-Cheng Chiao	-	780	780	0.06%
	Deputy CEO	Tung-Yi Chan				
	President	Pei-Ming Chen(Note 3)				
	Chief Information Officer	Cheng-Kung Lin				
	Chief Financial Officer and Head of Finance Department	Jessica Huang				
	Vice President	Chin-Fen Tsai				
	Vice President	Pei-Lin Pai				
	Vice President	Hsiang-Yun Fan				
	Vice President	Wen-Hua Lu				
	Vice President	Eddy Hung				
	Corporate Governance Officer	Kun-Lung Chen(Note 4)				
	Chief Business Officer	Eungjoon Park				
	Assistant Vice President	Shi-Yuan Wang				
	Assistant Vice President	Mao-Hsiang Yen				
	Assistant Vice President	Hsiu-Han Liao				
	Accounting Officer	Chin-Feng Yang(Note 5)				

Note 1: The Company's Board of Directors has passed the 2020 compensation plan for employees. Figures in the table above are estimates.

Note 2: Calculated based on the Company's after-tax income from the 2020 stand-alone financial statements of NT\$1,304,019,000.

Note 3: Mr. Pei-Ming Chen is appointed vice president of Winbond starting March 1, 2020. The above table discloses his information during his service as a manager of the Company.

Note 4: Mr. Kun-Lung Chen is appointed Corporate Governance Officer of Winbond starting June 17, 2020. The above table discloses his information during his service as a manager of the Company.

Note 5: Ms. Chin-Feng Yang is appointed Chief Accounting Officer of Winbond starting March 1, 2020. The above table discloses his information during his service as a manager of the Company.

4. Analysis of remunerations to directors, supervisors, president and vice presidents etc. as a percentage of the after-tax income of the Company and all the companies' consolidated statements in the stand-alone financial statements from the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and correlation with business performance and future risks

(1) Analysis of remunerations to directors, supervisors, president and vice presidents as a percentage of the Company's after-tax income in the stand-alone financial statements from the last two years

Title	Total remuneration as a percentage of after-tax income (%)			
	2020		2019	
	Winbond	All companies in consolidated statements	Winbond	All companies in consolidated statements
Director	4.49%	5.11%	5.12%	5.75%
President and Vice Presidents	8.24%	8.31%	8.83%	9.26%

(2) Description of remuneration policy, standards and packages of remunerations, procedure for making such decision and correlation with business performance and future risks.

A. Remuneration policy, standards and packages of remunerations, procedure for making such decision

(A) Director

Article 22 of the Company's Articles of Incorporation: Not more than 1% of the Company's pre-tax earnings before deducting remunerations to employees and directors shall be appropriated as remuneration to directors.

The Remuneration Committee will recommend remuneration to directors and supervisors in accordance with the Company's articles of incorporation, the internal Rules for Remuneration and Performance Evaluation of Directors, board members' self-assessment results, and Company earnings for the year after deducting accumulated deficit, and report the recommendation to Shareholders' Meeting after it has been approved by the Board of Directors.

(B) President and Vice Presidents

The remuneration of managers will be decided in accordance with the Company's articles of incorporation and the internal Rules for Remuneration and Performance Evaluation of Managers, including salary, bonus and employee compensation systems and standards. The remuneration will be distributed after it is passed by the Remuneration Committee and approved by the Board of Directors.

B. Correlation with business performance and future risks

In a move to reduce operating risks, the Company established a Remuneration Committee in 2011. The committee reviews regularly every year the annual performance targets of directors and managers as well as salary and remuneration policy, systems, standards and structure in view of actual operational status and related regulations to seek a balance between sustainable operations and risk management. As described above, there is a positive correlation between the remuneration of directors, supervisors and managers and the Company's business performance.

(IV) Implementation of corporate governance

1. Operation of Board of Directors

(1) The 11th term Board of Directors held a total of 3 meetings(A) in 2020 (January 1 ~ June 11, 2020). The attendance was as follows:

Title	Name	Attendance in person(B)	By proxy	Attendance Rate (%) (B/A)	Notes
Chairman	Arthur Yu-Cheng Chiao	3	0	100%	None
Vice Chairman	Yuan-Mow Su	3	0	100%	None
Director	Yung Chin	3	0	100%	None
Independent director	Francis Tsai	3	0	100%	None
Independent director	Allen Hsu	3	0	100%	None
Independent director	Jerry Hsu	3	0	100%	None
Independent director	Stephen T. Tso	3	0	100%	None
Director	Wei-Hsin Ma	3	0	100%	None
Director	Jamie Lin	3	0	100%	None
Director	Walsin Lihwa Corporation (Representative: Sophi Pan)	3	0	100%	None

(2) The 12th term Board of Directors held a total of 5 meetings(A) in 2020 (June 12 ~ December 31, 2020). The attendance was as follows:

Title	Name	Attendance in person(B)	By proxy	Attendance Rate (%) (B/A)	Notes
Chairman	Arthur Yu-Cheng Chiao	5	0	100%	None
Vice Chairman	Tung-Yi Chan	5	0	100%	None
Director	Yung Chin	5	0	100%	None
Independent director	Allen Hsu	5	0	100%	None
Independent director	Stephen T. Tso	4	1	80%	None
Independent director	Francis Tsai	5	0	100%	None
Independent director	Jerry Hsu	5	0	100%	None
Director	Walsin Lihwa Corporation (Representative: Fred Pan)	5	0	100%	None
Director	Chin Xin Investment Corp. (Representative: Yuan-Mow Su)	5	0	100%	None
Director	Jamie Lin	5	0	100%	None
Director	Wei-Hsin Ma	5	0	100%	None

(3) Resolutions adopted by the Board of Directors pursuant to Article 14-3 of the Securities and Exchange Act: For details, refer to Other matters that require reporting under State of Operations of the Audit Committee of the annual report.

(4) Other resolutions adopted by the Board of Directors, to which an independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: None.

(5) Directors recused themselves from discussion or voting on an agenda item in which they have an interest:

Name of director	Agenda item	Reason for recusal	Voting on the agenda item	Notes
Yuan-Mow Su	Retirement application made by deputy CEO Yuan-Mow Su and his discharge as a managerial officer.	The director has an interest in the matter	Did not participate in voting	20th meeting of 11th-term Board
Yuan-Mow Su	Removal of non-compete clause for Vice Chairman Yuan-Mow Su.	The director has an interest in the matter	Did not participate in voting	21st meeting of 11th-term Board
Arthur Yu-Cheng Chiao, Yung Chin, Yuan-Mow Su	2019 retention bonus for managerial officers	The director has an interest in the matter	Did not participate in voting	22nd meeting of 11th-term Board
Arthur Yu-Cheng Chiao, Yung Chin, Yuan-Mow Su	Proposal of the 2019 employee compensation distribution plan and remuneration for managerial officers	The director has an interest in the matter	Did not participate in voting	22nd meeting of 11th-term Board
Arthur Yu-Cheng Chiao, Yung Chin, Yuan-Mow Su	Proposal of the 2020 remuneration plan for individual managers.	The director has an interest in the matter	Did not participate in voting	22nd meeting of 11th-term Board
Yuan-Mow Su	Proposal to remove non-compete clause for directors.	The director has an interest in the matter	Did not participate in voting	3rd meeting of 12th-term Board
Yuan-Mow Su	Providing guarantee and endorsement for financing arrangement between Nuvoton Technology Corporation Japan, a 61.55% indirectly held subsidiary of the Company and Chinatrust Bank.	The director has an interest in the matter	Did not participate in voting	4th meeting of 12th-term Board
Arthur Yu-Cheng Chiao, Yung Chin, Yuan-Mow Su, Allen Hsu, Jerry Hsu	Participation in cash issue for capital increase by Nuvoton Technology Corporation in 2020	The director has an interest in the matter	Did not participate in voting	5th meeting of 12th-term Board

(6)Evaluation of Board of Directors:

The Company established a Board of Directors performance assessment system in 2011 to measure the works of directors guiding the Company's strategic directions and overseeing the Company's operations and management so as to help increase the long-term shareholder value. The staff in charge of board meeting affairs will compile the results and submit the results to the Remuneration Committee and the Board of Directors, and based on which, draw up the Board of Directors performance enhancement plan.

Frequency	Period	Scope	Method	Description	Result
Once a year (in December)	From January 1, 2020 to December 31, 2020	Board of Directors Director Functional committee	Member self-assessment	(1) Board of Directors: a. Participation in Company operations. b. Improvement of the quality of the Board of Directors' decision making. c. Composition and structure of the Board of Directors. d. Election and continuing	(1) Board of Directors' evaluation results: 4.72 points Areas to be improved: a. Optimize business risk management mechanism. b. Increase communication and exchange with CPA. c. Continue to provide multi-disciplinary courses to

Frequency	Period	Scope	Method	Description	Result
				education of the Directors. e. Internal control. (2) Individual director: a. Familiarity with the goals and missions of the Company. b. Recognition of duties as Directors. c. Participation in Company operations. d. Management of internal relations and communication. e. Directors' professionalism and continuing education. f. Internal control. (3) Functional committee: a. Participation in Company operations. b. Understanding the responsibilities of functional committees. c. Improvement of quality of functional committee's decision making. d. Composition and selection (election) of members of functional committees. e. Internal control.	enhance directors' decision making ability. (2) Individual director's evaluation results: a. 4.76 b. 4.85 c. 4.77 d. 4.74 e. 4.76 f. 4.79 (3) Functional committee: a. 4.94 b. 4.75 c. 4.75 d. 4.75 e. 4.75 Note 1: Grade: Score 1: Very poor (strongly disagree); Score 2: Poor (disagree); Score 3: Medium (fair); Score 4: Good (agree); Score 5: Excellent (strongly agree) Note 2: The evaluation results have been submitted to the Remuneration Committee and the Board of Directors in March.

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

1. The Company has established the Rules of Procedures for Board of Directors Meetings in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies and would post information on the attendance by directors and supervisors on the Market Observation Post System after each board meeting and disclose important resolutions adopted by board meetings on the Company website.

2. The Company holds strategy review meeting every quarter before the scheduled board meeting or when needed, at which directors are present to learn about Company's finance and business conditions, major operating strategies formulated and the execution of relevant business plans. The Company endeavors to enhance the transparency of corporate information. Aside from holding investors conference to discuss the Company's business and financial conditions after the semi-annual and annual board meetings, the Company also posts related information on the Market Observation Post System and Company website.

2.State of operations of the Audit Committee

The Audit Committee held 6 meetings in 2020 (the 1st-term Audit Committee held 3 meetings and the 2nd-term Audit Committee held 3 meetings). The attendance was as follows:

Title	Name	Attendance in person(B)	By proxy	Attendance rate (%) (B/A)	Notes
Convenor of Audit Committee	Allen Hsu	6	0	100	Re-elected; should attend meetings 6 times during term of office
Audit committee member	Stephen T. Tso	5	1	83	Same as above
Audit committee member	Francis Tsai	6	0	100	Same as above
Audit committee member	Jerry Hsu	6	0	100	Same as above

Note: The Company held a re-election of directors in General Shareholders' Meeting held on June 12, 2020. The term of office of the 2nd-term Audit Committee members: June 12, 2020 ~ June 11, 2023

The key tasks of the Audit Committee are as follows. The operations and proposals are listed in the table below.

- I. Fair presentation of the company's financial report.
- II. The hiring (and dismissal) of certificated public accountants and evaluation of their independence and performance.
- III. The effective implementation of the company's internal control system.
- IV. Compliance with relevant laws and regulations.
- V. Management of the existing or potential risks for the company.

Other matters that require reporting:

- I. If the operation of Audit Committee has any of the following situations, describe the date of board meeting, term of the board, agenda items, resolutions adopted by the board, and actions taken by the Company in response to the opinion of the audit committee:

(1) Matters provided under Article 14-5 of the Securities and Exchange Act.

Board of Directors Date/Term	Agenda item	Resolution adopted by the audit committee	Company's action with regard to the opinion of audit committee
2020.02.07 20th meeting of 11th-term Board	2019 financial report.	Passed by all committee members present	None
	2019 business report, consolidated financial statements and affiliation report covering affiliated enterprises.	Same as above	None
	2019 Statement on Internal Control System.	Same as above	None
	2020 capital expenditure budget.proposal.	Same as above	None
	Proposal for annual remuneration paid to Deloitte & Touche accounting firm.	Same as above	None
	Retirement application made by deputy CEO Yuan-Mow Su and his discharge as a managerial officer.	Same as above	None
	Change of the Company's Chief Accounting Officer.	Same as above	None
2020.03.12 21st meeting of 11th-term Board	2019 business report.	Same as above	None
	2019 earnings distribution plan.	Same as above	None
	Increased the budget for capital expenditure.	Same as above	None
	Amendment of Company's Procedures for Making Endorsements and Guarantees.	Same as above	None
	Amendment of Company's Organizational Rules for Audit Committee.	Same as above	None
	Removal of non-compete clause for Vice Chairman Yuan-Mow Su.	Same as above	None
2020.04.30 22nd meeting of 11th-term Board	Disposal of units F6-14 and parking space at Landmark Plaza	Passed by all committee members present	Passed by the Board of Directors following revision of the resolution of the Audit Committee
	Amendment of the Internal Control System for Shareholder Service Unit.	Passed by all committee members present	None
2020.07.30 3rd meeting of 12th-term Board	Proposal not to distribute earnings for the first half of the 2020 fiscal year.	Same as above	None
	Removal of non-compete clause for directors.	Same as above	None

Board of Directors Date/Term	Agenda item	Resolution adopted by the audit committee	Company's action with regard to the opinion of audit committee
2020.09.08 4th meeting of 12th-term Board	Increase the budget for capital expenditure.	Same as above	None
	Providing guarantee and endorsement for financing arrangement between Nuvoton Technology Corporation Japan, a 61.55% indirectly held subsidiary of the Company and Chinatrust Bank.	Same as above	None
2020.11.12 5th meeting of 12th-term Board	Participation in cash issue for capital increase by Nuvoton Technology Corporation in 2020	Same as above	None
	Increase the budget for capital expenditure.	Same as above	None
	Finalization of the 2021 audit plan.	Same as above	None

(2) Matters not passed by the audit committee but approved with the consent of more than two thirds of all directors: None

II. With respect to independent directors recusing themselves from discussion or voting on an agenda item in which they have an interest, describe the name of independent director, agenda item, reason for recusal and voting on the agenda item:

Name of independent director	Agenda item	Reason for recusal	Voting on the agenda item	Notes
Allen Hsu Jerry Hsu	Participation in cash issue by Nuvoton Technology Corporation for 2020	The director has an interest in the matter	Did not participate in voting	3rd meeting of 2nd-term Audit Committee

III. Communication between independent directors and the Company's internal audit chief and CPA (material items on Company's finance and business communicated, methods and results of communication):

(1) Communication between independent directors and internal audit chief:

- The internal audit unit conducts audits according to the annual audit plan. The audit chief reports to the independent directors (or convenor of audit committee) every month after the completion of audit report or follow-up report, and delivers the audit report to independent directors for examination before the end of next month following the completion of audit.
- The audit chief reports to the Board of Directors and Audit Committee every quarter. The communication between independent directors and the internal audit chief are as follows:

Date	Gist of communication	Suggestions and actions taken by the Company
2020.02.07 (18th meeting of 1st-term Audit Committee)	<ul style="list-style-type: none"> 2019 Q4 follow-up of improvement actions taken for deficiencies found in the previous period and 2019 Q4 audit results 2019 self-evaluation of internal control system 2019 Statement on Internal Control System. 	<ul style="list-style-type: none"> None of the independent directors expressed dissent. The Committee gave consent to the 2019 Statement on Internal Control System, which will be submitted to the Board of Director for approval.
2020.04.30 (20th meeting of 1st-term Audit Committee)	<ul style="list-style-type: none"> 2020 Q1 internal audit report <ul style="list-style-type: none"> 2020 Q1 follow-up of improvement actions taken for deficiencies found in the previous period. Audit findings of 2020 Q1 audit plan. Audit methods under 2020 Q2 ~ Q4 audit plans. 	<ul style="list-style-type: none"> None of the independent directors expressed dissent.
2020.07.30 (1st meeting of 2nd-term Audit Committee)	<ul style="list-style-type: none"> 2020 Q2 follow-up of improvement actions taken for deficiencies found in the previous period and 2020 Q2 audit results. 	<ul style="list-style-type: none"> None of the independent directors expressed dissent.
2020.11.12 (3rd meeting of 2nd-term Audit Committee)	<ul style="list-style-type: none"> 2020 Q3 audit report <ul style="list-style-type: none"> 2020 Q3 follow-up of improvement actions taken for deficiencies found in the previous period. 2020 Q3 audit plan and audit findings. Report on cybersecurity issues. 2021 audit plan. 	<ul style="list-style-type: none"> None of the independent directors expressed dissent. The Committee gave consent to the 2021 audit plan, which will be submitted to the Board of Directors for approval.

(2) Communication between independent directors and CPA:

1. Independent directors would communicate directly with CPA on the financial condition of the Company every half a year and whenever necessary. The communications taken place are as follows:

Date	Gist of communication	Suggestions and actions taken by the Company
2020.02.07 (18th meeting of 1st-term Audit Committee)	<ul style="list-style-type: none"> CPA and independent directors discussed 2019 audit findings on key audit matters (KAM). CPA and independent directors discussed the reasonableness of allowance to inventory write-downs and receivables turnover. 	<ul style="list-style-type: none"> None of the independent directors expressed dissent.
2020.07.30 (1st meeting of 2nd-term Audit Committee)	<ul style="list-style-type: none"> CPA and independent directors discussed the reasonableness of allowance to inventory write-downs and inventory turnover and receivables turnover. CPA and independent directors discussed evaluation conducted in connection with Covid-19. 	<ul style="list-style-type: none"> None of the independent directors expressed dissent.

3. State of operations of the Remuneration Committee:

(1) Information on members of the Compensation Committee:

Status	Criteria	Has at least 5 years of work experience and meet one of the following professional qualifications			Meet the independence criteria (Note)										Number of other public companies in which the member also serves as a member of their Remuneration Committee	Notes
		An instructor or higher position in the department of commerce, law, finance, or accounting or other department related to the business needs of the Company in a public or private junior college or university	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have work experience in commerce, law, accounting, finance, or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent director	Stephen T. Tso			V	V	V	V	V	V	V	V	V	V	V	1	Convener
Independent director	Allen Hsu			V	V	V	V	V	V	V	V	V	V	V	1	
Independent Director	Francis Tsai			V	V	V	V	V	V	V	V	V	V	V	-	
Independent Director	Jerry Hsu			V	V	V	V	V	V	V	V	V	V	V	1	

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

- (1) Not an employee of the Company or any of its affiliates;
- (2) Not a director or supervisor of the Company or any of its affiliates (except where the person is simultaneously an independent director of the Company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate number of 1% or more of the shares of the Company or ranks as one of its top ten shareholders.
- (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship or closer to anyone listed in (2) or (3).
- (5) Not a director, supervisor or employee of an institutional shareholder holding directly 5% or more of the company's shares, being one of the top five shareholders, or being appointed a director or supervisor of the company pursuant to Article 27, Paragraph 1 or 2 of the Company Act (except where the person is simultaneously an independent director of the Company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (6) Not a director, supervisor or employee of another company that has the same directors as the Company or is controlled by the same person that has more than half of the voting power in the Company (except where the person is simultaneously an independent director of the Company or its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (7) Not a director, supervisor or employee of another company or institution that has the same chairman, president, or the equivalent or a spouse in one of the roles as the Company (except where the person is simultaneously an independent director of the Company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).

- (8) Not a director, supervisor, manager or shareholder holding 5% or more of the Company's shares of certain company or institution that has a financial or business relationship with the Company (except where the certain company or institution holds 20% or more but no more than 50% of the Company's shares and is simultaneously an independent director of the Company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (9) Not a professional who provides audit or receives no more than NT\$500,000 in cumulative compensation in the last two years for commercial, legal, financial, or accounting services to the Company or its affiliates, nor is an owner, partner, director(supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. However, exception applies to members of a remuneration committee, a take-over bid review committee, or a special committee for merger and acquisition exercising their authority pursuant to provisions of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not been a person in any of the circumstances listed in Article 30 of the Company Act.

(2) Operation of Remuneration Committee:

The Remuneration Committee is in charge of the performance evaluation of directors, supervisors and managers, setting and reviewing the remuneration policy, system standards and structure, and the remuneration of individual director, supervisor and manager, and propose same to the Board of Directors for discussion.

The key tasks of the Remuneration Committee are as follows;

1. Periodically review Remuneration Committee rules and offer suggestions for amendment.
2. Set and review the annual performance targets for directors and managers as well as salary and remuneration policy, system, standards and structure.
3. Periodically evaluate the attainment of performance targets by directors and managers, and set the components and amount of salary and compensation for individual director and manager.
 - 3.1. The Company's 4th-term Compensation Committee is comprised of 4 individuals including all Independent Directors.
 - 3.2. Current term of office: June 12, 2020 ~ June 11, 2023

The Compensation Committee held 4 meetings in 2020 (the 3rd-term Compensation Committee held 2 meetings and the 4th-term Compensation Committee held 2 meetings). The attendance was as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Notes
Convener	Stephen T. Tso	4	0	100	Re-elected; should attend board meetings 4 times during term of office.
Member	Allen Hsu	4	0	100	Same as above
Member	Francis Tsai	4	0	100	Same as above, the convener of 1st term to 3rd term committee
Convener	Jerry Hsu	4	0	100	Re-elected; should attend board meetings 4 times during term of office.

Other matters that require reporting:

- I. If the Board of Directors did not adopt or revised the recommendations of the Remuneration Committee, describe the date of board meeting, term of the board, agenda item, resolutions adopted by the board, and actions taken by the company in gresponse to the opinion of the Remuneration Committee: N/A.
- II. If with respect to any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, describe the date of committee meeting, term of the committee, agenda item, opinions of all members, and actions taken by the company in response to the opinion of members: N/A.

III. Proposals to and resolutions of the Remuneration Committee in the past year and the company's response to the members' opinions:

Remuneration Committee	Item	Resolution	The company's response to the members' opinions
2020.02.07 10th meeting of 3rd-term committee	Appointment of Mr. Pei-Ming Chen as a managerial officer and president.	Passed by all committee members present	None
	Promotion of Mr. Tung-Yi Chan to deputy CEO.	Same as above	None
	Retirement application made by deputy CEO Yuan-Mow Su and his discharge as a managerial officer.	Same as above	None
	change of the Company's Chief Accounting Officer.	Same as above	None
	Distribution of special bonus for VP Jessica Huang.	Same as above	None
2020.04.30 11th meeting of 3rd-term committee	Proposal of 2019 remuneration for individual directors on the 11th-term board.	Same as above	None
	Proposal of 2020 remuneration for individual directors on the 11th-term board.	Same as above	None
	Proposal of 2019 retention bonus for managers.	Same as above	None
	Proposal of 2019 employee compensation distribution plan and remuneration for managerial officers	Same as above	None
	Proposal of 2020 remuneration plan for individual managers.	Same as above	None
	The amendment of Organizational Rules for Remuneration Committee.	Same as above	None
	The amendment of the Rules for Remuneration of Directors and Performance Evaluation of the Board of Directors	Same as above	None
2020.06.12 1st meeting of 4th-term committee	Retirement application made by VP Jessica Huang and her discharge as VP and Corporate Governance Officer.	Passed by all committee members present	None
	Promotion of Mr. Eddy Hung to vice president.	Same as above	None
	Appointment of legal affairs director Mr. Kun-Lung Chen to serve concurrently as Corporate Governance Officer.	Same as above	None
	Proposal of 2020 remuneration for individual directors on the 12th-term board.	Same as above	None
2020.11.12 2nd meeting of 12th-term Board	Retirement and discharge of Mr. Cheng-Kung Lin as Vice President	Same as above	None
	2020 director compensation distribution plan.	Same as above	None
	2020 employee compensation distribution plan.	Same as above	None
	2020 Q2 performance bonus and special bonus plan	Same as above	None

The Company held a routine meeting of the Remuneration Committee for the first half of the year (3rd meeting of 4th-term committee held on 2021.3.16) to review the policies, systems, standards and structures regarding director and managerial performance evaluation and remuneration and passed the amendment of the Rules for Remuneration of Directors and Performance Evaluation of the Board of Directors and the Rules for Remuneration and Performance Evaluation of Managerial Officers. The Remuneration Committee's recommendations above were approved in the 7th meeting of the 12th-term Board of Directors.

4. Corporate governance implementation status and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons

Assessed items	Implementation status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	
I. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has established corporate governance principles in accordance with the TWSE Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and disclosed it on Company website.
II. Shareholding structure & stockholders' equity			
(I) Does the company establish internal operating procedures for handling shareholder suggestions, questions, complaints or litigation and handled related matters accordingly?	V		(I) The Company's Shareholders' Affairs Department is in charge of shareholder services and handling shareholder suggestions, questions and complaints in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies and the Standards for the Internal Control Systems of Shareholder Service Units.
(II) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	V		(II) The Company discloses the list of major shareholders and the list of ultimate owners of major shareholders in accordance with applicable regulations.
(III) Does the company establish and implement risk management and firewall systems within its conglomerate structure?	V		(III) Business and financial dealings between the Company and an affiliate are treated as dealings with an independent third party, which are handled by the principles of fairness and reasonableness with documented rules established, and pricing and payment terms clearly defined to prevent non-arm's-length transactions.
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	V		(IV) The Company has established the Insider Trading Prevention Procedure, publicizes the procedure among employees regularly every year, and discloses the procedure on Company website.
III. Composition and responsibilities of the Board of Directors			
(I) Does the Board of Directors develop and implement a diversified policy for the composition of its members?	V		(I) Article 20 of the Company's Corporate Governance Principles specify that the structure of Board of Directors should take into account the company operations, development and business scale, shareholding of major shareholders and diversity of Board Members, for example, different professional backgrounds, gender or fields of work. The Company's board members meet the aforementioned goals. For details, refer to p. 10 of the annual report.
(II) Does the company voluntarily establish other functional committees in addition to remuneration committee and audit committee?	V		(II) The Company has established an "Employees' Welfare Committee," "Supervisory Committees of Workers' Retirement Reserve Funds," and "ESH and Risk Management Committee," and "patent committee."
(III) Does the company establishes standards and method for evaluating the performance of the Board of Directors, and implemented it annually?	V		(III) According to Company's Rules for Remuneration of Directors and Performance Evaluation of the Board of Directors, board members will perform self-assessment of the board operations, board members, and operations of functional committees in December every year. The staff in charge of board meeting affairs will compile the results and submit the results to the Remuneration Committee and the Board of Directors. The Company will use the results as a reference in future nomination and re-election of directors. Please refer to the section under "Operation of the Board of Directors."

Assessed items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons								
	Yes	No	Summary									
(IV) Does the company regularly evaluate the independence of CPAs?	V		(IV) The Company has established the Rules for Evaluation and Performance Review of Accountants in accordance with the Certified Public Accountant Act and the Professional Ethics Standards for ROC Accountants. Members of the Audit Committee evaluates the independence of certifying CPAs in December every year accordingly to examine whether the certifying CPA is a company director or shareholder or draws salary from the Company and to confirm that the certifying CPA is not a stakeholder. The evaluation results are submitted to the Audit Committee and the Board of Directors. In addition, certifying CPA is required to recuse him/herself if his/her service or him/herself has a direct relationship with or interest in the matter concerned. The Company also observes relevant rules in rotation of accountant.	None								
IV. A TWSE/TPEx listed company may set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders meetings, etc.)	V		<p>The Company created the position of corporate governance officer in March 2019 to make sure compliance with the board of directors and shareholders' meeting procedures and assist in the interactions and communication among board members and between directors and management.</p> <p>Business activities in the current year:</p> <p>1.Compiled the board meeting agenda and prepared sufficient Board meeting materials to be sent along with the meeting notices. Notified relevant parties to attend board meetings as needed. (8 meetings held in 2020)</p> <p>2.Invited CPAs to report audit results or speak on accounting related topics every half fiscal year.</p> <p>3.Organized preregistration of the shareholders' meeting date, preparation of meeting notice, agenda, and minutes; and published related information by the deadlines as required and simultaneously made English versions available to investors worldwide. (Called one meeting in 2020)</p> <p>4.The Company underwent re-election of the 12th-term Board of Directors, and the registration of new directors was completed in 15 days after the meeting.</p> <p>5.Organized training courses suitable for the company's business characteristics and the needs of directors. (9 training hours in 2020)</p> <p>6.The Board of Directors conducted self-assessment in December in accordance with the Rules for Remuneration of Directors and Performance Evaluation of the Board of Directors.</p> <p>Training for governance officers:</p> <table><tr><th>Date</th><th>Organizer</th><th>Course</th><th>Hours</th></tr><tr><td>2020/08/06</td><td>Taiwan Corporate Governance Association</td><td>New Digital Reality in Post-Pandemic Era. Latest Trends of AIoT and the Application of Intelligent Manufacturing</td><td>3</td></tr></table>	Date	Organizer	Course	Hours	2020/08/06	Taiwan Corporate Governance Association	New Digital Reality in Post-Pandemic Era. Latest Trends of AIoT and the Application of Intelligent Manufacturing	3	None
Date	Organizer	Course	Hours									
2020/08/06	Taiwan Corporate Governance Association	New Digital Reality in Post-Pandemic Era. Latest Trends of AIoT and the Application of Intelligent Manufacturing	3									

Assessed items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons																					
	Summary																								
	Yes	No																							
			<table><tr><td>2020/08/06</td><td>Taiwan Corporate Governance Association</td><td>The Evolvement of Artificial Intelligence: Evolutionary Computing; Multi-generational Leadership Seeking Fellowship</td><td>3</td></tr><tr><td>2020/08/18</td><td>Taiwan Corporate Governance Association</td><td>Does Jumping Ship Violate the Trade Secrets Act? Trade Secret and Corporate Governance</td><td>3</td></tr><tr><td>2020/08/21</td><td>Taiwan Corporate Governance Association</td><td>【CGP-Continuing】 How to Strengthen Corporate Governance by Emphasizing Fraud Detection and Establishing Whistleblower System</td><td>3</td></tr><tr><td>2020/09/15</td><td>Taiwan Corporate Governance Association</td><td>Practicals of Corporate Risk Management and Compliance Issues</td><td>3</td></tr><tr><td>2020/09/18</td><td>Taiwan Corporate Governance Association</td><td>The Role Played by Institutional Investors in Strengthening Corporate Governance</td><td>3</td></tr></table>	2020/08/06	Taiwan Corporate Governance Association	The Evolvement of Artificial Intelligence: Evolutionary Computing; Multi-generational Leadership Seeking Fellowship	3	2020/08/18	Taiwan Corporate Governance Association	Does Jumping Ship Violate the Trade Secrets Act? Trade Secret and Corporate Governance	3	2020/08/21	Taiwan Corporate Governance Association	【CGP-Continuing】 How to Strengthen Corporate Governance by Emphasizing Fraud Detection and Establishing Whistleblower System	3	2020/09/15	Taiwan Corporate Governance Association	Practicals of Corporate Risk Management and Compliance Issues	3	2020/09/18	Taiwan Corporate Governance Association	The Role Played by Institutional Investors in Strengthening Corporate Governance	3		
2020/08/06	Taiwan Corporate Governance Association	The Evolvement of Artificial Intelligence: Evolutionary Computing; Multi-generational Leadership Seeking Fellowship	3																						
2020/08/18	Taiwan Corporate Governance Association	Does Jumping Ship Violate the Trade Secrets Act? Trade Secret and Corporate Governance	3																						
2020/08/21	Taiwan Corporate Governance Association	【CGP-Continuing】 How to Strengthen Corporate Governance by Emphasizing Fraud Detection and Establishing Whistleblower System	3																						
2020/09/15	Taiwan Corporate Governance Association	Practicals of Corporate Risk Management and Compliance Issues	3																						
2020/09/18	Taiwan Corporate Governance Association	The Role Played by Institutional Investors in Strengthening Corporate Governance	3																						
V. Has the Company established channels for communicating with stakeholders (including but not limited to shareholders, employees, clients and suppliers), set up a dedicated stakeholder area on the Company website, as well as appropriately responded to important corporate and social responsibility issues that stakeholders are concerned about?	V		The Company maintains an effective communication channel with stakeholders, and sets up a stakeholder section on Company website to respond properly important corporate social responsibility issues of concern to stakeholders.		None																				
VI. Has the Company hired a professional agency to handle tasks and issues related to holding the shareholder's meeting?		V	The Company handles shareholder service matters by itself.		N/A																				
VII. Disclosure of information																									
(I) Does the company establish a corporate website to disclose information regarding the company's financial, business and corporate governance status?	V		(I) The Company discloses periodically (monthly/quarterly/annually) financial and business as well as corporate governance information on its website.		None																				
(II) Does the company have other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?	V		(II) The Company's material information is made public in accordance with the internal Spokesperson and Deputy Spokesperson Operation Instruction and the Investor Relations Department are in charge of collecting and revealing corporate information, and posting the investor conference information on Company website. The Company		None																				

Assessed items	Implementation status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	
(III) Does the TWSE/TPEx listed company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	V		<p>website posts information in traditional Chinese, simplified Chinese, English and Japanese.</p> <p>(III) The Company published and reported its annual financial report within two months after the end of a fiscal year, and published and reported its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.</p>
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices(including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<p>1. The Company discloses corporate governance structure, internal audit operations, corporate social responsibility policies, stakeholder section and relevant operational rules on Company website: https://www.winbond.com/hq/about-winbond/csr/policy</p> <p>2. Continuing education of directors: The Company arranges continuing education courses for directors every year, and provides from time to time information on professional courses offered by outside institutions to the directors. The continuing education courses taken by directors and supervisors can be found in the Corporate Governance section of the MOPS website.</p> <p>3. Attendance records of directors: Please see p. 23 - 25 of this report for the operations of the Board of Directors.</p> <p>4. Purchase of liability insurance for directors: The Company has purchased liability insurance starting year 2015. Please refer to the Corporate Governance section of the MOPS website.</p>
<p>IX. Describe the improvement actions taken in response to the corporate governance assessment results published by the TWSE Corporate Governance Center in the most recent year and priority items and measures for matters that have not been improved.</p> <p>The Company ranked in the top 6% ~ 20% in the 2020 corporate governance assessment of TWSE-listed companies and will continue to improve its corporate governance.</p>			

5. Implementation of corporate social responsibility (CSR)

Company's systems and measures and implementation status with respect to environmental protection, community involvement, social contribution, social service, public interest, consumer interests, human rights, safety and health, and other social responsibility activities:

Assessed items	Y e s	N o	Implementation status		Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
			Summary		
I. Does the company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies based on the principle of materiality?	V		The Company performed assessments of risks in environmental, social, or corporate governance issues relevant to its business activities, and devised a corporate social responsibility policy and related management strategies. The documents have been disclosed in the CSR report and on the company website.		None
II. Does the company have a unit that supports CSR practices on a full-time or part-time basis? Is the CSR unit operated by senior managers as authorized by the board of directors, and does the CSR unit report to the board of directors?	V		The Company's Quality & ESH Center is in charge of promoting CSR related operations and regularly reviews the implementation status. The company President reports the CSR implementation to the Board of Directors regularly (fourth quarter) every year.		None
III. Environmental issues					
(I) Does the company have in place a suitable environmental management system based on the characteristics of the industry?	V		(I) The Company has received certification of ISO 14001 environmental management system, and undertakes internal audit every half a year and external audit every year by an international certification body to ensure normal system operations.		None
(II) Does the company work to improve resource utilization efficiency and use recycled materials that have a low impact on the environment?	V		(II) To boost the energy use efficiency, the Company has established key performance indicators (KPI) for the use of all important energy resources, including water and electricity, and set annual goals and implement management programs to undertake reduction of water and electricity consumption and waste output or increase waste reutilization on an ongoing basis. The Company president will review the execution results and target attainment every quarter. Appropriate recycling systems have been considered in the design phase of plants and priority considerations are given to the recovery and reuse of wastewater, waste heat and solid waste generated by plant operations. Thus the Company has taken actions to effectively reduce the consumption of resources and impact on the environment. In 2020, the Company achieved 82% recycling of plant-wide water consumed, 91% recycling of process water consumed (meeting the commitments made in the environmental assessment conducted by the Science Park Administration - 77% recycling of plant-wide water consumed and 85% recycling of process water consumed). Regulatory compliance is only the basic requirements set by the Company. The Company endeavors to make sure every drop of water is fully utilized and to reduce the discharge of wastewater. In 2020, carbon reduction measures adopted by the Company helped reduce 268,712 tons of carbon dioxide equivalent emissions, which amounts to the annual carbon sequestration of 696 Da-an Forest Park (note: calculated by the standard of 386 tons of carbon dioxide absorbed by Da-an Forest Park every year) With respect to the future development of advanced technologies and capacity expansion, the Company will continue to promote carbon reduction plans and enhance energy use efficiency to reduce impact on the environment. In the ongoing efforts of promoting waste recycling and reuse, the Company adopts source improvement approaches by reducing chemical use and extending use cycle of chemicals and parts replacement in processes to reduce waste generation, and enhance the usability of		None

Assessed items	Y e s	N o	Implementation status		Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
			Summary		
(III) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	V		<p>waste through better waste collection and sorting. In 2020, the Company achieved 93% waste recycling, surpassing the self-set target of 90% or higher.</p> <p>(III) The Company watches the impact of climate change brought about by greenhouse effect on the environment and business operations. Aside from undertaking management programs to reduce the consumptions of water, electricity, and raw materials, and reduce waste generation to achieve the KPI targets, the Company has been participating in the PFCs emission reduction programs advocated by Taiwan Semiconductor Industry Association and World Semiconductor Council since 2000. Through process adjustment and use of alternative fuels, and installation of PFCs reduction equipment, the Company has been able to reduce greenhouse gas emission. The Company's PFCs emission reduction results over the years have passed the validation of international certification body. The Company has also been named "Company with Outstanding Performance in Voluntary Reduction of Greenhouse Gas Emission" by the Industrial Development Bureau, MOEA. In addition, as reference for formulating energy conservation and GHG reduction strategies, the Company performs greenhouse gas inventory taking every year and register the information on the Taiwan National Greenhouse Gas (GHG) Registry of Environmental Protection Administration, and furthermore, disclose relevant data in the CSR section of Company website.</p> <p>(IV) The Company's environmental protection policy focuses on "complying with the latest international environmental standards and other regulations; making ongoing improvement, ensuring effective environmental protection, and reducing environmental risks; and taking optimized preventive and improvement measures as a sustainable green business." Inventory of greenhouse gas emissions, water consumption, and total weight of waste are taken every year. There are also key performance indicators (KPI), such as greenhouse gas emission, water recycling, and waste recycling per unit product, in place. Total greenhouse gas emission was 357,865 tons CO2e, water consumption 3,633,012 m3, and waste 6,570 tons in 2020. Total greenhouse gas emission was 334,696 tons CO2e, water consumption 3,368,166 m3, and waste 6,042 tons in 2019.</p>		None
(IV) Does the company take inventory of its greenhouse gas emissions, water consumption, and the total weight of waste in the last two years, and draw up policies on energy efficiency and carbon reduction, greenhouse gas reduction, water reduction, or waste management?	V				None
IV. Social issues					
(I) Does the company have adequate management policies and procedures in place pursuant to the applicable regulations and the International Bill of Human Rights?	V		<p>(I) The Company has established CSR policies approved by the Board of Directors that comply with the highest ethical standards, and protect and support human rights, such as barring any form of discrimination and respecting employee's freedom of association, and clearly defines award and disciplinary items in the work rules for observation by all employees.</p>		None
(II) Does the company establish and implement reasonable employee benefits (including remuneration, leave, and other benefits)) and ensure business performance or results are reflected adequately in employee remuneration?	V		<p>(II) The Company provides well-established employee benefits. In addition to the statutory benefits (e.g. enrollment in the Labor Insurance Program and the National Health Insurance Program and pension contributions), the Company provides better-than-industry-average group insurance, child allowance, marriage and birth allowances, and a wellness leave system. A wide range of employee benefits are in place to take care of the employees and their families. Furthermore, the Articles of Incorporation requires that not more than 1% of the Company's pre-tax earnings before deducting employee and director remuneration be allocated to employee compensation as a means to reflect business results in employee pay.</p>		None

Assessed items	Implementation status		Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons
	Y e s	N o	
(III) Does the company provide a safe and healthy work environment and organize regular health and safety training for employees?	V	(III) The Company is ISO45001 (Occupational Health and Safety Management System) and CNS45001 (Taiwan Occupational Safety and Health Management System) certified, and undertakes internal audit every half a year and external audit every year by an international certification body to ensure normal system operations. The Company vigorously observes government's safety and health regulations and undertakes related management works, including carrying out safety and health risk assessment, drafting and executing safety and health related work rules, and arranging employee safety, sanitation and health training courses every year.	None
(IV) Does the company have in place effective tools to help employees with career planning and development?	V	(IV) The Company has established career development plan for employees. For managers, the Company provides proper management knowhow training based on the needs of management at different levels. For regular employees, the Company designs proper near, medium and long-term training programs based on their job requirements.	None
(V) Does the company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and does it establish relevant consumer protection policies and grievance procedures?	V	(V) The Company adheres strictly to the EU's RoHS Directive and REACH Regulations as well as halogen-free requirements and other international standards in relation to customer health and safety. For marketing and labeling of products and services, the Company complies with the Fair Trade Act, and follows the anti-trust code of conduct, the Commodity Labeling Act, the Consumer Protection Act and related regulations. Protection of customer privacy follows the requirements under the Personal Data Protection Act. Consumers who wish to ask a question regarding a product or service are invited to visit the company website and use the contact information in the stakeholders section or the complaint hotline.	None
(VI) Does the company implement supplier management policies to require suppliers observe certain regulations on environmental protection, occupational health and safety, or labor or human rights? If yes, describe the results.	V	(VI) The Company's supplier management policy focuses on developing long term partnerships with suppliers in order to achieve sustainability. The Company will conduct CSR audit of major material suppliers and outsourcing service providers to make sure they meet the Company's CSR policy requirements. All audit results for 2020 met the Company's requirements.	None
V. Does the company prepare corporate social responsibility reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Does the company obtain third party assurance or certification for the reports above?	V	The Company's CSR report has been prepared in accordance with the Global Reporting Initiative (GRI Standards) and examined by the Taiwan Branch of British Standards Institution (BSI Taiwan) in accordance with Addendum 2018 for AA1000 Assurance Standard Type I. CSR information is disclosed on: Company website: https://www.winbond.com/hq/about-winbond/csr/policy Market Observation Post System: http://mops.twse.com.tw	None
VI. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: The Company has established "Corporate Social Responsibility Principles" in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and internal rules, and related implementation does not deviate from the established principles.			

Assessed items	Implementation status		Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Y e s	N o	
<p>VII. Other useful information for explaining the status of corporate social responsibility practices:</p> <p>Winbond is committed to good corporate governance and environmental sustainability. In 2020, Winbond won the "Corporate Sustainability Report Platinum Award" and "Taiwan Top 50 Corporate Sustainability Award" in the Taiwan Corporate Sustainability Awards (TCSA) 2020, in recognition of Winbond's leadership and positive influence in corporate social responsibility and sustainable development matters.</p> <p>"Care for the Disadvantaged, Care about Environmental Sustainability, Fulfill Corporate Social Responsibility" are Winbond's perpetual commitments to CSR. To put its beliefs in social care, public service and friendly environment in actions, the Company gathers internal resources and the passion and love of its employees and put them to work in the areas of "caring for youth and children", "assisting disadvantaged groups", "promoting public interests", "academic sponsorship", "art and cultural activities" to put the core competence of the industry into play. The Company promotes digital work, builds the arena for technological innovation and exchange, and participates in social care activities. The Company also inspires employees to join the work and deliver the important message of giving back to the society to create benchmarks for corporate social responsibility.</p> <p>A.Promoting public interests</p> <p><u>Medical charity:</u> Winbond together with the affiliates of Walsin Group donated NT\$50 million to Taipei Veterans General Hospital for the purchase of advanced medical equipment. The equipment, including heavy charged particle accelerator, will help cancer patients receive better quality radiation therapy. The act aims to join the forces of a group enterprise and inspire others in the society to join the efforts to improve the healthcare service level of Taiwan that will benefit our fellowmen.</p> <p>B.Assisting disadvantaged groups</p> <p><u>Orphanage home service:</u> Working with public interest groups, Winbond employees join volunteer services to help clean orphanage homes and contribute to the replacement of damaged facilities. Starting September 2015, employees join the after-school tutoring service, providing tutoring on a long-term basis for children at Taichung Christian Herald Children's Home and Nantou Home of Charity. As of end of 2020, Winbond volunteers have provided 3,671.5 hours of service involving 1,840 person-times to help alleviate manpower shortage at orphanage homes. In 2020, we assisted an orphanage to replace their damaged floors (approx. 1,260 sq. ft).</p> <p>Continuing the objective of caring for youth and children, our efforts in 2020 remained focused on the "Seedling Project" by devoting our resources to helping disadvantaged youth and children. It is hoped that our timely help, like sunshine, air and water to the growing seedlings, will enable the seedlings to take root and grow strong, that they will one day help other people in the society and let the "kindness" recycle:</p> <ul style="list-style-type: none">• <u>Grants for children of low-income families:</u> To help impoverished school children learn in a stable environment, Winbond has been working with Taiwan Fund for Children and Families since 2017 by inviting employees to join the effort of raising education grants. From Company president to low-level employees, our colleagues responded enthusiastically to the drive. In 2020, 877 employees donated more than NT\$2.976 million to support 744 children for the whole school year.• <u>Supporting orphanage children in acquiring skills:</u> To help children in orphanage develop some skills, Winbond's employees donated altogether NT\$758,500 in 2020 for pay for instructor fees and materials for woodwork and Taiko drumming courses offered in the skill curriculum of the Taichung Christian Herald Children's Home. Through learning of woodwork and Taiko drum, children showed significant improvement in concentration and patience, while gaining a strong sense of self-identity and self-confidence.• <u>Remote villages volunteer service:</u> As all seedlings come from families in the community, Winbond works with public interest groups to help communities in remote areas build or grow organic crops in the hope to help disadvantaged families and invigorate industrial development in remote villages. Furthermore, Winbond solicit employee volunteers to visit tribal communities in remote villages, during which they assist the Taiwan Fund for Children and Families in developing community services for remote and indigenous communities and join the Company in fulfilling its corporate social responsibility. Winbond organized employee volunteers to visit the Fu-Shan Tribe and help the villagers plow their farmland, replace old fences and clear up ditches. They had the chance to try the tribe's cooking and hiked the ancient trails. The colleagues experienced firsthand the daily life and culture of the tribe, and developed deeper insight into the scarcity of resources in indigenous villages. Despite of a hard day and hard work, the volunteers left with touching feelings and warm memories. Winbond was also able to gain employees' sense of affiliation and identification. <p>C.Caring for youth and children</p> <p><u>Breakfast project for children in remote villages:</u> To help improve the breakfast of school children in remote villages, Winbond has been working with a non-profit organization since 2011, by which senior managers make voluntary donations to fund the happy breakfast project for remote area school children in Hsinchu and Taichung. It is hoped the provision of breakfast resources for schools in remote areas can support the basic needs and health of school children so they can have a healthy body and mind to explore the world. In 2020, the Company continued the donation of NT\$600,000 to the</p>			

Assessed items	Implementation status		Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons
	Y e s	N o	
Summary			
<p>breakfast project to provide children in remote areas with healthy learning opportunities. The Company also sent staff to learn firsthand the benefits of the breakfast project as reference for subsequent sponsorship.</p> <p><u>Movie appreciation project:</u> The Company has been inviting orphanage children to watch movie in cinemas during winter and summer breaks every year since 2010. It is hoped that through film appreciation, orphanage children and children in single families can better appreciate the value of arts in general, develop the ability to appreciate art, and feel warmth from the society in a pleasant and lively atmosphere. In 2020, the Company entertained 335 orphanage children with a trip to the cinema.</p> <p><u>Family day activity:</u> Winbond has been holding the Winbond Family Day activity every year for 9 years between 2011 and 2019. The activity embraces charitable spirit by consistently inviting Taichung Christian Herald Children's Home and Hsinchu Saint Francis Orphanage to set up booth at the fair and keep all proceeds earned from the fair. It is hoped that through the Winbond Family Day activity, employees and their families are called to spread love and hope to corners in the society that need care and attention. It also presents a good opportunity for employees to educate their next generation, which makes the family day activity more meaningful. The family day activity was put on hold in 2020 due to the pandemic.</p> <p>D. Emergency aid</p> <p><u>Emergency aid for employees:</u> The Company has set up employee emergency aid and loan programs to help employees in financial distress when the employee or his/her family suffers sudden calamity, such as injury, disability, death, or accident, to make sure they can continue to work and live with assurance that their livelihood is secure.</p> <p><u>Blood donation activity:</u> The Company calls employees to donate blood in the annual blood drive which illustrates the Company's belief in the value of life in actions. In 2020, 269 employees participated in 3 blood drives and donated altogether 440 bags of blood.</p> <p>E. Academic sponsorship</p> <p><u>Academic sponsorship:</u> With its enthusiasm for the industry, Winbond has been sponsoring seminars to create new technology exchange opportunities for the semiconductor industry. The holding of International Symposium on VLSI Technology, Systems and Applications (VLSI-TSA) can accelerate the upgrade of Taiwan's electronics industry and increase the exchange of industrial technologies at home and abroad. Winbond is also a regular sponsor of the seminar on technology management papers held by the Chinese Society for Management Of Technology (CSMOT). Through those seminars, Winbond actively participates in the collaboration of academia, industry, research institutions and government agencies and engage in communication and exchange.</p> <p>VII. If the corporate social responsibility reports have received assurance from external institutions, they should state so below: The Company's CSR report has been examined by the Taiwan Branch of British Standards Institution (BSI Taiwan) in accordance with Addendum 2018 for AA1000 Assurance Standard Type I.</p>			

6. Ethical corporate management and departure from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons:

Assessed areas:	Implementation status		Departure from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Y e s	N o	
I. Establishment of ethical corporate management policy and approaches			
(I) Has the company implemented a board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices as well as the commitment of the board of directors and the executive management to enforcement of the ethical corporate management policy?	V		(I) Believing in honest management, the Company has established Ethical Corporate Management Principles that has been approved by the Board of Directors. On the basis of integrity, externally the Company serves customers with integrity and good faith, and internally, the Company rigorously requires that employees practice self-discipline and observe internal rules to build a good corporate governance and risk management mechanism so as to create a sustainable business environment.
(II) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of the risk of unethical conduct within the scope of business?	V		(II) For operating activities within the scope of business with higher risk of unethical conduct, the Company has established relevant procedures, including "Procedure for Acquisition or Disposal of Assets", "Rules for Endorsements and Guarantees", "Operating Procedure for Fund Lending", "Operating Procedure for

Assessed areas:	Implementation status		Departure from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Y e s	N o	
Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least those described in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?			
(III) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against dishonest conducts, and enforce the programs effectively and perform regular reviews?	V		<p>Transactions with Group Enterprises, Specific Companies and Related Parties", and "Operating Rules for Donations" in place, and observes those procedures and regulations in related-party transactions to prevent unethical conduct.</p> <p>(III) The Company has established "Conflict of Interest Reporting and Recusal Instruction", "Insider Trading Prevention Procedure", "Instruction for Personal Finance Reporting by Employees at Specific Positions and Business Related Personnel and Suppliers", "Rules for Receiving or Providing Gifts and Entertainment", "Technical and Classified Data Management Instruction", and "Anti-Trust Code of Conduct" to prevent unethical behaviors. The Company also has established the "Ethical Management Violation Handling Instruction", which describes explicitly the methods and channels for filing a complaint, vigorously promotes and implements the Instruction, reviews the Instruction regularly, and metes out disciplinary action against violators.</p> <p>None</p>
II. Implementation of ethical corporate management			
(I) Does the company assess business partners' records of integrity, and include a moral clause in the contracts with its business partners?	V		(I) The Company requires all suppliers to sign a letter of undertaking of integrity before commencing business dealing with them.
(II) Does the company have a unit that supports ethical management practices on a full-time basis under the board of directors, and reports the ethical management policy and programs against unethical conduct regularly (at least once a year) to the board of directors and oversees the operations?	V		(II) The Company's Human Resources is in charge of promoting ethical management related operations and responsible for formulating, publicizing and promoting ethical management related rules; Human Resources also offers education and training to all directors, supervisors and employees every year with regard to "Corporate Governance Principles", "Ethical Corporate Management Principles", "Corporate Social Responsibility Principles", "Corporate Social Responsibility Management Principles", "Ethical Code of Conduct for Directors", and "Employee Code of Conduct" to ensure the implementation of ethical management. The president would report to the Board of Directors in Q4 every year the year's results in promotion of ethical management and related training.
(III) Does the company have a conflict of interest management policy in place, provides adequate reporting channels, and enforce the rules accordingly?	V		(III) The Company has established the Ethical Corporate Management Principles and the Conflict of Interest Reporting and Recusal Instruction to specify the code of business conduct that employees are required to observe, and provides an adequate whistleblowing channel and carries out regular training for employees. The Company publishes internal rules and regulations and work rules on internal company website and keeps all employees informed of any revisions. The Company also regularly educates employees on insider trading to prevent inadvertent violation of insider trading law.
(IV) Does the company have effective accounting and internal control systems in place to enforce ethical management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct or hire outside accountants to perform the audits?	V		(IV) The Company has established effective accounting system and internal control systems, and has drawn up relevant operating procedures, which are readily reviewed and revised according to regulatory requirements or actual needs. The Company faithfully carries out self-evaluation of internal control systems by requiring managers, internal units and subsidiaries as well as internal audit unit to conduct self-evaluation at least once a year and produce a report therefor.

Assessed areas:	Implementation status		Departure from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Y e s	N o	
(V) Does the company hold internal and external educational trainings on operational integrity regularly?	V		<p>The audit unit conducts audits according to the annual audit plan approved by the Board of Directors. The audit chief submits the completed audit report (or follow-up report) to independent directors for examination in the following month, and periodically reports to the audit committee and the Board of Directors the annual audit operation and annual internal control self-evaluation operation.</p> <p>(V) The Company attaches great importance to ethical management and corporate social responsibility. Human Resources would report to the Board of Directors in Q4 every year the year's results in promotion of ethical management and related training. The Company steps up the publicity of worker's rights, environmental protection, health and safety, ethics, prevention of insider trading and related training to ensure observation of corporate ethics and government regulations and to improve ethical corporate management. In 2020, the Company offered related courses which totaled 1,145 person-hours and 2,862 person-times of training and all directors and employees have attended the courses on "Ethical Corporate Management" and "Corporate Social Responsibility".</p> <p>None</p>
<p>III. Operation of whistleblowing system</p> <p>(I) Does the company have a well established whistleblowing and reward system and an accessible reporting channel in place, and appoint suitable representatives for approaching accused individuals?</p> <p>(II) Does the company have in place standard operating procedures for investigating reports and taking followup actions and the necessary confidentiality measures?</p> <p>(III) Does the company take measures to protect whistleblowers from inappropriate treatment or retaliation?</p>	V		<p>(I) The Company has a variety of reporting and complaint channels in place, including e-mail, suggestion box and other communication channels, and we make sure employees are aware of these. The channels are reviewed and amended from time to time to ensure effective and full communication in the workplace so that problems are rapidly and effectively communicated and resolved when they arise. The Company also has relevant reward and disciplinary measures in place.</p> <p>(II) The Company has operating procedures and confidentiality measures in place as basis for handling reported cases.</p> <p>(III) The Company always tries its best to keep confidential and protect the identity of the whistleblowers to shield them from threats.</p> <p>None</p>
<p>IV. Enhancing information disclosure</p> <p>Does the company disclose the Ethical Corporate Management Best Practice Principles and its results on the company website and the Market Observation Post System?</p>	V		<p>The Company has disclosed its Ethical Corporate Management Principles on its website to make it known internally/ externally.</p> <p>https://www.winbond.com/hq/about-winbond/investor/compliance/</p> <p>None</p>
<p>V. Describe the difference, if any, between actual practice and the ethical corporate management principles, if the company has implemented such principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies:</p> <p>The Company has established "Ethical Corporate Management Principles" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and internal rules, and related implementation does not deviate from the established principles.</p>			
<p>VI. Other important information to facilitate a better understanding of the company's corporate social responsibility practices:</p> <p>The Company constantly watches the development of ethical management rules and regulations at home and abroad, and based on which, reviews and improves the policies to enhance performance management.</p>			

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

8. Other significant information which may improve the understanding of corporate governance and operation: Please refer to the Company website below: <https://www.winbond.com/>

9. Implementation of internal control system
9.1 Statement on Internal Control

Winbond Electronics Corporation

Statement on Internal Control System

Date: February 18, 2021

The Company states the following with regard to its internal control system during fiscal year 2020, based on the findings of a self-evaluation:

- I. The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and manager, and that the company has already established such a system. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability of financial reporting and compliance with relevant regulatory requirements.
- II. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company determines the effectiveness of the internal control system in design and implementation in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: (1) Control Environment, (2) Risk Assessment, (3) Control Operation, (4) Information and Communication, and (5) Monitoring. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.
- IV. The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.
- V. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of December 31, 2020, its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of reporting, and compliance with applicable laws and regulations, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
- VI. This statement shall be an integral part of the annual report and prospectus of the company and will be made public. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
- VII. This Statement has been passed by the Board of Directors Meeting of the Company held on February 7, 2020, where none of the 11 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Winbond Electronics Corporation

Chairman: Arthur Yu-Cheng Chiao

President: Pei-Ming Chen

- 9.2 If the company engages an accountant to examine its internal control system, disclose the CPA examination report: None.

10. Penalty on the Company and its personnel or punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvement in the past year and up to the date of report: None

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

11.1 Report on the execution of resolutions adopted at the 2020 General Shareholders' Meeting

1. Motion: Ratify 2019 business report and financial report
Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)
Implementation status: Per resolution adopted.
2. Motion: Acknowledge the 2019 earnings distribution plan
Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)
Implementation status: Per resolution adopted.
Note: The Board of Directors decided to distribute cash dividend of NT\$0.1 per share, and set the ex-dividend date on July 10, 2020 and distribution date on July 31, 2020.
3. Motion: Discuss the amended Procedures for Making Endorsements and Guarantees.
Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)
Implementation status: The amended Procedures have been posted on Market Observation Post System and related operations now follow the amended procedures.
4. Election
Persons elected: (For details of the resolution, please visit Market Observation Post System)
Directors: Arthur Yu-Cheng Chiao, Tung-Yi Chan, Yung Chin, Walsin Lihwa Corporation, Chin Xin Investment Corp., Jamie Lin, Wei-Hsin Ma
Independent directors: Allen Hsu, Stephen T. Tso, Francis Tsai, Jerry Hsu
Implementation status: The Company has completed registration of change with the Central Taiwan Science Park Administration, Ministry of Science and Technology per approval letter No. Zhong-Shang-Zi-1090013133 dated June 29, 2020.
5. Motion: Discuss the proposal to remove non-compete clause for directors.
Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)
Implementation status: Per resolution adopted.

11.2 Important resolutions adopted by the Board of Directors in 2020 and up to March 31, 2021:

Meeting date	Summary of resolutions
February 7, 2020	<ol style="list-style-type: none"> 1. Passed the 2019 financial report. 2. Passed the 2019 business report, consolidated financial statements and affiliation report covering affiliated enterprises. 3. Passed the 2019 Statement on Internal Control System. 4. Passed the 2020 business plan and budget. 5. Passed the 2020 capital expenditure budget. 6. Passed the annual remuneration paid to accounting firm Deloitte & Touche. 7. Passed the purchase of liability insurance for directors, supervisors and other key persons. 8. Passed the Company's financial derivative transactions. 9. Passed the short-term lines of credit obtained from financial institutions. 10. Passed the appointment of Mr. Pei-Ming Chen as a managerial officer and president. 11. Passed the promotion of Mr. Tung-Yi Chan to deputy CEO. 12. Approved the retirement application made by deputy CEO Yuan-Mow Su and his discharge as a managerial officer. 13. Passed the change of the Company's Chief Accounting Officer. 14. Passed the special bonus for VP Jessica Huang.
March 12, 2020	<ol style="list-style-type: none"> 1. Passed the 2019 business report. 2. Passed the 2019 earnings distribution plan. 3. Passed the increase in budget for capital expenditure. 4. Passed the amended Procedures for Making Endorsements and Guarantees. 5. Passed the amended Organizational Rules for Audit Committee. 6. Passed the amended company regulations. 7. Passed the proposed election of directors (and independent directors). 8. Passed the candidate list for 12th-term board of directors (including independent directors) nominated by the Board of Directors. 9. Passed the removal of non-compete clause for 12th-term board of directors (independent directors included).

Meeting date	Summary of resolutions
	<ul style="list-style-type: none"> 10. Passed the removal of non-compete clause for Vice Chairman Yuan-Mow Su. 11. Passed the removal of non-compete clause for managerial officer Mr. Pei-Ming Chen. 12. Passed the proposed calling of 2020 general shareholders' meeting. 13. Passed the Company's financial derivative transactions. 14. Approved the syndicated loan/credit limit for financial derivatives transactions granted by banks.
April 30, 2020	<ul style="list-style-type: none"> 1. Passed the proposed disposal of units F6-14 and parking space at Landmark Plaza. 2. Passed the establishment of the Risk Management Committee and the establishment of Organizational Rules for Risk Management Committee. 3. Passed the amended Internal Control System for Shareholder Service Unit. 4. Passed the Company's financial derivative transactions. 5. Passed the short-term lines of credit obtained from financial institutions. 6. Passed the 2019 compensation for individual directors on the 11th-term board. 7. Passed the 2020 remuneration for individual directors on the 11th-term board. 8. Passed the 2019 retention bonus for managerial officers. 9. Passed the 2019 employee compensation distribution plan and remuneration for managerial officers 10. Passed the 2020 remuneration plan for managerial officers. 11. Passed the amendment of the Organizational Rules for Remuneration Committee. 12. Passed the amendment of the Rules for Remuneration of Directors and Performance Evaluation of the Board of Directors.
June 12, 2020	<ul style="list-style-type: none"> 1. Elected Mr. Arthur Yu-Cheng Chiao and Tung-Yi Chan as the chairman and vice chairman. 2. Appointment of Independent Directors (Allen Hsu, Stephen T. Tso, Francis Tsai and Jerry Hsu) to serve as members of the 4th-term Remuneration Committee.
June 12, 2020	<ul style="list-style-type: none"> 1. Passed the retirement of Vice President Jessica Huang and her discharge as Vice President and Corporate Governance Officer 2. Passed the promotion of Mr. Eddy Hung to vice president. 3. Passed the appointment of legal affairs director Mr. Kun-Lung Chen to serve concurrently as Corporate Governance Officer. 4. Passed the 2020 remuneration for individual directors on the 12th-term board.
July 30, 2020	<ul style="list-style-type: none"> 1. Passed the proposal not to distribute earnings for the first half of the 2020 fiscal year. 2. Passed the proposed removal of non-compete clause for directors. 3. Passed the Company's financial derivative transactions. 4. Approved the short-term syndicated loan/credit limit for financial derivatives transactions granted by banks.
September 8, 2020	<ul style="list-style-type: none"> 1. Passed the increase in budget for capital expenditure. 2. Passed the provision of guarantee and endorsement for financing arrangement between Nuvoton Technology Corporation Japan, a 61.55% indirectly held subsidiary of the Company and Chinatrust Bank. 3. Passed the Company's financial derivative transactions.
November 12, 2020	<ul style="list-style-type: none"> 1. Passed participation in cash issue for capital increase by Nuvoton Technology Corporation in 2020 2. Passed the increase in budget for capital expenditure. 3. Passed the 7-year medium-term lines of credit obtained from financial institutions under the "Investment Loan Program for Taiwanese Enterprises Returning to Taiwan." 4. Passed the 2021 audit plan. 5. Passed the Company's financial derivative transactions. 6. Approved the short-term syndicated loan/credit limit for financial derivatives transactions granted by banks. 7. Passed the retirement and discharge of Mr. Cheng-Kung Lin as Vice President 8. Passed the 2020 directors compensation distribution plan. 9. Passed the 2020 employees compensation distribution plan. 10. Passed the 2020 Q2 performance bonus and special bonus plan.
February 18, 2021	<ul style="list-style-type: none"> 1. Passed the 2020 business report and financial report. 2. Passed the 2020 business report, consolidated financial statements and affiliation report covering affiliated enterprises. 3. Passed the 2020 Statement on Internal Control System. 4. Passed the 2021 business plan and budget. 5. Passed the 2021 capital expenditure budget. 6. Passed the annual remuneration paid to accounting firm Deloitte & Touche. 7. Passed the amended Articles of Incorporation. 8. Passed the amended rules. 9. Passed the proposed removal of non-compete clause for directors. 10. Passed the concurrent service of managerial officer Kun-Lung Chen as a managerial officer of a group subsidiary. 11. Passed the purchase of liability insurance for directors, supervisors and other key persons. 12. Passed the Company's financial derivative transactions.

Meeting date	Summary of resolutions
March 16, 2021	<ol style="list-style-type: none"> 1. Passed the proposed 2020 earnings distribution plan. 2. Passed the increase in budget for capital expenditure. 3. Passed the provision of guarantee and endorsement for 30 billion JPY syndicated loan obtained by Nuvoton Technology Corporation Japan, a 55% indirectly held subsidiary of the Company. 4. Passed the proposed calling of 2021 general shareholders' meeting. 5. Passed the Company's financial derivative transactions. 6. Approved the syndicated loan/credit limit for financial derivatives transactions granted by banks. 7. Passed the amendment of the Rules for Remuneration of Directors and Performance Evaluation of the Board of Directors. 8. Passed the 2020 compensation for individual 11th-term and 12th-term directors. 9. Passed the 2021 remuneration for individual directors on the 12th-term board. 10. Passed the 2020 Q3 and Q4 performance bonus and 2020 retention bonus and special bonus for managerial officers. 11. Passed the 2020 employee compensation distribution plan and remuneration for managerial officers. 12. Passed the pension of managerial officer Shi-Yuan Wang upon his retirement. 13. Passed the adjustment of standard allowance for managerial officers. 14. Passed the 2021 remuneration plan for managerial officers. 15. Passed the remuneration for managerial officer Arthur Yu-Cheng Chiao.

12. Dissenting or qualified opinion of directors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: None
13. Resignation and dismissal of managers related to the financial report (including chairman, president, chief accounting officer, chief financial officer, chief R&D officer and chief internal auditor) in the past year and up to the date of report:

March 31, 2021				
Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
President	Tung-Yi Chan	2009.02.09	2020.03.01	Reassignment
Chief Accounting Officer	Jessica Huang	2015.04.01	2020.03.01	Reassignment
Corporate Governance Officer	Jessica Huang	2019.03.25	2020.06.17	Reassignment

14. Handling of material information:

The Company has a rigorous internal operating process in place for the handling of material information, which is made public in accordance with the "Rules for Spokesperson and Acting Spokesperson Operation." The Company also publicizes its Procedure for Prevention of Insider Trading among employees every year to prevent the violation of relevant rules.

(V) Information on fees to CPA:

1. Fees paid to certifying accountants and accounting firm in 2020 are as follows, where non-audit fee is less than one fourth of audit fee.

Name of accounting firm	CPA Name		Duration of audit	Notes
Deloitte & Touche	Wen-Yea Shyu	Hung-Bin Yu	2020.01.01~2020.12.31	

Unit: NT\$1,000

Scale / Fee Category		Audit Fee	Non-audit fee	Total
1	Below NT\$2,000,000		V	
2	NT\$2,000,000 to NT\$4,000,000			
3	NT\$4,000,000 to NT\$6,000,000			
4	NT\$6,000,000 to NT\$8,000,000	V		
5	NT\$8,000,000 to NT\$10,000,000			V
6	NT\$10,000,000 or above			

Unit: NT\$1,000

Name of accounting firm	CPA Name	Audit Fee	Non-Audit Fee					Duration of Audit	Notes
			System Design	Business Registration	Human Resource	Others	Sum		
Deloitte & Touche	Wen-Yea Shyu	7,862	—	57	—	1,199	1,256	2020.01.01~2020.12.31	Others of Non-Audit Fee: Transfer pricing report, country report and group report, tax consultancy, parent-subsidiary combined service fees, non-manager salary filing audit report.
	Hung-Bin Yu								

2. If the company changes accounting firm and the amount of audit fee paid in the year of change is less than that in the year before, the amount of decrease and reason:

The Company did not change accounting firm in 2020.

3. If the audit fee is more than 15% less than that paid in the previous year, the amount and percentage of decrease and reason:

Not applicable.

(VI) Information on change of accountants:

The Company did not change accounting firm in 2020.

(VII) The chairman, president and financial or accounting manager of the Company who had worked for the certifying accounting firm or its affiliate in the past year: None

(VIII) Share transfer by directors, managers and shareholders holding more than 10% of shares and changes to share pledging by them in the past year and up to the date of report

Unit: Shares

Title	Name	2020		2021 up to March 31	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman and CEO	Arthur Yu-Cheng Chiao	-	-	-	-
Vice Chairman and Deputy CEO	Tung-Yi Chan	(63,000)	-	(225,000)	-
Director	Yung Chin	-	-	-	-
Independent director	Allen Hsu	-	-	-	-
Independent Director	Stephen T. Tso	-	-	-	-
Independent Director	Francis Tsai	-	-	-	-
Independent Director	Jerry Hsu	-	-	-	-
Director	Institutional and top 10 shareholder	-	-	-	-
	Representative	-	-	-	-
	Representative	-	-	-	-
Director	Corporation	18,000,000	-	-	-
	Representative	(36,000)	-	(9,000)	-
Director	Jamie Lin	-	-	-	-
Director	Wei-Hsin Ma	-	-	-	-
President	Pei-Ming Chen(Note 7)	15,409	-	-	-
Chief Information Officer	Cheng-Kung Lin	-	-	-	-
Chief Financial Officer and Head of Finance Department	Jessica Huang	(99,000)	-	-	-
Vice President	Chin-Fen Tsai	(27,000)	-	(63,000)	-
Vice President	Pei-Lin Pai	(38,000)	-	(71,000)	-
Vice President	Hsiang-Yun Fan	-	-	-	-
Vice President	Wen-Hua Lu	-	-	-	-
Vice President	Eddy Hung	(120,000)	-	(2,000)	-
Chief Business Officer	Eungjoon Park	-	-	-	-
Corporate Governance Officer	Kun-Lung Chen(Note 8)	2,801	-	-	-
Assistant Vice President	Shi-Yuan Wang	-	-	-	-
Assistant Vice President	Mao-Hsiang Yen	11,297	-	-	-
Assistant Vice President	Hsiu-Han Liao	-	-	-	-
Accounting Officer	Chin-Feng Yang(Note 9)	3,809	-	-	-

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

Note 2: Share transfer to non-related parties, not pledged.

Note 3: Mr. Fred Pan is appointed the representative of an institutional director starting June 12, 2020.

Note 4: Ms. Sophi Pan served as the representative of an institutional director up to June 11, 2020. The above table discloses his information up to the date her term of office as the representative of an institutional director ends.

Note 5: Chin Xin Investment is elected a board director starting June 12, 2020.

Note 6: Yuan-Mow Su was discharged as Vice Chairman on June 11, 2020, and becomes the representative of an institutional director on Company's 12th-term Board of Directors.

Note 7: Mr. Pei-Ming Chen is appointed President starting March 1, 2020.

Note 8: Mr. Kun-Lung Chen is appointed Corporate Governance starting March 17, 2020.

Note 9: Ms. Chin-Feng Yang is appointed Chief Accounting Officer starting March 1, 2020.

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

March 31, 2021; Unit: Shares

Name	Shares held by the person		Shares held by spouse and minor children Shares held		Shares held in the name of others Shares held		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree) (Note 3)		Notes
	Shares	Shareholding percentage (Note 1)	Shares	Shareholding percentage (Note 1)	Shares	Shareholding percentage (Note 1)	Title (or name)	Relationship	
Walsin Lihwa Corporation	883,848,423	22.21%	-	-	-	-	Chin Xin Investment Corp. Arthur Yu-Cheng Chiao Pai-Yung Hong Yu-Lon Chiao	The chairmen of two Institutional shareholders have second degree of kinship A relative within second degree of kinship with the chairman of the institutional shareholder A relative within first degree of kinship with the chairman of the institutional shareholder Chairman of the institutional shareholder	-
Walsin Lihwa Corp. Representative: Yu-Lon Chiao	29,494,984	0.74%	5,531,771	0.14%	-	-	Arthur Yu-Cheng Chiao Pai-Yung Hong Chin Xin Investment Corp.	The two have second degree of kinship The two persons have first degree of kinship The chairmen of two institutional shareholders have second degree of kinship	-
Chin Xin Investment Corp.	239,003,072	6.01%	-	-	-	-	Walsin Lihwa Corporation Arthur Yu-Cheng Chiao Pai-Yung Hong Yu-Lon Chiao	The chairmen of two institutional shareholders have second degree of kinship Chairman of the institutional shareholder A relative within first degree of kinship with the chairman of the institutional shareholder A relative within second degree of kinship with the chairman of the institutional shareholder	-
Chin Xin Investment Corp. Representative: Arthur Yu-Cheng Chiao	63,472,995	1.59%	11,778,797	0.30%	-	-	Walsin Lihwa Corporation Pai-Yung Hong Yu-Lon Chiao	A relative within second degree of kinship with the chairman of the institutional shareholder The two persons have first degree of kinship The two have second degree of kinship	-
Arthur Yu-Cheng Chiao	63,472,995	1.59%	11,778,797	0.30%	-	-	Walsin Lihwa Corporation Pai-Yung Hong Yu-Lon Chiao Chin Xin Investment Corp.	A relative within second degree of kinship with the chairman of the institutional shareholder The two persons have first degree of kinship The two have second degree of kinship Chairman of the institutional shareholder	-

Name	Shares held by the person		Shares held by spouse and minor children Shares held		Shares held in the name of others Shares held		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree) (Note 3)		Notes
	Shares	Shareholding percentage (Note 1)	Shares	Shareholding percentage (Note 1)	Shares	Shareholding percentage (Note 1)	Title (or name)	Relationship	
Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds under the custody of JPMorgan Chase Bank N.A. Taipei Branch	52,269,469	1.31%	-	-	-	-	-	-	Note 2
LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch	45,101,306	1.13%	-	-	-	-	-	-	Note 2
Vanguard Emerging Markets Stock Index Fund managed by Vanguard Group under the custody of JPMorgan Chase Bank N.A. Taipei Branch	40,048,452	1.01%	-	-	-	-	-	-	Note 2
Pai-Yung Hong	38,433,771	0.97%	-	-	-	-	Walsin Lihwa Corporation Arthur Yu-Cheng Chiao Yu-Lon Chiao Chin Xin Investment Corp.	A relative within first degree of kinship with the chairman of the institutional shareholder The two persons have first degree of kinship The two persons have first degree of kinship A relative within first degree of kinship with the chairman of the institutional shareholder	-
Singapore Government Fund under the custody of CitiBank (Taiwan), Taipei Branch	36,256,000	0.91%	-	-	-	-	-	-	Note 2
Norges Bank Investment Account under the trust of Citibank (Taiwan)	35,313,045	0.89%	-	-	-	-	-	-	Note 2
Yu-Lon Chiao	29,494,984	0.74%	5,531,771	0.14%	-	-	Walsin Lihwa Corp. Arthur Yu-Cheng Chiao Pai-Yung Hong Chin Xin Investment Corp.	Chairman of the institutional shareholder The two have second degree of kinship The two persons have first degree of kinship A relative within second degree of kinship with the chairman of the institutional shareholder	-

Note 1: Shareholding percentage was based on then issued and outstanding common shares of 3,980,000,193 shares as of March 31, 2020.

Note 2: The custodian banks are unable to provide the list of ultimate holders.

Note 3: Relationships are disclosed pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

(X) Combined Shareholding (%)

December 31, 2020; Unit: Shares

Invested entity (Note)	Investment by the Company (A)		Investments by directors, managers and directly or indirectly controlled enterprises (B)		Combined investment (A+B)	
	Shares	Percentage (%)	Shares	Percentage (%)	Shares	Percentage (%)
Winbond International Corporation	87,960,000	100	-	-	87,960,000	100
Pine Capital Investment Ltd.	780,000	100	-	-	780,000	100

Invested entity (Note)	Investment by the Company (A)		Investments by directors, managers and directly or indirectly controlled enterprises (B)		Combined investment (A+B)	
	Shares	Percentage (%)	Shares	Percentage (%)	Shares	Percentage (%)
Landmark Group Holdings Ltd.	5,343,000	100	-	-	5,343,000	100
Winbond Electronics (H.K.) Ltd.	71,150,000	100	-	-	71,150,000	100
Winbond Technology Ltd	100,000	100	-	-	100,000	100
Callisto Holding Limited	40,000,000	100	-	-	40,000,000	100
Great Target Development Ltd.	4,470,000	100	-	-	4,470,000	100
Winbond Electronics Germany GmbH	850,000	100	-	-	850,000	100
Nuvoton Technology Co.	214,954,635	55	5,803,793	1	220,758,428	56
Chin Xin Investment Corp.	182,840,999	38	197,960,370	41	380,801,369	79
Hwa Bao Botanic Conservation Corp.	3,000,000	15	17,000,000	85	20,000,000	100

Note: Long-term investment accounted for using equity method with material influence.

Capital Raising Overview

I. Capital and shareholding

(I) Sources of capital

March 31, 2021; Unit: shares; NTD

Year/ month	Issue price	Authorized capital		Paid-up capital		Notes		
		Shares	Amount	Shares	Amount	Sources of capital	Subscriptions paid with property other than cash	Approval date and number
2014.02	10	6,700,000,000	67,000,000,000	3,694,023,193	36,940,231,930	Exercise of employee stock options: NT\$20,560,000	None	Zhong-Shang-Zi-103000 3799 dated 2014/ 2/19
2014.05	10	6,700,000,000	67,000,000,000	3,694,466,193	36,944,661,930	Exercise of employee stock options: NT\$4,430,000	None	Zhong-Shang-Zi-103001 1345 dated 2014/ 5/14
2014.09	10	6,700,000,000	67,000,000,000	3,694,640,193	36,946,401,930	Exercise of employee stock options: NT\$1,740,000	None	Zhong-Shang-Zi-103002 1668 dated 2014/ 9/18
2014.11	10	6,700,000,000	67,000,000,000	3,694,982,193	36,949,821,930	Exercise of employee stock options: NT\$3,420,000	None	Zhong-Shang-Zi-103002 6773 dated 2014/11/20
2015.11	10	6,700,000,000	67,000,000,000	3,580,000,193	35,800,001,930	Decrease in treasury stock: NT\$ 1,149,820,000	None	Zhong-Shang-Zi-104002 8089 dated 2015/11/18
2017.12	10	6,700,000,000	67,000,000,000	3,980,000,193	39,800,001,930	Cash capital increase: NT\$4,000,000,000	None	Zhong-Shang-Zi-106100 0748 dated 2017/12/26

March 31, 2021; Unit: Shares

Type of stock	Authorized capital			Notes
	Shares issued and outstanding	Un-issued shares	Total	
Common Shares	3,980,000,193	2,719,999,807	6,700,000,000	Listed stock

Note 1: Of the total capital amount, up to NT\$5 billion may be used for issues of employee stock options, preferred stocks or corporate bonds with warrant for a total of 500 million shares with par value of NT\$10 per share. Those shares may be issued in installments. The respective amount for the issue of employee stock options, preferred stocks or corporate bonds with warrant may be adjusted by resolution of the Board of Directors in view of the capital market situation and business needs.

Note 2: Information on shelf registration: None

(II) Shareholder structure

March 31, 2021

Quantity\shareholder structure	Government agencies	Financial institutions	other corporations	Individual investors	Foreign institutions and foreigners	Chinese investors (Note)	Total
Number of people	3	53	277	244,390	549	4	245,276
Shares held	18,874,736	47,917,306	1,153,060,035	2,046,375,283	713,764,458	8,375	3,980,000,193
Percentage (%)	0.47%	1.20%	28.97%	51.42%	17.94%	0.00%	100.00%

Note: Chinese investors refer to China individuals, juristic persons, groups, other institutions or companies based in a third area as provided in Article 3 of the Regulations Governing Investment by People in Mainland China.

(III) Dispersion of equity ownership

1. Common shares:

March 31, 2021; Par value of NT\$10 per share

Shares	Number of shareholders	Shares held	Percentage (%)
1 ~ 999	61,764	16,618,650	0.42
1,000 ~ 5,000	120,586	282,770,360	7.11
5,001 ~ 10,000	30,446	244,933,689	6.15
10,001 ~ 15,000	9,913	125,417,369	3.15
15,001 ~ 20,000	7,190	134,547,600	3.38
20,001 ~ 30,000	5,846	149,742,787	3.76

Shares	Number of shareholders	Shares held	Percentage (%)
30,001 ~ 50,000	4,348	175,539,775	4.41
50,001 ~ 100,000	3,030	219,493,958	5.52
100,001 ~ 200,000	1,213	171,227,164	4.30
200,001 ~ 400,000	503	140,580,261	3.53
400,001 ~ 600,000	140	67,908,705	1.71
600,001 ~ 800,000	69	47,937,701	1.20
800,001 ~ 1,000,000	42	38,073,762	0.96
>1,000,001	186	2,165,208,412	54.40
Total	245,276	3,980,000,193	100.00

2. Preferred stocks: N/A

(IV) List of major shareholders

1. Names, shares and percentage of shareholding of shareholders with more than 5% of equity:

March 31, 2021

Name\shareholding of major shareholder	Shares held	Percentage (%)
Walsin Lihwa Corporation	883,848,423 shares	22.21%
Chin Xin Investment Corp.	239,003,072 shares	6.01%

2. For names, shares and percentage of shareholding of top ten shareholders please see pp. 48 - 49.

(V) Stock price, net worth, earnings, dividends and related information for the previous two years

Unit: NT\$

Item\Year		2019	2020	2021 up to March 31
Stock price (Note 1)	High	20.3	31.15	32.5
	Low	12.35	9.8	24.9
	Average	17.14	15.51	28.7
Net worth per share (Note 2)	Before distribution	15.33	16.44	-
	After distribution	15.23	16.24	-
Earnings per share	Weighted average shares (1,000 shares)	3,980,000	3,980,000	-
	Earnings per share	0.32	0.33	-
Dividends per share	Cash dividend	0.10	0.20	-
	Stock dividends	From retained earnings	-	-
		From capital surplus	-	-
	Accumulated unpaid dividend		-	-
Return analysis	Price-earnings ratio(Note 3)		53.56	47.00
	Price-dividend ratio(Note 4)		171.40	77.55
	Cash dividend yield(Note 5)		0.58	1.29

Note 1: The year's high and low market prices of common share are provided and the average price for the year is computed based on the year's transaction amount and volume.

Note 2: Net worth per share is computed based on the number of shares issued and outstanding at the end of the year.

Note 3: Price-earnings ratio = Year's average per share closing price / earnings per share.

Note 4: Price-dividend ratio = Year's average per share closing price / cash dividend per share.

Note 5: Cash dividend yield = Cash dividend per share / year's average per share closing price.

Note 6: The 2020 earnings distribution plan was resolved in Board Meeting dated March 16, 2021.

(VI) Dividend policy and implementation status

1. Dividend policy

The Company's dividend policy declared in the Articles of Incorporation is as follows:

Any profit at the closing of each fiscal year shall be used to offset prior years' losses after paying all taxes. The Company shall set aside 10% of the remainder, if any, as legal reserve until such reserve equals the paid-in

capital. Special reserve may be set aside or reversed according to laws or the competent authority. For the remainder, if any, plus undistributed earnings in prior years, the Board of Directors may propose an earnings distribution plan for dividends for stockholders and submit the plan to the shareholders' meeting for approval.

Where the earnings, statutory surplus reserve, and capital surplus above are to be made in cash, the board of directors shall be granted the authority to decide by a resolution adopted by a majority vote at a meeting attended by over two-thirds of the directors. A distribution report shall also be presented at the shareholders meeting.

The Company's dividend policy is set up in accordance with the Company Act and the Articles of Incorporation of Winbond Electronics Corp. in consideration of factors including capital, financial structure, operating status, earnings, industry characteristics and cycle, etc. Hence the distribution of dividends will factor in the future plans for operational scale and cash flow needs, which however shall not be less than 30% of earnings for the year after offsetting accumulated deficits and deducting legal reserve and special reserve and may be distributed in the form of stock or cash, in which cash dividend to be distributed shall not be less than 50% of total dividends to promote the sustainable development of the Company.

The Company may distribute surplus earnings or offset losses after the end of each half fiscal year. The board of directors should be charged with preparing the books and proposal under Article 21 and following the statutory procedure to submit the documents to the board of directors for approval.

When distributing surplus earnings, the Company shall estimate and reserve compensation of employees and directors as well as taxes and dues to be paid, the losses to be covered and the legal reserve to be set aside. Legal reserve is not required when such reserve amounts to the total paid-in capital. Distribution of earnings in cash shall require the resolution of the Board of Directors; distribution of earnings by issuing new shares shall require the resolution of the shareholders' meeting.

2. Dividend distribution to be proposed to the shareholders' meeting: Pursuant to Article 240 of the Company Act and the Winbond Articles of Incorporation, the board of directors passed a resolution on March 16, 2021 to distribute NT\$796,000,039 in cash dividends, or NT\$0.2 per common share, for 2020. The actual cash dividends will be rounded down to the nearest dollar. The odd amounts under NT\$1 will be combined and recognized as other income for the Company. In the event of a future buyback causing changes in the number of outstanding shares and consequently the amount per share to be distributed to shareholders, the chairman is authorized to make adjustments based on the actual number of outstanding shares on the ex-dividend date.

(VII) Effect of the proposed stock dividends (to be adopted by the shareholders' meeting) on the operating performance and earnings per share: N/A.

(VIII) Remuneration to employees and directors

1. Percentage or scope of compensation for employees and directors provided in Company's Articles of Incorporation:

The Company shall set aside not more than 1% of its earnings before tax for the year prior to deducting compensation of employees and directors as remuneration to directors, and not less than 1% as employee compensation. Employee compensation shall be decided by the Board of Directors, and may be distributed in the form of stock or cash to employees. Employee bonus and director remuneration proposals shall be presented to the shareholders meeting.

However when the Company still has accumulated loss, a certain amount of the earnings shall be retained for making up the loss and the remainder may be set aside as employee compensation and remuneration to directors according to the percentage specified in the preceding paragraph.

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

According to Article 22 of the Company's Articles of Incorporation, 1% of the Company's 2020 CPA-audited earnings in the amount of NT\$13,915,738 will be appropriated as remuneration to directors, and 2% in the amount of NT\$27,831,475 will be appropriated as employee compensation. The remuneration to directors and the employee compensation will all be distributed in cash. The aforementioned appropriation ratios and amounts have been passed by the Remuneration Committee and the Board of Directors.

If the estimated amount differs from the actual amount after the date of the consolidated financial report, the discrepancy will be treated according to changes in accounting estimates and adjusted and entered into account the following year.

3. Distribution of compensation passed by the Board of Directors:

- (1) Employee compensation and remuneration to directors distributed in the form of cash or stock. In case of any discrepancy between the amounts and the amortized estimates for the year, the differences, reasons, and responses should be disclosed.

Year of compensation: 2020Unit: shares; NT\$							
Employee compensation				Remuneration to directors	Any difference between the amounts and the estimates stated in the financial statements for the year		
Cash	Stock	Number of shares	Total	Cash	Difference	Reason	Actions taken
27,831,475	-	-	27,831,475	13,915,738	-	N/A	N/A.

Note: There is no difference between the aforementioned compensation of employees and directors and the amount recognized in the 2020 consolidated financial statements.

- (2) Amount of employee compensation distributed in the form of stock as a percentage of the after-tax income provided in this year's stand-alone financial statements and total employee compensation combined: N/A.

4. Information on actual distribution of employee compensation and remuneration to directors in the previous year:

Year of compensation: 2019Unit: shares; NT\$							
Employee compensation				Remuneration to directors	Any difference between the amounts and the estimates stated in the financial statements for the year		
Cash	Stock	Number of shares	Total	Cash	Difference	Reason	Actions taken
28,038,192	-	-	28,038,192	14,019,096	-	N/A	N/A.

Note: There is no difference between the aforementioned compensation of employees and directors and the amount recognized in the 2019 consolidated financial statements.

(IX) Stock buyback: None

II. Issuance of corporate bonds

March 31, 2021; Unit: NT\$

Type of corporate bond	2018 first secured corporate bonds
Date of issue	July 17, 2018
Denomination	1,000,000
Issue price	Fully issued at par value
Total amount	10,000,000,000
Coupon Rate	1% per annum
Tenor	7-year maturity date: July 17, 2025
Guarantors	Taiwan Cooperative Bank, CTBC Bank, Taishin International Bank, Mega Bank, DBS Bank, Bank of Taiwan, Chang Hwa Bank, E.Sun Commercial Bank, First Commercial Bank, Taiwan Business Bank
Trustee	SinoPac Bank
Underwriter	Taiwan Cooperative Bank
Legal advisor	Hsin-Lan Hsu, Lee and Li, Attorneys-at-Law
Auditor	Hung-Bin Yu, Deloitte & Touche
Repayment	Bullet loan
Unpaid principal	10,000,000,000
Redemption or early repayment clause	None
Covenants	None
Name of credit rating agency, date of rating, and bond rating	None
Other rights of bondholders	Amount of converted (exchanged or subscribed) common shares, GDRs or other securities
	Issuance and conversion (exchange or subscription) features
Possible dilution effect of issuance and conversion, exchange or subscription features and terms of issue, and effects on existing stockholders' equity	None
Custodian	N/A

III. Issuance of preferred stocks: None

IV. Issuance of global depository receipts (GDR)

March 31, 2021; Unit: USD

Date of issue	February 5, 1999
Place of issue and trading	Luxembourg
Total amount	US\$333,502,000
Offering price per unit	February 5, 1999 - initial issue US\$11.45 November 18, 1999 - additional issue US\$16.70
Total units issued (units)	30,336,980 February 5, 1999 - initial issue 14,600,000 November 18, 1999 - additional issue 9,960,000 July 7, 2000 - additional issue for the distribution of stock dividends 2,108,252 July 7, 2000 - additional issue for the distribution of stock dividends 3,668,728
Source of underlying security	Issuance of new shares for cash capital increase
Underlying security	10 common shares of Winbond
Rights and obligations of GDR holder	Dividends, interest distribution and relevant taxes of the underlying shares represented by the GDRs shall be governed by the laws of the Republic of China, the Depository Agreement and the Custodial Agreement.
Trustee	None
Depository bank	Bank of New York Mellon Corp.
Custodial bank	Bank International Commercial Bank

Balance outstanding (units)		13,354	
Allocation method for fees incurred in issuance and the outstanding period of the GDRs		Borne by Winbond Electronics Corp.	
Covenants of depository agreement and custodial agreement		The deposit, redemption and delivery of the underlying shares represented by the GDRs and the re-issuance of the GDRs shall be governed by the laws of the Republic of China, Depository Agreement and the Custodial Agreement.	
Unit price (US\$)	2020	High	10.64
		Low	3.28
		Average	5.28
	2021 up to March 31	High	11.37
		Low	9.36
		Average	10.11

V. Exercise of employee stock option plan (ESOP): None

VI. Restricted stock awards: None

VII. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: None

VIII. Implementation of fund utilization plan:

I. Financing project that is not yet fully implemented:

After being approved by the Board of Directors, the Company issued new shares on September 7, 2017 for cash capital increase, which has been approved by the FSC Securities and Futures Bureau per letter No. Jin-Guan-Zheng-Fa-Zi-1060038453 dated October 16, 2017. All funds are used to purchase machinery and equipment.

(I) Issuance plan:

1. Total funding needs under the plan: NT\$10,935,000,000

2. Sources of funds:

- (1) Issuance of 400,000,000 new shares at the price of NT\$22 per share to raise capital in the amount of NT\$8,800,000,000.
- (2) The rest of the funds in the amount of NT\$2,135,000,000 necessary to the plan will come from own capital or bank loans.

3. Project and planned fund utilization schedule

(1) Total fund utilization plan

Unit: NT\$1,000

Project	Planned completion date	Total funds needed	Planned fund utilization schedule					
			2017		2018			
			Q3	Q4	Q1	Q2	Q3	Q4
Expansion of 12-inch wafer capacity	Q4 2018	10,935,000	800,658	1,101,911	5,705,838	2,847,693	405,882	73,018

Note 1: The cash capital increase this time is expected to be completed by the end of 2017. Before the funds are raised in full, the Company will use own funds and bank loans to meet the funding needs for capacity expansion.

Note 2: If the actual fund raised are less than the originally planned, the Company will use own fund and bank loans to cover the shortfall. If the actual fund raised is more than the originally planned, extra fund will also be used in the expansion of 12-inch wafer capacity.

(2) Plan for utilizing funds raised in the planned capital increase

Unit: NT\$1,000

Project	Planned completion date	Total funds raised	Planned fund utilization schedule		
			2018		
			Q1	Q2	Q3
Expansion of 12-inch wafer capacity	Q3 2018	8,800,000	5,705,838	2,847,693	246,469

4. Expected benefits

The Company plans to purchase NT\$10,935,000,000 of machinery and equipment this time. The expected benefits are illustrated below:

Unit: 1,000 pcs; NT\$1,000

Year	Product	Production volume	Sales volume	Sales value	Gross profit	Operating profits
2018	12-inch wafers	49	39	3,057,635	993,704	810,246
2019	12-inch wafers	72	72	4,902,542	1,414,427	1,120,275
2020	12-inch wafers	72	72	4,461,314	1,248,416	980,737
2021	12-inch wafers	72	72	4,059,795	1,095,835	852,247
2022	12-inch wafers	72	72	3,694,414	955,598	733,933
2023	12-inch wafers	72	72	3,361,917	826,705	624,991

(II) Implementation status:

Unit: NT\$1,000

Deadline	Date of Market Observation Post System	Implementation status	Current quarter		Grand total		Reasons for ahead or behind schedule and improvement plan
			Planned	Actual	Planned	Actual	
2017.12.31	2018.01.10	Spending	0	228,603	0	228,603	The cash capital increase was completed on December 15, 2017. Therefore the plan was executed ahead of schedule in Q4 2017.
		Progress (%)	0.00%	2.59%	0.00%	2.59%	
2018.03.31	2018.04.10	Spending	5,705,838	4,421,721	5,705,838	4,650,324	Ongoing according to plan
		Progress (%)	64.83%	50.25%	64.83%	52.84%	
2018.06.30	2018.07.09	Spending	2,847,693	2,652,710	8,553,531	7,303,034	Ongoing according to plan
		Progress (%)	32.36%	30.15%	97.19%	82.99%	
2018.09.30	2018.10.09	Spending	246,469	423,933	8,800,000	7,726,967	Ongoing according to plan
		Progress (%)	2.81%	4.81%	100.00%	87.80%	
2018.12.31	2019.01.08	Spending	0	157,263	8,800,000	7,884,230	Factory expansion ongoing according to plan
		Progress (%)	0.00%	1.79%	100.00%	89.59%	
2019.03.31	2019.04.08	Spending	0	62,847	8,800,000	7,947,077	Factory expansion ongoing according to plan
		Progress (%)	0.00%	0.71%	100.00%	90.30%	
2019.06.30	2019.07.08	Spending	0	183,115	8,800,000	8,130,192	Factory expansion ongoing according to plan
		Progress (%)	0.00%	2.08%	100.00%	92.38%	
2019.09.30	2019.10.08	Spending	0	76,127	8,800,000	8,206,319	Factory expansion ongoing according to plan
		Progress (%)	0.00%	0.87%	100.00%	93.25%	
2019.12.31	2020.01.09	Spending	0	143,075	8,800,000	8,349,394	The fund raised for the 12-inch wafer capacity expansion project was executed in full. The remaining balance was redirected to provide working capital.
		Progress (%)	0.00%	6.75%	100.00%	94.87%	
2020.03.31	2020.04.06	Spending	0	450,606	8,800,000	8,800,000	Project completed
		Progress (%)	0.00%	0.00%	100.00%	100.00%	

Business Overview

I. Business activities

a. Business Scope

1. Major business activities and percentages of total revenue

Winbond's core products include DRAM and Code Storage Flash Memory; Logic ICs are the principal products of Nuvoton Technology Corporation ("Nuvoton Technology"), a major subsidiary of Winbond.

2020 revenue breakdown by product (as percentages of consolidated revenue):

Unit: NT\$1,000

Key products	Operating revenue	%
DRAM product income	17,458,114	29
Flash memory product income	22,747,656	37
Logic IC revenue	20,477,170	34
Other income	231	-
Sales revenue - Consolidated financial statements	60,683,171	100

2. Key products

2.1. DRAM

- Specialty DRAM: Specialty DRAM are used principally in computing, communication and consumer electronics (3C) and automotive and industrial electronics. Specifications include 16Mb-4Gb and KGD (Known Good Die).
- Mobile DRAM: Mobile DRAM are used principally in cell phones, tablets, low power mobile handheld devices, wearable devices, automotive and industrial electronics, and the Internet of Things (IoT). Specifications include 32Mb-256Mb pseudo SRAM and 128Mb-4Gb Low Power Mobile DRAM.

2.2. Code Storage Flash Memory

Code Storage Flash Memory are used principally in PCs and their peripherals, mobile handheld devices and their peripheral modules, network communications products, IoT, consumer electronics, automotive and industrial electronics, and household appliance modules, etc. Specifications include 512Kb-8Gb.

2.3. Logic IC

Nuvoton Technology's primary business consists of IC design and sales and IC foundry services. The main IC products offer a wide range of applications. Products include microcontrollers (MCU), audio products and cloud computing products. The acquisition of Nuvoton Technology Corporation Japan (NTCJ) enhances the deployment of products used in image sensing and battery management and augments the applications of MCU products. Nuvoton Technology also owns a 6-inch IC plant equipped with diversified processing technologies to provide professional IC foundry services.

3. New products and services under development

3.1. DRAM

- Specialty DRAM: We will continue to develop medium to low density specialty DRAM products using D25s process in computing, communication and consumer electronics as well as automotive and industrial electronics. We will also continue to develop more advancing process.
- Mobile DRAM: We will continue to develop medium-to-low density as well as low power consumption, high bandwidth and better data transmission rate mobile DRAM for applications principally in cell phones, tablets, low power consumption mobile devices, wearable devices, IoT, automotive and industrial electronics.

3.2. Code Storage Flash Memory

We will continue to follow the 4xnm process to produce safe, high performance, low power consumption code storage flash memory products with high added value for applications in PCs and peripherals, mobile handheld

devices and peripheral modules, network communications products, IoT, consumer electronics, automotive and industrial electronics, household appliance modules, and information security, etc. We will also continue to develop more advanced process technology.

3.3. Logic IC

The development of Company's new MCU products focuses on high performance, high security, low power and analog technology to satisfy demands in the industrial control market for high performance, low power design and wide variety of peripherals. In line with the development of IoT, the Company continues to hone its low power, analog and security technologies. Our new-generation MCU M2351 series powered by ARM® Cortex®-M23 core that focus on IoT security have passed ARM® PSA Certified Level 1, PSA Functional API Certified and ARM® PSA Certified Level 2. Coupled with high-performance MCU powered by ARM® Cortex® -M4 core as base as well as IoT gateway using MCU as its core, IoT operating system, wired and wireless module driver and logyun software, we continue to develop IoT secure and high-grade MCUs to make headway into industrial IoT and industrial control markets and meet customer demands for high performance, secure and low power products.

b. Industry overview

1. Industry current trends and future outlook

1.1. DRAM

Under the impact of COVID-19 and the uncertainties brought by U.S.-China relations, the global economy experienced significant decline in 2020. As a result, the memory chip industry saw slow inventory turnover and lower-than-expected demands. However, more orderly competition in the current DRAM market and gradual pickup in the demand for diverse applications that has been delayed by the pandemic are expected to create a new memory chip cycle and aid the stable growth of the industry. For example, emerging technologies, such as AI and 5G will greatly expand the application of IoT, and terminal devices enabled with edge computing will create demands for product upgrade while driving increased use of memory chips for the add-ons.

1.2. Code Storage Flash Memory

Winbond's code storage flash memory features a serial interface. Winbond is one of the world's three leading serial flash memory suppliers and holds more than one third of the global market. Code storage flash memory is a relatively stable market in terms of size and growth. The code storage flash process is a mature technology that requires relatively less investment and new capacities added in recent years are not disruptive to market equilibrium. Moreover, code storage flash is a key component in numerous electronic applications. The growing number of electronic products and higher capacities will keep the market stable as a whole for a long time.

1.3. Logic IC

The demand for MCU continues to climb. The 32-bit ARM® Cortex®-M MCU is the backbone of the market and new applications are wide ranging as the product offers low power consumption and high performance. With respect to audio products, the applications that enable hands free natural language interaction between voice-user interfaces (VUI) and the internet continue to rise. The demands for cloud services and applications amid the pandemic brought about by working from home, learning from home and remote meetings rise sharply as change in working patterns becomes an irreversible trend. Spurred by new environmental regulations and electric vehicle policy adopted by governments around the world, demands for automotive lithium-based batteries are expected to be on the rise continuously. In addition, with the increasing popularity of automotive electronic equipment and advanced driver assistance system (ADAS), the sharp increase in data to be displayed or processed by the on-board system should drive the growth of HMI products.

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

2.1. Memory industry

In terms of the supply chain, upstream equipment suppliers provide the manufacturing equipment, while raw material suppliers produce silicon wafers, masks, chemicals, metal targets, gases, and other raw materials for the production of memory.

Midstream memory suppliers, after purchasing equipment and raw materials, use the manufacturing equipment to develop a series of complex processes, such as lithography, rapid hi-temperature processing, chemical vapor deposition, ion implantation, etching, chemical machinery polishing and grinding, and process

control and monitoring. Moreover, midstream memory manufacturers will design and develop related memory products based on market demand and future trends. Manufacturers will use process technology to etch the finished product onto the wafers and deliver the wafers to downstream packaging and testing suppliers for backend packaging and testing.

Downstream packaging and testing suppliers are responsible for cutting, grinding, packaging, and completing the final tests of wafers produced in the preceding stage before delivering the finished product to the memory manufacturers. Memory manufacturers sell the finished product to end-product system manufacturers, module manufacturers, or distributors who will then apply the memory to related products or sell the memory to end customers.

2.2. Logic IC industry

The supply chain of the Logic IC industry can be roughly divided into upstream IC design companies, midstream IC manufacturers and downstream IC packaging and testing plants. In terms of the supply chain, MCUs are the control and computing core of end products. In cloud computing IC, downstream customers consist mainly of servers, desktop workstations, personal computers, smart handheld devices, network communications and industrial computer industries.

3. Product trends and competition

3.1. DRAM

With respect to product technology, specialty DRAM product technology has advanced from SDR, DDR, DDR2, DDR3, and DDR4 to DDR5. Mobile DRAM will also move from LP DDR, LP DDR2, LP DDR3 and LP DDR4 to LP DDR5. Currently the global market is still dominated by an oligopoly of three large international DRAM manufacturers. As those three DRAM manufacturers are expected to start mass production of next-generation DDR5 and LP DDR5, it is one of the main reasons why the market expects the global semiconductor memory industry to see a new growth cycle.

With respect to process technology, international DRAM manufacturers continue to increase the percentage of advanced production such as 1xnm in recent years. Manufacturers in Taiwan have implemented 2xnm through technology licensing, and develop their own 1xnm processes at the same time. Small batch production is expected to start in 2021. Winbond is Taiwan's only successful manufacturer with in-house 25nm process technology and has been improving its yield and output in 2020 while continuing the development of more advanced processes, such as D25s.

3.2. Code Storage Flash Memory

With respect to product density, the demand for high-density code storage flash memory continues to increase. The density of NOR flash memory ranges from 512Kb to 512Mb, and the density of NAND flash memory has been expanded to 8Gb, which is the prevailing industry trend. Furthermore, the market will be moving toward an approach that begins with end user applications and proceeds to develop code storage flash memory that offers added value, security, high speed and low voltage. The code storage flash memory market is currently dominated by international manufacturers and some Taiwanese and Chinese manufacturers.

3.3. Logic IC

MCU products must feature low power consumption as well as high performance and cost effectiveness. Different fields of application demand specific designs and one product cannot satisfy all requirements. Therefore, the MCU platform products with high security design and software/hardware reference solutions developed for different applications are the market mainstreams. The development of audio products will continue to focus on audio microcontrollers, ultra-low power (ULP) audio CODEC, smart class-D audio amplifier and the DSP algorithm to provide integrated solutions for all kinds of voice interface applications. The demand for cloud services appears when users try to upload a massive amount of data. Innovative applications and service leadership depend not only on well-established data centers, but also on solutions for a growing need for security in end user information gathering infrastructure.

c. Overview of Technology and R&D

1. Winbond's R&D expenses (including those of the subsidiary and Nuvoton Technology) in the previous year and in the current year up to the annual report publication date:

Unit: NT\$1,000

Item	2020	2021 up to March 31
R&D Expenses	10,506,230	3,808,734

2. Successfully developed technologies and products

2.1. DRAM

Winbond is Taiwan's only supplier with in-house DRAM process technology. After our 25nm DRAM has entered mass production, its yield and output have been rising steadily. Winbond also carries on the development of new-generation D25s process to meet customers' requirements of high quality, high reliability, and special process specifications.

2.2. Code Storage Flash Memory

Winbond continues to use the 4Xnm process to develop code storage flash memory that offers added value, security, high speed, low power consumption, low voltage or encryption. We also take a step further to develop more advancing process in order to secure its leading position in serial NOR flash memory. In addition, Winbond continues to promote the serial interface and the more economical 1Gb/2Gb/4Gb/8Gb products to meet the demand of different end user applications.

2.3. Logic IC

- For next-generation IoT applications, Winbond introduces M23 core based M254/M256/M258 series MCU and 8051 core based ML54/56 series MCU that feature low power, secure, touch-control keypad and display.
- Winbond's in-house IoT platform offers comprehensive software development kit to support various cloud services, including Amazon AWS, Microsoft Azure, and RT-Thread.
- Winbond has also released NuMicro® NUC131U and M0A21/M0A23 automotive MCU series. For the industrial control application market, Winbond has launched a new wireless ARM® Cortex®—M0 MCU M031BT series that support bluetooth standard. Winbond's M2351 MCU series powered by ARM® Cortex®-M23 core has passed ARM® PSA Certified Level 2 to serve the global IoT security market.

d. Business plan - long-term and short-term

1. Short-term business development plans

1.1. DRAM

- We will continue to develop the D25s process to reduce production costs and improve product quality.
- We will develop new products, new customers, and new applications to increase chip sales volume and revenue and improve profitability.
- We will enhance applications, customers, and product mixes on a continual basis to increase the value and profitability of each chip.

1.2. Code Storage Flash Memory

- We will continue to develop 4xnm process to reduce production costs and improve product quality.
- We will continue the efforts to increase market share in computers and peripherals, mobile handheld devices and their peripheral modules, IoT, automotive and industrial electronics.
- We will optimize applications, customers, and product mixes to increase the value and profitability of each chip.
- We will cultivate world-class brand customers in pursuit of profit stability and growth.

1.3. Logic IC

- In MCU, we will boost the advantages in cost-performance ratio and localized support and actively build an ecosphere where we provide a complete development platform to provide customers with the best development experience.
- With respect to audio products, we will provide customers with comprehensive and high-performance audio and voice solutions. We have just released the industry's first EMD flash 8-bit uC voice control IC that effectively shortens the development cycle of voice products and addresses the inventory problem.
- Regarding cloud computing products, we will expand the development of competitive hardware and software solutions that are suitable for the world's leading brands through superior security technologies and integrated local advantages. We will also actively participate in international security standards development organizations and open source initiatives to maintain the advantage of technology leadership.

2. Long-term business development plans

2.1. DRAM

- We will continue the development of advanced processes to increase core competitiveness.
- We will develop mobile DRAM with new specifications and explore different areas of applications.
- We will increase our market shares in niche markets such as KGD, automotive, industrial, and MCP, and SiP.

2.2. Code Storage Flash Memory

- We will continue the development of the high-margin end product application market, including automotive and industrial electronics, IoT, and wearable devices. We have received certification from leading international manufacturers.
- Our goal is to offer value in high speed, low voltage, low power, and heightened security levels.

2.3. Logic IC

- Our MCU operations will continue to focus on product development and strengthen technologies in terms of low power consumption, analog and security; and through product innovation and process technology evolution, enrich the 32-bit and 8-bit MCU product platform.
- Our audio operations will be built around high-performance, low power consumption audio processing controller and expand the deployment of amplifier and ULP audio CODEC products in the hope to skip the low-end, low-price market and put more resources into developing the smart toy market that offers higher profit margin.
- In view of the increasing popularity of web applications, cyber security is a critical issue that must be addressed in the future. Based on existing knowhow and customer relationships, we have put considerable resources into product development. Hopefully through product and technological innovation, we can provide customers with superior security products as we seek long-term development.

II. Market, production and sales

a. Market analysis

1. Winbond's consolidated sales revenue (including that of the subsidiary Nuvoton Technology) by region of product sales for year 2020:

Unit: NT\$1,000

Region	Sales	%
Asia	56,770,463	93%
Americas	2,203,356	4%
Europe	1,594,040	3%
Others	115,312	-
Total	60,683,171	100%

2. Market share and growth potential

2.1. DRAM

In 2020, Winbond held nearly 1% of the entire DRAM market. For 2021, market research firm predicts that as remote working, remote teaching and stay-at-home economy are to stay amid the lingering Covid-19 pandemic and may become the new normal in the future, consumer choices and behaviors will change, and the demands for consumer electronics products, such as television, PC, laptops and tablets will continue to grow. In addition, with three major DRAM manufacturers slated to start mass production of next-generation DDR5 and LPDDR5, the DRAM sector is expected to see a new growth cycle. In the long run, AI and 5G are expected to greatly expand the application of IoT and the growing use of artificial intelligence in consumer electronics, IoV (Internet of Vehicle) and Industry 4.0 will push up the demand for embedded memory chips and bit density. All these developments will contribute to the steady growth of the DRAM sector.

2.2. Code Storage Flash Memory

After many years of hard work in establishing its presence in the market, Winbond is now a leading supplier of code storage flash memory in the world. Winbond continues to hold more than one third of the global serial flash market share in 2020. Moreover, the demand for code storage flash memory is shifting toward high density. Higher density and the advantages of fewer pins and lower overall costs afforded by code storage flash memory using a serial interface ensure continuing growth in the market for code storage flash memory using a serial interface.

2.3. Logic IC

Our 32-bit Cortex®-M0/M4 MCU, ARM® 7/9, and 8-bit MCUs are cost effective and well received by the market that help drive up our market share every year. Our major clients include well-known major manufacturers of consumer, industrial control, power and communications products. The applications of our audio products in toys, IoV, IoT and consumer home appliances have acquired a significant market share. With regard to computer/cloud applications, market share of our motherboard Super I/O, notebook EC and TPM still rank in the top three worldwide in 2020. Our major clients include well-known computer brands and OEM service providers.

3. Competitive edge, favorable and adverse factors for long-term growth and strategy

3.1. DRAM

- Competitive niches: Process development, product development, testing techniques, FAE capabilities, and marketing and sales strengths are Winbond's core competencies. Currently, other DRAM suppliers in Taiwan receive process technology from large foreign DRAM manufacturers by technology licensing. Winbond is the only Taiwanese DRAM supplier with advanced processes development capabilities.
- Favorable conditions for future development: Higher density in smart phones, tablets, TVs, set-top boxes, networking and storage devices will increase DRAM demand. In terms of supply, Moore's law in advanced process technology is entering a bottleneck, causing the supply to slow down, which will encourage industry development.
- Unfavorable factors and countermeasures: Slowing demand for smartphones may prompt other suppliers to reallocate production capacity to DRAM production, leading to an increased supply and disrupting the demand-supply balance. Winbond continues to optimize the applications lineup and try to explore new opportunities in automotive and industrial electronics, and IoT applications. We will also invest in new processes and implement advanced processes to improve product profitability. We are constantly exploring new applications and building strong customer relationships as a means to mitigate the risks arising from economic uncertainties.

3.2. Code Storage Flash Memory

- Competitive niches: Winbond has been working in the flash memory market for many years. It offers a complete Code Storage Flash product series (512Kb-8Gb). Winbond held more than one third of the global serial flash market share in 2019.
- Favorable conditions for future development: Winbond holds steadily more than one third of the global market share in recent years and is highly regarded by its customers for quality and cost. The fact is demonstrated by the Company holding more than 40% of the PCs and peripherals market share.

- Unfavorable factors and countermeasures: New manufacturers in China will start supplying new production capacities, which will affect the supply and demand in the low to medium density memory market and have an impact on end product demand. Winbond continues to optimize the applications lineup and try to explore new opportunities in automotive and industrial electronics, and IoT applications. We will also invest in new processes and implement advanced processes to improve product profitability. We are constantly exploring new applications and new customers as a means to reduce the risks arising from market uncertainties.

3.3. Logic IC

- Competitive niches: Winbond provides professional R&D and technical support teams and establishes strategic partnerships with customers. It provides total solutions to lower cost for customers and enhance their competitive edge. The Company's experience in the voice and audio processing market involves IoT market application for the integration of MCU audio CODEC and third-party voice recognition in hopes of providing diversified product options and ideal economic solutions. With regard to cloud computing products, Winbond and customers collaborated on developing customized chips for usage in non-computer product lines to lower cost for customers and enhance their competitive edge.
- Favorable conditions for future development: The new-generation MCUs offer high compatibility, uniform development platform, and advantages in the ease of development by users and environmental protection certifications. This core competitive edge raises the barrier to competition for rivals. The release of high-performance voice/audio MCUs and the world's first smart amplifier based on non-linear speaker control algorithm that provide unparalleled sound quality to customers' devices and support thin speakers for a simpler and trendier exterior design in end customers' application. Winbond's cloud computing products retain a leading position in the market. We are also the world's only TPM IC supplier that is FIPS (Federal Information Processing Standards), Common Criteria EAL4+ and TCG(Trust Computing Group) certified.
- Unfavorable factors and countermeasures: Fierce competition in the consumer electronics market in recent years, short product life cycles, and rapid replacement of traditional products by new products have all contributed to increased costs. The only way to maintain a leading position in the market is to develop products with high integration capabilities and lower cost while enhancing R&D capabilities. Thus we will continue to strengthen optimization of our products and invest in global technical support teams in order to provide localized customer support services. We will also provide reference designs to reduce R&D costs and time required for customers to adopt our products, which will be the direction for gaining the first-mover advantage.

b. Major product manufacturing processes

1. Major applications of core products

1.1. DRAM

- SDR/DDR/DDR2/DDR3/DDR4/DDR4X specialty DRAM: used in computer peripherals, automobile electronics, and consumer electronic products.
- Pseudo SRAM, HyperRAM, Mobile DRAM (Low Power DRAM): used in mobile devices, computers and consumer electronic products.

1.2. Code Storage Flash Memory

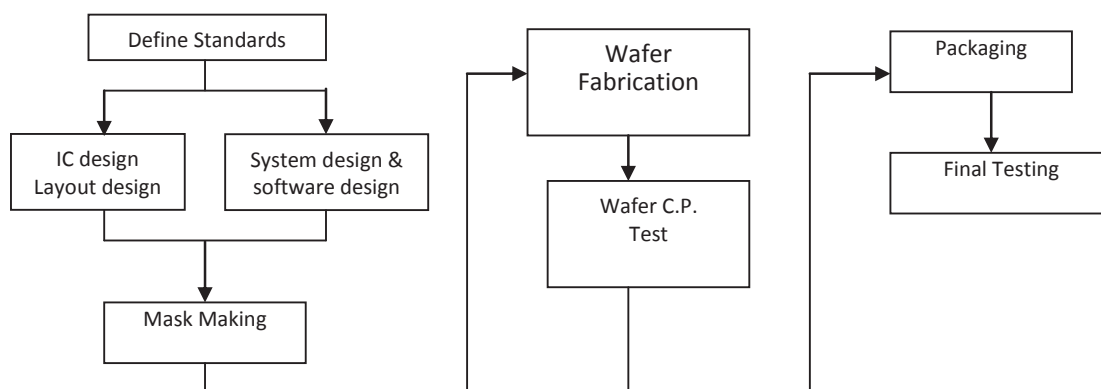
Used in PCs and their peripherals, mobile handheld devices and their peripheral modules, network communications products, IoT, consumer electronics, automotive and industrial electronics, and household appliance modules, etc.

1.3. Logic IC

Provide customers with industrial controls, consumer electronics, smart home appliances, computer equipment, vehicle-mounted equipment, and communication products.

2. Chief product manufacturing processes

The integrated circuit manufacturing process consists of five processes: IC design, mask making, wafer fabrication, packaging, and testing. (See flowchart below):



c. State of supply of core raw materials

Winbond's major raw materials and parts include silicon chips, chemicals used in processes, special gases, and targets, etc. The suppliers of these materials are located in the US, Japan, Korea, and Taiwan. A certain level of quality and a steady supply can be expected of these suppliers. Outsourced items include testing and packaging. We have at least two different qualified suppliers for each item, ensuring source and stability of supply.

d. Names of suppliers who accounted for more than 10% of the purchase by the Company in the last two years, and the amount of purchase to total purchase

Unit: NT\$1,000

2020					2019			
Item	Name	Amount	% of the year's net purchase	Relationship with the issuer	Name	Amount	% of the year's net purchase	Relationship with the issuer
1	Supplier K (Note 1)	2,101,947	15.0%	None	Supplier K (Note 1)	-	-	None
2	Supplier Z018	1,158,935	8.3%	None	Supplier Z018	1,084,268	11.0%	None
3	Supplier Z018	1,003,461	7.2%	None	Supplier Z018	1,033,965	10.5%	None
	Other	9,731,393	69.5%		Other	7,744,690	78.5%	
	Net purchase	13,995,736	100.0%		Net purchase	9,862,923	100.0%	

Note 1: Reasons for changes: The subsidiary, Nuvoton Technology, closed the deal to acquire the semiconductor business of Panasonic Corporation from Japan on 2020/09/01. The acquired business is combined into the new purchase of Nuvoton starting the closing date.

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

Unit: NT\$1,000

2020					2019			
Item	Name	Amount	% of the year's net purchase	Relationship with the issuer	Name	Amount	% of the year's net purchase	Relationship with the issuer
1	Customer Y	5,842,435	9.6%	None	Customer Y	5,153,522	10.6%	None
	Other	54,840,736	90.4%		Other	43,617,912	89.4%	
	Net Sale	60,683,171	100.0%		Net Sale	48,771,434	100.0%	

f. Output volume and value during the most recent two years

Total combined output of the Company and its subsidiaries, including Nuvoton Technology:

Unit: NT\$1,000

Year	2020				2019			
Core products/Production capacity/Output	Production capacity (Note 1)	Output volume (Note 2)		Value	Production capacity (Note 1)	Output volume (Note 2)		Value
		Wafer	Die			Wafer	Die	
DRAM	12-inch wafers 666	1.3	1,355,099	15,215,191	12-inch wafers 644	0.8	1,303,387	14,556,355
Flash		0.7	3,659,131	13,969,860		0.2	3,169,534	12,727,104
Logic IC	6-inch wafers 692	463	2,994,672	13,687,210	6-inch wafers 500	412	918,358	5,987,514
Total		465	8,008,902	42,872,261		413	5,391,279	33,270,973

Note 1: Wafer production capacity is measured in 1,000 pieces.

Note 2: Wafer production is measured in 1,000 pieces; die production is measured in 1,000 pieces.

g. Sales volume and value during most recent two years

Total combined sales of the Company and its subsidiaries, including Nuvoton Technology:

Unit: NT\$1,000

Year	2020						2019					
Product/ Sales volume and value	Domestic sales			Exports			Domestic sales			Exports		
	Sales volume(Note)		Sales	Sales volume(Note)		Sales	Sales volume(Note)		Sales	Sales volume(Note)		Sales
	Wafer	Die		Wafer	Die		Wafer	Die		Wafer	Die	
DRAM	-	375,587	4,202,406	1	1,024,157	13,255,708	-	243,844	3,336,009	1	1,001,049	15,454,979
Flash	-	923,288	4,397,365	-	2,838,024	18,350,291	-	829,288	4,356,660	-	2,288,390	15,366,351
Logic IC	185	386,210	4,586,241	272	2,534,703	15,890,929	197	220,319	3,792,168	208	699,463	6,464,406
Other	-	-	229	-	-	2	-	-	16	-	-	845
Total	185	1,685,085	13,186,241	273	6,396,884	47,496,930	197	1,293,451	11,484,853	209	3,988,902	37,286,581

Note: Wafer sales are measured in 1,000 pieces; die sales are measured in 1,000 pieces.

III. Employees

Information related to the employees of the Company and subsidiary Nuvoton Technology:

Year		2019	2020	2021 up to March 31
Number of employees	Technical personnel (engineers)	3,120	4,655	4,652
	Administration and sales staff	1,010	1,631	1,635
	Assistant to technicians	769	771	764
	Total	4,899	7,057	7,051
Average age		39.28	40.76	40.42
Average years of service		8.92	10.66	10.23
Education background (%)	Ph.D	1.99	1.22	1.45
	Master's	44.54	42.02	43.76
	University/College	44.95	45.44	45.14
	Senior High School	8.42	10.84	9.34
	Senior High School and below	0.09	0.48	0.30

IV. Environmental protection expenditure information

- a. Losses (including damages and violations of the environmental regulations named in environmental audits, which should list the date, document number, and article number and content of the regulations violated, and penalty description) incurred for polluting the environment in last two years and up to the publication date of this annual report, and estimated potential loss at present and in the future and countermeasures: None

- b. Preventive measures taken to ensure a safe working environment and maintain employees' personal safety

The Company upholds the spirit of the ISO 14001 environmental management system, and pledges to provide and maintain a working environment better than that required by law and industry practice. We also strive to comply with international environmental protection standards, and seek to eliminate possible environmental risks through continuous improvement.

As a member of the global village, in line with the principle of environmentally-friendly design, we strive to develop green products and energy-consuming, low-pollution products that will fulfill our vision of sustainable corporate development.

Throughout production operations, we rely on process optimization to reduce consumption of water and power, use of raw materials and parts, and pollution emissions for each output unit. With respect to organizational management, the Company has established a Quality & ESH Center responsible for environmental, health, and safety management. We have also appointed suitable environmental management specialists dedicated to air pollution control, water pollution control, and waste disposal and toxic chemicals management. In accordance with law, we have obtained all required environmental protection permits and licenses. Adequate recycling systems for process waste water exhaust gases, and solid wastes were incorporated during an early stage of the plant design process, enabling us to reduce resource losses and pollutant discharges.

Furthermore, we have also undertaken the health, safety, and risk management tasks prescribed in OHSAS 18001 and CNS15506, and integrated an environmental, health and safety management system in order to enhance our overall environmental management performance. The Company undertakes an internal environmental, health, and safety audit every half a year and an external audit yearly to ensure proper implementation.

Thanks to our dedication to environmental protection, we have received honors such as the Green Business Award, National Outstanding Industrial Waste Reduction Factory and Contributing Group Award, and Industry Outstanding Voluntary Greenhouse Gas Emission Reduction Factory Award from agencies including the EPA and MOEA. We have received many honors over the years, including the Council of Labor Affairs' Friendly Workplace Award and the Central Taiwan Science Park Administration's Superior Labor Health, Safety Enterprise Award and Health Promotion Administration's Outstanding Healthy Workplace Award.

Looking to the future, we will continue to strengthen our spirit of corporate sustainability, while responding to increasing environmental consciousness by engaging in appropriate environmental protection expenditure when needed, employing innovative technologies to improve the efficiency of pollution control equipment, and striving to minimize the environmental impact of production activities.

V. Employer-employee relations

- a. Employee welfare, education and training, retirement system and implementation

1. Employee welfare

- (1) The Company has established an "Employee Welfare Committee," "retirement reserve fund supervisory committee," and "environmental, health, safety, and risk management committee," and employees can rely on channels such as employer-employee conferences, opinion boxes, complaint hotlines, and the sexual harassment complaints committee to communicate with management.
- (2) The Company provides a comprehensive quality benefit package for its employees and their families. In addition to statutory benefits, such as Labor Insurance, National Health Insurance, and a pension reserve, the Company provides a higher child allowance than the industry average.
- A. Child allowance: In support of the government's policy to encourage people to have children, the Company provides a higher child allowance for children born to Winbond employees.

Employees who have been with the Company for one year or longer will receive an allowance of NT\$5,000 per month for each newborn baby until he/she reaches the age of four. The allowance makes the Company become one of the best companies to work for.

- B. Marriage and childbirth allowances: In addition to the child allowance, employees are entitled to a marriage or childbirth allowance when they get married or have a child.

2. Employee training and education

The Company has established a complete, diversified learning environment in accordance with the Education and Training Management Procedures that offers diverse learning modes through classroom teaching, live broadcast and digital courses, and continues to train in-house lecturers to enhance employee competencies while promoting the corporate culture of "passion for learning." A total of 376 classroom training classes and 1,126 online training classes (including live broadcast) were held in 2020. We also utilize external training resources to help employees grow and develop. A total of 102,691 person-times employees took part in a total of 120,503 hours of training. Training expenditures totaled NT\$3.55 million, and the average training cost per employee was NT\$1,395. The Company's main learning channels included the following:

- (1) Classroom classes: In accordance with demand, we formulate professional, QC, work safety, management, and general education and training classes on an annual basis, and hold classes in accordance with plans; employees may sign up to participate in these classes. The following is a summary of the various types of classes:

- A. Our management training programs are planned in accordance with our management functions blueprint; these programs include courses that help low-level managerial officers develop proper management concepts and hone their management skills, internal managerial work experience sharing sessions, and lectures given by experts from industry, government and academia, that are designed to enhance the management capabilities of managerial officers at all levels.
- B. We offer common, QC, and work safety training in accordance with the Company's quality policy, government laws, and overall demand. Examples of these training classes include working methods, statistical analysis methods, and emergency response safety training classes.
- C. Professional training is offered when our units have need of specific professional functions. Examples include R&D design classes, process testing classes, and international seminar sharing sessions.
- D. New employee training courses are geared to getting newcomers quickly up to speed, and include courses on the work system, working environment, corporate culture, and work adaptation.
- E. We conduct basic training assessments for direct personnel, including new employees, as well as continuing advanced professional skills assessments.

- (2) Learning platform: The Company's training website provides information on various online classes to encourage learning. To ensure that learning is not limited to certain times or places, employees can select suitable courses that suit their needs and access those courses any time, any place. We offer the following types of online courses: Course on corporate environment and management system, etc.; courses on laws, regulations, and rules of conduct; basic process training; language courses; and data science and other elective courses.

- (3) Lifelong learning: To encourage employers' continuing development and personal growth, in accordance with the In-service Continuing Education Regulations, we recommend that employees study for Master's or Ph.D. degrees at Ministry of Education-accredited domestic universities or approved foreign universities, and we will subsidize relevant costs. We also provide employees subsidies for enhancement and work-related skills training provided by an external or foreign organization.

3. Retirement system

The Company has drafted retirement regulations in line with the requirements of the Labor Standards Law and Labor Pension Act. It makes contributions to the pension reserve for its employees under the old or new pension plan.

- (1) Employees under the old pension plan pursuant to the Labor Standards Act: The contribution rate, in addition to monthly contributions at 2% of the monthly salary, is reviewed every year. The Supervisory Committees of Workers' Retirement Reserve Funds is in place to audit pension contributions regularly and to review pension applications.
- (2) Employees under the new pension plan pursuant to the Labor Pension Act: Monthly contributions are made at 6% of the corresponding pay grade into the employees' personal pension accounts. Employees may make voluntary monthly contributions up to 6% of the corresponding pay grade into their personal pension accounts.

b. Licenses held by personnel involved in meaning the transparency of financial information:

Certification	Number of People
International certified internal auditor (CIA)	6
International certification in control self-assessor (CCSA)	1
International certified information systems auditor (CISA)	3
CPA of ROC	2
CPA of USA	2

c. Labor-management harmony and employee rights maintenance measures

1. The Company has drafted "employer-employee conference implementation regulations," and regularly holds employer-employee conferences to discuss and negotiate issues of importance. Items in conference resolutions must be dealt with fully by relevant units within a limited time.
2. The Company has drafted "internal appeal regulations" intended to maintain employees' lawful rights and interests and help eliminate illegal and unreasonable treatment of employees, ensuring that employees enjoy a legally-compliant, reasonable, and fair working environment.

d. Losses (including violations of the Labor Standards Act named in labor inspections, which should list the date, document number, article number, content of the regulations violated, and penalty description) incurred for labor disputes in last two years and up to the publication date of this annual report:

1. The Notice of Labor Inspection Results Zhong-Huan-Zi-1090007745 dated April 13, 2020 fined Winbond NT\$50,000 for violating Paragraph 2, Article 32 of the Labor Standards Act, stipulating that "The extension of working hours, combined with the regular working hours shall not exceed 12 hours a day."
2. The Notice of Labor Inspection Results Zhong-Huan-Zi-1090007755 dated March 16, 2020 fined Nuvoton Technology, a Winbond subsidiary, NT\$50,000 each violation and NT\$100,000 in total for violation of Paragraph 2, Article 32 of the Labor Standards Act that "the total number of overtime exceeding forty-six hours a month" and for violation of Paragraph 1, Article 36 of the same Act for "failing to allow workers two regular days off every seven days, where one day would be a regular leave and the other one a rest day."

e. Estimated losses due to current and possible future labor-management disputes and response measures

The Company holds regular employer-employee conferences to promote the exchange of views between employer-employee. Both sides have consistently maintained a state of consensus since the founding of the Company, and no disputes have occurred. Furthermore, Winbond reiterated the importance of compliance, and strengthened overtime management.

f. Employee rules of conduct

The Company has drafted comprehensive rules of conduct to provide employees with standards for work ethics and conduct, protection of intellectual property rights/business secrets, and work orders. These rules, which are described below, can be viewed by employees via the document management system, announcements in relevant internal websites, or bulletin board messages:

1. Work ethics and conduct

- (1) Work rules: The Company's regulations contain dedicated service rules and general principles for prevention of sexual harassment.

- (2) Workplace sexual harassment prevention regulations: In accordance with relevant government laws and regulations, The Company has explicitly drafted workplace sexual harassment prevention regulations and established a dedicated awareness website, and has adopted appropriate prevention, correction, and punishment measures.
 - (3) Employment contracts: Specifies the requirement that employees faithfully perform their duties.
 - (4) Human resource management conduct guidelines: In accordance with relevant government laws and regulations and company regulations, we have drafted "human resource management conduct guidelines" classes on such subjects as eliminating discrimination, fair treatment, and prohibition of involuntary labor. To ensure that everyone can work under fair and lawful conditions, all company employees receive extensive awareness of these guidelines.
2. Rules for protection of intellectual property rights and maintenance of business secrets
 - (1) Work rules: The Company's regulations contain general principles for maintenance of the confidentiality of business secrets.
 - (2) Employment contracts: Employment contracts specify requirements concerning confidentiality duties, document ownership, secret information, ownership of intellectual or industrial property, and non-compete terms.
3. Work orders
 - (1) Division of responsibilities: The "guidelines for responsibility stratification" specify the division of responsibilities, and serve to guide the performance of on-the-job duties.
 - (2) Duties of individual units: The mission of each unit is clearly defined.
 - (3) Restrictions on the hiring of relatives: The "restrictions on the hiring of relatives" specify that relatives should not be hired to fill certain positions. This is intended to ensure that the effectiveness and efficiency of the Company's internal management is not compromised unnecessarily by family relationships between employees.
 - (4) Attendance management
 - A. Request for leave regulations: These regulations explicitly state the Company's leave request principles and regulations.
 - B. Domestic travel regulations and "foreign travel regulations": To facilitate personnel management and activate substitute mechanisms, the Company has established operating procedures for travel applications; To ensure that personnel taking business trips accomplish their missions, such personnel shall be given appropriate travel subsidies.
 - C. Overtime regulations: These regulations explicitly specify the Company's overtime principles and standards.
 - D. Regulations concerning work stoppages due to natural disasters and major accidents: These regulations explicitly state standards for work stoppages in the event of natural disasters and major accidents.
 - (5) Performance management
 - A. Performance management and evaluation regulations: These regulations seek to provide an understanding of employees' strengths and weaknesses, and help them to develop their personal abilities, by assessing the degree to which employees have achieved their personal goals; Employees' contributions to the organization are determined on the basis of mutual comparisons between peers.
 - B. Performance guidance operating regulations: Performance guidance work seeks to enhance the productivity of the Company as a whole.
 - (6) Reward and penalty regulations
 The "Reward and penalty handling regulations" prescribe appropriate rewards or punishments for those employees who display superior performance or violate regulations, and have the intent of encouraging and maintaining on-the-job morale and order.
 - (7) Manpower development
 - A. In-service continuing education regulations: These regulations establish channels for continuing education, and have a goal of accumulating the human resources needed for the Company's long-term operations.
 - B. Regulations concerning application to participate in academic groups and organizations: Participation in academic groups and organizations participate can promote the diffusion of knowledge and experience, and help employees to find out about the newest information in their professional fields.

- C. Conference participation and management regulations: Participation in international conferences enables employees to acquire the newest information in their professional fields.

(8) Communication channels

- A. Labor-management conference implementation regulations: These regulations enshrine the consensus and shared welfare of labor and management, promote teamwork for the sake of corporate development and employee welfare, establish an effective two-way communication system between labor and management, put an end to labor-management disputes, ensure harmonious labor-management relations, and encourage maximal productivity.
- B. Corporate internal appeal regulations: These regulations provide employees with channels expressing their views and making appeals directly to the Company, maintain employees' rights and interests, and encourage communication of views.
- C. Employee suggestion regulations: Employee's ideas and creative thinking can help the Company to continue to improve. These regulations provide for rewards for employees who submit proposals concerning the Company's operations, and are intended to encourage employees to contribute their intelligence and experience.

VI. Important contracts

Nature of contract	Contracting parties	Year and month of contract start and end	Content	Restriction clauses
Technical cooperation	Qimonda AG of Germany	2007.06~2014.12 (Note 2)	Licensing of 75nm and 58nm DRAM technology and reserving specific capacity (Note 1)	None
Technical cooperation	Qimonda AG of Germany	2008.04~2015.12 (Note 2)	Licensing of 65nm DRAM technology and reserving specific capacity (Note 1)	None
Technical cooperation	Qimonda AG of Germany	2009.08- permanent (Note 2)	Licensing of graphics DRAM process technology and equipment purchase, expanded licensing for 90-65nm process technology, and settlement of insolvency procedure	None
Technical cooperation	Qimonda AG of Germany	2010.04 - permanent (Note 2)	Licensing of 45nm and 46nm Buried Wordline DRAM processes and equipment purchase	None
Construction contract	TASA Construction Corporation	2015.05~2021.11	Material procurement for new civil construction at FAB-C at Central Taiwan Science Park (CTSP)	None
Construction contract	TASA Construction Corporation	2015.05~2021.11	Construction contract for new civil construction at FAB-C at Central Taiwan Science Park	None
Construction contract	TASA Construction Corporation	2016.05~2024.12	Material procurement for basement, above ground structure, and exterior glass curtain walls under new construction in Zhubei Building	None
Construction contract	TASA Construction Corporation	2016.05~2024.12	Construction contract for basement, above ground structure, and exterior glass curtain walls under new construction in Zhubei Building	None
Syndicated loan	17 banks, including Bank of Taiwan	2016.08~2021.12	NT\$12 billion syndicated loan	Financial ratios and others
Construction contract	Continental Engineering Co., Ltd.	2017.07~2021.12	Material procurement for machines and power and air conditioning systems under new construction in Zhubei Building	None
Construction contract	Continental Engineering Co., Ltd.	2017.07~2021.12	Contract services for machines and power and air conditioning systems under new construction in Zhubei Building	None
Joint guarantee	10 banks, including Taiwan Cooperative Bank	2018.06~2025.07	Joint guarantee for NT\$10.15 billion	Financial ratios and others
Construction contract	TASA Construction Corporation	2018.11~2024.06	Contract services for Kaohsiung FAB_A and CUB lower part structures	None
Construction contract	TASA Construction Corporation	2018.11~2024.06	Material procurement for Kaohsiung FAB_A and CUB lower part structures	None
Construction contract	TASA Construction Corporation	2018.11~2021.02	Contract services for phase 3 falsework of Kaohsiung Fab	None
Construction contract	TASA Construction Corporation	2018.11~2021.02	Material procurement for phase 3 falsework of Kaohsiung Fab	None
Construction contract	TASA Construction Corporation	2018.12~2025.09	Contract services for main structure work of Kaohsiung Fab	None
Construction contract	TASA Construction Corporation	2018.12~2025.09	Material procurement for main structure work of Kaohsiung Fab	None
Syndicated loan	19 banks, including Bank of Taiwan	2019.01~2026.09	NT\$42 billion syndicated loan	Financial ratios and others
Construction contract	Nomura Micro Science Co., Ltd.	2019.03~2022.09	Contract services for pure water system work at Kaohsiung Fab	None
Construction contract	Nomura Micro Science Co., Ltd.	2019.03~2022.09	Material procurement for pure water system work at Kaohsiung Fab	None
Construction contract	TASA Construction Corporation	2019.03~2024.12	Contract services for steel structure work of Kaohsiung Fab A	None

Nature of contract	Contracting parties	Year and month of contract start and end	Content	Restriction clauses
Construction contract	TASA Construction Corporation	2019.03~2024.12	Material procurement for steel structure work of Kaohsiung Fab A	None
Construction contract	TASA Construction Corporation	2019.05~2024.05	Contract services for building renovation at Kaohsiung Fab A	None
Construction contract	TASA Construction Corporation	2019.05~2024.05	Material procurement for building renovation at Kaohsiung Fab A	None
Construction contract	TASA Construction Corporation	2019.07~2025.11	Contract services for exterior wall work of Kaohsiung Fab	None
Construction contract	TASA Construction Corporation	2019.07~2025.11	Material procurement for exterior wall work of Kaohsiung Fab	None
Construction contract	Mega Union Technology Inc.	2019.09~2023.06	Contract services for wastewater collection and processing system work at Kaohsiung Fab-A of Winbond Electronics	None
Construction contract	Mega Union Technology Inc.	2019.09~2023.06	Material procurement for wastewater collection and processing system work at Kaohsiung Fab-A of Winbond Electronics	None
Construction contract	L&K Engineering Co., Ltd.	2019.11~2024.04	Contract services for Phase 1 of mechanical, electrical, and plumbing (MEP) system work at Kaohsiung Fab	None
Construction contract	L&K Engineering Co., Ltd.	2019.11~2024.04	Material procurement for Phase 1 of mechanical, electrical, and plumbing (MEP) system work at Kaohsiung Fab	None
Construction contract	Exyte Taiwan Co., Ltd.	2019.12~2024.04	Contract services for clean room work at Kaohsiung Fab of Winbond Electronics	None
Construction contract	Exyte Taiwan Co., Ltd.	2019.12~2024.04	Material procurement for clean room work at Kaohsiung Fab of Winbond Electronics	None
Sale and purchase agreement	Nanrong Development Construction Co., Ltd.	2019.09~2024.06	Acquisition of Floors 13 and 14 of Building H and 13 parking spaces in the Nankang World Pearl project	None
Sale and purchase agreement	Amazing Microelectronic Corp.	2020.08~2020.10	Sale of Lot No. 43, Shih-Xing Section, Zhubei City, Hsinchu County and houses and parking spaces No. 1052, 1053, 1060, 1064, 1065 and 1072.	None
Sale and purchase agreement	Amazing Microelectronic Corp.	2020.09~2020.11	Sale of Lot No. 43, Shih-Xing Section, Zhubei City, Hsinchu County and houses and parking spaces No. 1054, 1055, 1056, 1066, 1067 and 1068.	None
Investment agreement	JVP Growth Opportunity X. L.P.	2020.10~2028.12	Investment in a venture capital fund up to US\$15 million; contribution will be made in stages in 5 years after the establishment of the fund	None
Sale and purchase agreement	Amazing Microelectronic Corp.	2020.12~2021.01	Sale of Lot No. 43, Shih-Xing Section, Zhubei City, Hsinchu County and houses and parking spaces No. 1057, 1058, 1059, 1069, 1070 and 1071.	None
Construction contract	Confederate Technology Co., Ltd.	2021.01~2021.12	Contract services for construction of bulk gas supply system at Kaohsiung FAB	None
Supply contract	BOC Lien Hwa Industrial Co., Ltd.	2021.04~2036.03	Contract service for supplying bulk gas to FAB at Central Taiwan Science Park	None
Sales agreement	Company M	2017.08~2022.07	Product sales	Providing product warranties. Winbond has a duty of confidentiality.
Acquisition agreement	Panasonic Corporation	2019.11~2020.12	Acquisition	Paying the contract price as agreed

Nature of contract	Contracting parties	Year and month of contract start and end	Content	Restriction clauses
Licensing agreement	Microchip Technology Incorporated	2020.03~2034.10	Technology licensing	Winbond shall not grant the same license to any third party.

Note 1: Winbond and Qimonda AG of Germany entered an agreement in August 2009 to terminate the prior agreement on reserving specific capacity.

Note 2: The licensing of 90-45nm process technologies from Qimonda AG of Germany becomes permanent after Winbond pays off royalties as agreed.

VII. Financial difficulties and corporate events encountered by the Company and affiliates in the past year and up to the date of report that have material impact on the financial status of the Company: None

Financial Overview

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

(I) Condensed consolidated balance sheet and statements of income

1. Condensed consolidated balance sheet

Unit: NT\$1,000

Item\Year	Financial information of the last five years				
	2016	2017	2018	2019	2020
Current assets	27,259,743	37,240,205	37,528,246	37,557,286	47,530,801
Property, plant and equipment	34,372,537	43,828,707	52,484,183	56,977,114	61,452,516
Intangible assets	285,304	288,013	229,195	407,722	891,380
Other assets	6,071,911	6,759,198	5,800,840	9,862,778	16,168,543
Total Assets	67,989,495	88,116,123	96,042,464	104,804,900	126,043,240
Current liabilities	Before distribution	14,605,735	16,240,188	16,469,744	17,515,468
	After distribution	16,753,735	20,220,188	20,449,744	17,913,468
Non-current liabilities		8,162,961	10,248,944	15,681,623	23,432,245
Total liabilities	Before distribution	22,768,696	26,489,132	32,151,367	40,947,713
	After distribution	24,916,696	30,469,132	36,131,367	41,345,713
Equity attributable to owners of parent		43,920,961	60,212,164	62,444,371	61,020,622
Capital		35,800,002	39,800,002	39,800,002	39,800,002
Capital surplus		2,471,044	7,540,440	7,540,440	7,536,396
Accumulated profit (loss)	Before distribution	4,556,570	7,885,707	11,621,286	8,793,542
	After distribution	2,408,570	3,905,707	7,641,286	8,395,542
Other interests		1,199,732	4,986,015	3,482,643	4,890,682
Treasury stock		(106,387)	-	-	-
Non-controlling interests		1,299,838	1,414,827	1,446,726	2,836,565
Total equity	Before distribution	45,220,799	61,626,991	63,891,097	63,857,187
	After distribution	43,072,799	57,646,991	59,911,097	63,459,187

Note 1: The aforesaid financial information was audited and certified by the CPAs. The 2020 financial report has been approved by the Board of Directors, but has not yet been submitted to the shareholders' meeting.

Note 2: Pending final approval from Shareholders' Meeting.

2. Condensed consolidated statements of income

Unit: NT\$1,000

Item\Year	Financial information of the last five years				
	2016	2017	2018	2019	2020
Operating revenue	42,091,709	47,591,792	51,190,323	48,771,434	60,683,171
Gross profit	12,017,772	16,323,687	19,151,103	12,913,852	17,040,136
Operating profits	3,712,956	6,655,768	7,926,697	1,255,209	1,627,291
Non-operating income and expenses	41,664	441,761	468,203	497,308	185,117
Net income (loss) before tax	3,754,620	7,097,529	8,394,900	1,752,517	1,812,408
Less: Income tax expense	614,546	1,274,579	667,242	275,230	293,365
Current period net profit	3,140,074	5,822,950	7,727,658	1,477,287	1,519,043
Other comprehensive income for the current period	2,485,116	3,749,701	(1,738,472)	1,294,756	3,291,251
Total comprehensive income for the current period	5,625,190	9,572,651	5,989,186	2,772,043	4,810,294
Net profit attributable to owners of parent	2,897,791	5,550,562	7,446,496	1,256,387	1,304,019
Net profit attributable to non-controlling interests	242,283	272,388	281,162	220,900	215,024
Total comprehensive income attributable to Owners of parent	5,376,238	9,263,420	5,810,825	2,560,295	4,592,028
Total comprehensive income attributable to Non-controlling interests	248,952	309,231	178,361	211,748	218,266
Earnings per share (NT\$)	0.81	1.54	1.87	0.32	0.33

Note: The aforesaid financial information was audited and certified by the CPAs. The 2020 financial report has been approved by the Board of Directors, but has not yet been submitted to the shareholders' meeting.

(II) Individual condensed balance sheet and statements of income

1. Individual condensed balance sheet

Unit: NT\$1,000

Item\Year		Financial information of the last five years				
		2016	2017	2018	2019	2020
Current assets		21,269,634	31,046,641	31,188,039	27,470,545	27,459,041
Property, plant and equipment		33,607,842	42,969,011	51,577,630	55,691,405	54,399,180
Intangible assets		69,438	115,325	104,925	123,949	57,563
Other assets		9,452,136	10,279,023	9,303,235	14,963,032	18,137,516
Total Assets		64,399,050	84,410,000	92,173,829	98,248,931	100,053,300
Current liabilities	Before distribution	12,760,416	14,638,436	14,638,436	15,267,599	13,992,019
	After distribution	14,908,416	18,618,436	18,618,436	15,665,599	(Note 2)
Non-current liabilities		7,717,673	9,837,779	15,091,022	21,960,710	20,612,162
Total liabilities	Before distribution	20,478,089	29,729,458	29,729,458	37,228,309	34,604,181
	After distribution	22,626,089	33,709,458	33,709,458	37,626,309	(Note 2)
Capital		35,800,002	39,800,002	39,800,002	39,800,002	39,800,002
Capital surplus		2,471,044	7,540,440	7,540,440	7,536,396	7,770,865
Accumulated profit (loss)	Before distribution	4,556,570	11,621,286	11,621,286	8,793,542	10,008,070
	After distribution	2,408,570	7,641,286	7,641,286	8,395,542	(Note 2)
Other interests		1,199,732	4,986,015	3,482,643	4,890,682	7,870,182
Treasury stock		(106,387)	-	-	-	-
Total equity	Before distribution	43,920,961	60,212,164	62,444,371	61,020,622	65,449,119
	After distribution	41,772,961	56,232,164	58,464,371	60,622,622	(Note 2)

Note 1: The aforesaid financial information was audited and certified by the CPAs. The 2020 financial report has been approved by the Board of Directors, but has not yet been submitted to the shareholders' meeting.

Note 2: Pending final approval from Shareholders' Meeting.

2. Individual condensed statements of income

Unit: NT\$1,000

Item\Year		Financial information of the last five years				
		2016	2017	2018	2019	2020
Operating revenue		33,534,343	38,102,813	40,733,527	37,884,848	39,649,875
Gross profit		8,259,823	12,158,001	14,781,238	8,239,412	8,807,169
Operating profits		2,969,794	5,710,689	6,943,927	379,841	1,090,583
Non-operating income and expenses		401,436	941,679	993,089	980,011	259,243
Net income (loss) before tax		3,371,230	6,652,368	7,937,016	1,359,852	1,349,826
Less: Income tax expense		473,439	1,101,806	490,520	103,465	45,807
Current period net profit		2,897,791	5,550,562	7,446,496	1,256,387	1,304,019
Other comprehensive income for the current period		2,478,447	3,712,858	(1,635,671)	1,303,908	3,288,009
Total comprehensive income for the current period		5,376,238	9,263,420	5,810,825	2,560,295	4,592,028
Earnings per share (NT\$)		0.81	1.54	1.87	0.32	0.33

Note: The aforesaid financial information was audited and certified by the CPAs. The 2020 financial report has been approved by the Board of Directors, but has not yet been submitted to the shareholders' meeting.

(III) Names of CPAs and audit opinions of the last five years

Year	CPA Name		Audit opinion
2016	K. C. Wu	Hung-Bin Yu	Unqualified opinion
2017	Hung-Bin Yu	K. C. Wu	Unqualified opinion
2018	K. T. Hong	Hung-Bin Yu	Unqualified opinion
2019	Wen-Yea Shyu	Hung-Bin Yu	Unqualified opinion
2020	Wen-Yea Shyu	Hung-Bin Yu	Unqualified opinion

II. Financial analysis of the last five years

1. Financial ratios analysis of consolidated financial statements

Item\Year		Financial analysis of the last five years				
		2016	2017	2018	2019	2020
Financial structure	Debt-to-asset ratio (%)	33.48	30.06	33.47	39.07	43.99
	Long-term fund to property, plant and equipment (fixed assets) ratio (%)	155.30	163.99	151.61	153.20	16.65
Solvency	Current ratio (%)	186.63	229.30	227.86	214.42	186.57
	Quick ratio (%)	126.78	173.14	156.31	150.85	128.17
	Times interest earned	21.07	91.27	47.05	9.00	7.11
Operating ability	Receivables turnover ratio (times)	7.60	7.58	7.72	7.71	7.62
	Average days of collection	48	48	47	47	48
	Inventory turnover rate (times)	3.74	3.98	3.36	3.37	3.56
	Payables turnover ratio (times)	6.51	6.51	6.49	6.73	6.26
	Average days of sales	98	92	109	108	102
	Property, plant and equipment turnover ratio (times)	1.26	1.21	1.06	0.89	1.02
	Total assets turnover ratio (times)	0.64	0.60	0.55	0.48	0.52
Profitability	Return on assets (%)	5.04	7.54	8.55	1.64	1.52
	Return on equity (%)	7.36	10.89	12.31	2.31	2.25
	Income before tax to paid-in capital ratio (%)	10.48	17.83	21.09	4.40	4.55
	Net profit margin (%)	7.46	12.23	15.09	3.02	2.50
	Earnings per share (NT\$)	0.81	1.54	1.87	0.32	0.33
Cash flow	Cash flow ratio (%)	68.40	74.77	82.17	60.38	43.64
	Cash flow adequacy ratio (%)	129.69	101.45	78.21	75.01	77.35
	Cash reinvestment ratio (%)	6.62	5.91	5.19	3.30	3.66
Leverage	Operating leverage	4.27	3.05	3.07	16.22	14.26
	Financial leverage	1.05	1.01	1.02	1.21	1.22
Reasons for changes in financial ratios exceeding 20%:						
1. Decrease in times interest earned: Mainly due to increased interest expense in 2020.						
2. Decrease in cash flow ratio: Mainly due to increase in current liabilities:						

Note: Financial ratios were computed based on audited financial information. The computation formulas used in financial analysis:

1. Financial structure

- (1) Debt-to-asset ratio = total liabilities / total assets.
- (2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.
- (3) Times interest earned = net income before income tax and interest expense / current interest expense.

3. Operating ability

- (1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue / average balance of receivable of the period (including accounts receivable and business-related notes receivable).
- (2) Average days of collection = 365 / receivables turnover ratio.
- (3) Inventory turnover rate = cost of goods sold / average amount of inventory.
- (4) Payable (including accounts payable and business-related notes payable) turnover ratio = cost of goods sold / average balance of payable of the period (including accounts payable and business-related notes payable).
- (5) Average days of sales = 365 / inventory turnover rate.
- (6) Property, plant and equipment turnover ratio = net sales / net average property, plant and equipment.
- (7) Total assets turnover ratio = net sales / total average assets.

4. Profitability

- (1) Return on assets = [net income + interest expense (1- tax rate)] / average total assets.
- (2) Return on equity = after-tax profit / total average equity.
- (3) Net profit margin = net income / net sales.
- (4) Earnings per share = (income attributable to owners of parent – dividend to preferred stock) / weighted average of shares issued.

5. Cash flow

- (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
- (3) Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).

6. Leverage:

- (1) Operating leverage = (net operating revenue - variable operating cost and expenses) / operating income.
- (2) Financial leverage = operating income / (operating income – interest expense).

2. Financial ratios analysis of financial statements

Item\Year		Financial analysis of the last five years				
		2016	2017	2018	2019	2020
Financial structure	Debt-to-asset ratio (%)	31.79	28.66	32.25	37.89	34.58
	Long-term fund to property, plant and equipment (fixed assets) ratio (%)	153.65	163.02	150.32	149.00	158.20
Solvency	Current ratio (%)	166.68	216.20	213.05	179.92	196.24
	Quick ratio (%)	109.12	165.80	144.61	118.37	136.26
	Times interest earned	19.02	85.60	44.53	7.66	7.00
Operating ability	Receivables turnover ratio (times)	7.73	7.51	7.60	7.93	8.50
	Average days of collection	47	49	48	46	42.94
	Inventory turnover rate (times)	3.64	4.03	3.27	3.27	3.70
	Payables turnover ratio (times)	6.56	6.65	6.42	6.85	6.84
	Average days of sales	100	91	112	112	99
	Property, plant and equipment turnover ratio (times)	1.03	0.99	0.86	0.70	0.72
	Total assets turnover ratio (times)	0.54	0.51	0.46	0.39	0.39
Profitability	Return on assets (%)	4.92	7.54	8.59	1.49	1.49
	Return on equity (%)	6.99	10.66	12.14	2.03	2.06
	Income before tax to paid-in capital ratio (%)	9.41	16.71	19.94	3.41	3.39
	Net profit margin (%)	8.64	14.56	18.28	3.31	3.28
	Earnings per share (NT\$)	0.81	1.54	1.87	0.32	0.33
Cash flow	Cash flow ratio (%)	73.17	82.71	87.70	66.35	71.26
	Cash flow adequacy ratio (%)	125.75	99.70	76.54	73.83	75.05
	Cash reinvestment ratio (%)	6.98	6.39	5.31	3.41	5.01
Leverage	Operating leverage	4.18	2.89	2.92	42.17	14.22
	Financial leverage	1.06	1.01	1.02	2.16	1.25
Reasons for changes in financial ratios exceeding 20%:						
(1) Increase in cash reinvestment ratio: Mainly due to increase in property, plant and equipment.						
(2) Decreases in operating leverage and financial leverage: Mainly due to increased operating profits in 2020.						

Note: Financial ratios were computed based on audited financial information. The computation formulas used in financial analysis:

1. Financial structure

- (1) Debt-to-asset ratio = total liabilities / total assets.
- (2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.
- (3) Times interest earned = net income before income tax and interest expense / current interest expense.

3. Operating ability

- (1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue / average balance of receivable of the period (including accounts receivable and business-related notes receivable).
- (2) Average days of collection = 365 / receivables turnover ratio.
- (3) Inventory turnover rate = cost of goods sold / average amount of inventory.
- (4) Payable (including accounts payable and business-related notes payable) turnover ratio = cost of goods sold / average balance of payable of the period (including accounts payable and business-related notes payable).
- (5) Average days of sales = 365 / inventory turnover rate.
- (6) Property, plant and equipment turnover ratio = net sales / net average property, plant and equipment.
- (7) Total assets turnover ratio = net sales / total average assets.

4. Profitability

- (1) Return on assets = [net income + interest expense (1- tax rate)] / average total assets.
- (2) Return on equity = after-tax profit / total average (stockholders' equity) equity.
- (3) Net profit margin = net income / net sales.
- (4) Earnings per share = (income attributable to owners of parent – dividend to preferred stock) / weighted average of shares issued.

5. Cash flow

- (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
- (3) Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).

6. Leverage:

- (1) Operating leverage = (net operating revenue - variable operating cost and expenses) / operating income.
- (2) Financial leverage = operating income / (operating income – interest expense).

III. Report of the Audit Committee on 2020 Financial Report

Report of the Audit Committee

We have examined the Year 2020 statements (including consolidated financial statements), together with business report and earnings distribution proposal prepared by the Board of Directors and audited and certified by CPAs Wen-Yea Shyu and Hung-Bin Yu of Deloitte & Touche with the issue of an unqualified opinion, who did not find any discrepancy. The aforesaid financial statements, business report, and earnings distribution proposal have been reviewed by the Audit Committee and all content was found appropriate. We therefore submit it for your review in accordance with Article 14-4 of the Securities Exchange Act and Article 219 of the Company Act.

To:

Winbond Electronics Corp. 2021 General Shareholders' Meeting

Winbond Electronics Corporation

Convenor of Audit Committee: Allen Hsu

March 16, 2021

**Winbond Electronics Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Winbond Electronics Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Occurrence of Sales Revenues

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

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

Business Combination

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

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

1. Review the meeting minutes of the board of director to confirm the business combination proposal has been properly assessed and approved.
2. Review the payment voucher of NTC to confirm whether it is consistent with the contract's content.
3. Review and assess the reasonableness of the purchase price allocation report, issued by experts entrusted by NTC due to the business combination, and the accounting treatment on the acquisition date.

Other Matter

We have also audited the stand alone financial statements of the Company for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including audit committees, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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 for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wen-Yea Shyu and Hung-Bin Yu.

The image shows two handwritten signatures in black ink. The first signature, on the left, is 'Wen-yea Shyu' and the second signature, on the right, is 'Hung-Bin Yu'. Both are written in a cursive, flowing style.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 18, 2021

Notice to Readers

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

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 11,744,306	9	\$ 11,467,907	11
Current financial assets at fair value through profit or loss (Notes 4 and 7)	51,603	-	75,462	-
Current financial assets at fair value through other comprehensive income (Notes 4 and 8)	8,837,227	7	7,225,588	7
Notes and accounts receivable, net (Notes 4 and 9)	9,707,378	8	6,085,003	6
Accounts receivable due from related parties, net (Note 30)	77,760	-	45,903	-
Other receivables (Note 10)	1,973,584	2	750,720	1
Inventories (Notes 4 and 11)	14,141,414	11	10,332,143	10
Other current assets	997,529	1	1,574,560	1
Total current assets	47,530,801	38	37,557,286	36
NON-CURRENT ASSETS				
Non-current financial assets at fair value through other comprehensive income (Notes 4 and 8)	2,239,987	2	1,501,756	2
Investments accounted for using equity method (Notes 4 and 12)	6,241,789	5	4,548,939	4
Property, plant and equipment (Notes 4 and 13)	61,452,516	49	56,977,114	54
Right-of-use assets (Notes 4 and 14)	3,200,332	2	2,298,393	2
Investment properties (Notes 4 and 15)	2,466,667	2	44,207	-
Intangible assets (Notes 4 and 16)	891,380	-	407,722	-
Deferred income tax assets (Notes 4 and 24)	908,560	1	923,902	1
Other non-current assets (Note 6)	1,111,208	1	545,581	1
Total non-current assets	78,512,439	62	67,247,614	64
TOTAL	\$ 126,043,240	100	\$ 104,804,900	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ 1,821,210	2	\$ 1,000,000	1
Current financial liabilities at fair value through profit or loss (Notes 4 and 7)	3,191	-	-	-
Notes and accounts payable	6,571,429	5	4,786,251	5
Accounts payable to related parties (Note 30)	1,666,003	1	911,529	1
Payables on machinery and equipment	2,123,189	2	3,013,266	3
Other payables	6,139,723	5	3,125,368	3
Current tax liabilities (Notes 4 and 24)	310,810	-	198,242	-
Provisions - current (Notes 4 and 19)	928,719	1	-	-
Lease liabilities - current (Notes 4 and 14)	388,401	-	186,556	-
Long-term borrowings - current portion (Note 17)	5,000,000	4	4,123,520	4
Other current liabilities	522,331	-	170,736	-
Total current liabilities	25,475,006	20	17,515,468	17
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 18)	11,151,668	9	9,931,746	10
Long-term borrowings (Notes 17 and 26)	9,381,845	7	9,730,473	9
Provisions - non-current (Notes 4 and 19)	3,293,313	3	276,873	-
Lease liabilities - non-current (Notes 4 and 14)	3,119,221	3	2,096,115	2
Net defined benefit liabilities, non-current (Notes 4 and 20)	2,722,544	2	1,251,869	1
Other non-current liabilities	306,956	-	145,169	-
Total non-current liabilities	29,975,547	24	23,432,245	22
Total liabilities	55,450,553	44	40,947,713	39
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4 and 21)				
Share capital	39,800,002	32	39,800,002	38
Capital surplus	7,770,865	6	7,536,396	7
Retained earnings				
Legal reserve	1,913,317	2	1,798,091	2
Unappropriated earnings	8,094,753	6	6,995,451	6
Exchange differences on translation of foreign financial statements	(271,328)	-	(119,246)	-
Unrealized gains on financial assets measured at fair value through other comprehensive income	8,141,510	6	5,009,928	5
Total equity attributable to owners of the parent	65,449,119	52	61,020,622	58
NON-CONTROLLING INTERESTS	5,143,568	4	2,836,565	3
Total equity	70,592,687	56	63,857,187	61
TOTAL	\$ 126,043,240	100	\$ 104,804,900	100

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Note 22)	\$ 60,683,171	100	\$ 48,771,434	100
OPERATING COSTS (Note 11)	<u>43,643,035</u>	<u>72</u>	<u>35,857,582</u>	<u>73</u>
GROSS PROFIT	<u>17,040,136</u>	<u>28</u>	<u>12,913,852</u>	<u>27</u>
OPERATING EXPENSES				
Selling expenses	1,598,624	3	1,408,662	3
General and administrative expenses	3,170,173	5	2,123,292	4
Research and development expenses	10,506,230	17	8,132,031	17
Expected credit (gain) loss (Note 9)	<u>137,818</u>	<u>-</u>	<u>(5,342)</u>	<u>-</u>
Total operating expenses	<u>15,412,845</u>	<u>25</u>	<u>11,658,643</u>	<u>24</u>
INCOME FROM OPERATIONS	<u>1,627,291</u>	<u>3</u>	<u>1,255,209</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	47,015	-	95,203	-
Dividend income (Note 8)	227,534	-	531,803	1
Gain on bargain purchase (Note 27)	218,968	-	-	-
Other income (Note 14)	254,482	-	49,788	-
Share of profit of associates	62,556	-	241,034	-
Gains (losses) on disposal of property, plant and equipment	44,334	-	(1,039)	-
Gains (losses) on disposal of non-current held for sale assets	27,674	-	-	-
Gains (losses) on financial instruments at fair value through profit or loss	110,312	-	64,016	-
Interest expense	(296,470)	-	(218,980)	-
Other expenses	(251,686)	-	(126,983)	-
Gains (losses) on disposal of investments	(16,146)	-	-	-
Gains (losses) on foreign exchange (Note 34)	(130,651)	-	(137,534)	-
Impairment loss on intangible assets (Note 16)	<u>(112,805)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>185,117</u>	<u>-</u>	<u>497,308</u>	<u>1</u>
INCOME BEFORE INCOME TAX	1,812,408	3	1,752,517	4
INCOME TAX EXPENSE (Notes 4 and 24)	<u>293,365</u>	<u>-</u>	<u>275,230</u>	<u>1</u>
NET INCOME	<u>1,519,043</u>	<u>3</u>	<u>1,477,287</u>	<u>3</u>

(Continued)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:				
Gains (losses) on remeasurement of defined benefit plans (Note 20)	\$ (18,697)	-	\$ (135,829)	-
Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	1,819,583	3	724,814	1
Share of other comprehensive income (loss) of associates accounted for using the equity method	1,692,465	3	777,428	2
Components of other comprehensive income (loss) that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	<u>(202,100)</u>	<u>(1)</u>	<u>(71,657)</u>	<u>-</u>
Other comprehensive income (loss)	<u>3,291,251</u>	<u>5</u>	<u>1,294,756</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 4,810,294</u>	<u>8</u>	<u>\$ 2,772,043</u>	<u>6</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 1,304,019	2	\$ 1,256,387	3
Non-controlling interests	<u>215,024</u>	<u>-</u>	<u>220,900</u>	<u>-</u>
	<u>\$ 1,519,043</u>	<u>2</u>	<u>\$ 1,477,287</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 4,592,028	8	\$ 2,560,295	5
Non-controlling interests	<u>218,266</u>	<u>-</u>	<u>211,748</u>	<u>1</u>
	<u>\$ 4,810,294</u>	<u>8</u>	<u>\$ 2,772,043</u>	<u>6</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 0.33</u>		<u>\$ 0.32</u>	
Diluted	<u>\$ 0.33</u>		<u>\$ 0.32</u>	

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

(Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent						
	Share Capital			Retained Earnings		Other Equity	
	Share Capital	Capital Surplus	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2019	\$ 39,800,002	\$ 7,540,440	\$ 1,053,441	\$ 10,567,845	\$ (50,780)	\$ 3,533,423	\$ 63,891,097
Appropriation of 2018 earnings	-	-	744,650	(744,650)	-	-	-
Legal reserve appropriated	-	-	-	(3,980,000)	-	-	(3,980,000)
Cash dividends	-	-	-	-	-	-	-
Total appropriations	-	-	744,650	(4,724,650)	-	-	(3,980,000)
Net profit for the year ended December 31, 2019	-	-	-	1,256,387	-	-	1,256,387
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	(115,561)	(68,466)	1,487,935	1,303,908
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	1,140,826	(68,466)	1,487,935	2,560,295
Changes in ownership interests in subsidiaries	-	(4,044)	-	-	-	-	(4,044)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	11,430	-	(11,430)	-
Changes in non-controlling interests	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2019	39,800,002	7,536,396	1,798,091	6,995,451	(119,246)	5,009,928	63,857,187
Appropriation of 2019 earnings	-	-	115,226	(115,226)	-	-	-
Legal reserve appropriated	-	-	-	(398,000)	-	-	(398,000)
Cash dividends	-	-	-	-	-	-	-
Total appropriations	-	-	115,226	(513,226)	-	-	(398,000)
Net profit for the year ended December 31, 2020	-	-	-	1,304,019	-	-	1,304,019
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	(5,710)	(152,082)	3,445,801	3,288,009
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	1,298,309	(152,082)	3,445,801	4,592,028
Changes in ownership interests in subsidiaries	-	234,469	-	-	-	-	234,469
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	314,219	-	(314,219)	-
Changes in non-controlling interests	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2020	\$ 39,800,002	\$ 7,770,865	\$ 1,913,317	\$ 8,094,753	\$ (271,328)	\$ 8,141,510	\$ 70,592,687

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,812,408	\$ 1,752,517
Adjustments for:		
Depreciation expense	9,240,589	8,666,391
Amortization expense	222,008	111,440
Expected credit (gain) loss recognized on accounts receivable	137,818	(5,342)
(Reversal of) provision for declines in market value, obsolescence and scraps of inventories	(117,786)	1,146,371
Net (gains) losses on financial assets and liabilities at fair value through profit or loss	27,474	(67,172)
Interest expense	296,470	218,980
Interest income	(47,015)	(95,203)
Dividend income	(227,534)	(531,803)
Gain on bargain purchase	(218,968)	-
Share of (profit) loss of associates	(62,556)	(241,034)
(Gains) losses on disposal of property, plant and equipment	(44,334)	1,039
(Gains) losses on disposal of non-current held for sale assets	(27,674)	-
(Gains) losses on disposal of investments	16,146	-
(Reversal of) impairment loss on intangible assets	112,805	-
Compensation costs of employee share options	62,240	49,920
(Gains) losses on other items	(5)	(679)
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	(512,580)	391,215
(Increase) decrease in accounts receivable due from related parties	(5,651)	(1,606)
(Increase) decrease in other receivables	629,244	(345,490)
(Increase) decrease in inventories	921,616	(570,408)
(Increase) decrease in other current assets	277,230	68,173
(Increase) decrease in other non-current assets	(562,899)	(118,045)
Increase (decrease) in notes and accounts payable	(33,869)	471,003
Increase (decrease) in accounts payable to related parties	(775,789)	281,848
Increase (decrease) in other payables	(73,968)	(695,784)
Increase (decrease) in other current liabilities	293,960	28,192
Increase (decrease) in other non-current liabilities	10,063	(44,489)
Cash flows from (used in) operations	11,349,443	10,470,034
Interest received	52,120	94,164
Dividends received	318,955	586,655
Interest paid	(443,367)	(348,667)
Income taxes paid	(159,264)	(226,290)
Net cash flows generated by (used in) operating activities	11,117,887	10,575,896

(Continued)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial asset at fair value through other comprehensive income	\$ (719,218)	\$ (992,439)
Proceeds from disposal of financial asset at fair value through other comprehensive income	1,074,374	106,799
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	14,119	4,000
Acquisition of investments accounted for using the equity method	(29,250)	-
Net cash flow from acquisition of subsidiaries (Note 27)	(6,928,207)	(127,514)
Proceeds from disposal of non-current held for sale assets	542,845	-
Acquisition of property, plant and equipment	(8,356,007)	(13,431,076)
Proceeds from disposal of property, plant and equipment	70,027	1,967
Acquisition of intangible assets	(506,222)	(197,990)
Proceeds from disposal of intangible assets	735	-
Acquisition of right-of-use assets	(6,971)	-
Net cash flows generated by (used in) investing activities	<u>(14,843,775)</u>	<u>(14,636,253)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	821,210	1,000,000
Proceeds from issuing bonds	1,998,428	-
Proceeds from long-term borrowings	6,600,000	10,350,000
Repayments of long-term borrowings	(6,047,040)	(5,123,520)
Cash dividends paid	(398,000)	(3,980,000)
Change in non-controlling interests	1,456,227	1,124,126
Repayments of lease liabilities	(278,553)	(202,489)
Other financing activities	-	(135,000)
Net cash flows generated by (used in) financing activities	<u>4,152,272</u>	<u>3,033,117</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(149,985)</u>	<u>(64,484)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	276,399	(1,091,724)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>11,467,907</u>	<u>12,559,631</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 11,744,306</u>	<u>\$ 11,467,907</u>

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

(Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Winbond Electronics Corporation (the “Company”) was incorporated in the Republic of China (ROC) on September 29, 1987 and is engaged in the design, development, manufacture and marketing of Very Large Scale Integration (VLSI) integrated circuits (ICs) used in a variety of microelectronic applications.

The Company’s shares have been listed on the Taiwan Stock Exchange Corporation since October 18, 1995. Walsin Lihwa Corporation is a major shareholder of the Company and held approximately 22% ownership interest in the Company as of December 31, 2020 and 2019.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on February 18, 2021.

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

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

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

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

The Group adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

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

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

The Group applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

- b. The IFRSs endorsed by the FSC for application starting from 2021

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

Basis of Consolidation

a. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

b. Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership December 31	
			2020	2019
The Company WIC	Winbond International Corporation (WIC)	Investment holding	100.00	100.00
	Winbond Electronics Corporation America (WECA)	Design, sales and service of semiconductor	100.00	100.00
The Company Landmark	Landmark Group Holdings Ltd. (Landmark)	Investment holding	100.00	100.00
	Winbond Electronics Corporation Japan (WECJ)	Research, development, sales and after-sales service of semiconductor	100.00	100.00
Landmark	Peaceful River Corp. (PRC) (Note 1)	Investment holding	-	100.00
The Company	Winbond Electronics (HK) Limited (WEHK)	Sales of semiconductor and investment holding	100.00	100.00
WEHK	Winbond Electronics (Suzhou) Limited (WECN)	Design, development and marketing of VLSI integrated ICs	100.00	100.00

(Continued)

Investor	Investee	Main Business	% of Ownership	
			December 31	
			2020	2019
The Company	Pine Capital Investment Limited (PCI)	Investment holding	100.00	100.00
The Company	Winbond Technology Ltd. (WTL)	Design and service of semiconductor	100.00	100.00
The Company	Callisto Holdings Limited (“Callisto”)	Electronic commerce and investment holding	100.00	100.00
Callisto	Callisto Technology Limited (“CTL”)	Electronic commerce and investment holding	100.00	100.00
The Company	Winbond Electronics Germany GmbH (“WEG”) (Note 2)	Sales and service of semiconductor	100.00	100.00
The Company	Great Target Development Ltd. (“GTD”) (Note 3)	Investment holding	100.00	100.00
GTD	GLMTD Technology Private Limited (“GLMTD”) (Note 3)	Sales and service of semiconductor	99.99	99.99
The Company	Nuvoton Technology Corporation (“NTC”) (Note 4)	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	55.00	62.00
NTC	Marketplace Management Ltd. (“MML”)	Investment holding	100.00	100.00
MML	Goldbond LLC (“GLLC”)	Investment holding	100.00	100.00
GLLC	Nuvoton Electronics Technology (Shanghai) Limited (“NTSH”)	Provide project of sale in China and repairing, testing and consulting of software	100.00	100.00
GLLC	Winbond Electronics (Nanjing) Ltd. (“WENJ”)	Computer software service (except I.C. design)	100.00	100.00
NTC	Nuvoton Technology Corp. America (“NTCA”)	Design, sales and service of semiconductor	100.00	100.00
NTC	Nuvoton Investment Holding Ltd. (“NIH”)	Investment holding	100.00	100.00
NIH	Nuvoton Technology Israel Ltd. (“NTIL”)	Design and service of semiconductor	100.00	100.00
NTC	Nuvoton Electronics Technology (H.K.) Limited (“NTHK”)	Sales of semiconductor	100.00	100.00
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited (“NTSZ”)	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100.00	100.00
NTC	Song Yong Investment Corporation (“SYT”)	Investment holding	100.00	100.00
NTC	Nuvoton Technology India Private Limited (“NTIPL”)	Design, sales and service of semiconductor	100.00	100.00
NTC	Nuvoton Technology Singapore Pte. Ltd. (“NTSPL”) (Note 5)	Design, sales and service of semiconductor	100.00	-
NTC	Nuvoton Technology Korea Limited (“NTKR”) (Note 6)	Design, sales and service of semiconductor	100.00	-
NTC	Nuvoton Technology Holding Japan (“NTHJ”) (Note 7)	Investment holding	100.00	-
NTHJ	Nuvoton Technology Corporation Japan (“NTCJ”, former “PSCS”) (Note 7)	Design, sales and service of semiconductor	100.00	-
NTCJ	Atfields Manufacturing Technology Corporation (“AMTC”, former “PIDE”) (Note 7)	Design and service of semiconductor	100.00	-
NTCJ	Miraxia Edge Technology Corporation (“METC”, former “PIDST”) (Note 7)	Design and service of semiconductor	100.00	-

(Concluded)

Note 1: PRC completed the liquidation and legal procedures in November 2020. The date of dissolution was on November 26, 2020.

Note 2: A capital was injected in WEG, which was incorporated in November 2019.

Note 3: The Company purchased GTD in July 2019 and indirectly held GLMTD with 99.99% ownership.

Note 4: In August 2020, NTC’s board of directors resolved to issue 80,000 thousand ordinary shares to fund working capital. The Company subscribed 37,955 thousand shares of the ordinary shares of NTC at \$38 per share and directly held 55% of ownership.

Note 5: NTSPL was incorporated in March 2020 and NTC had injected a capital.

Note 6: NTKR was incorporated in June 2020 and NTC had injected a capital.

Note 7: NTC purchased the semiconductor business of Panasonic Corporation on September 1, 2020 and held NTHJ, NTCJ (former “PSCS”), AMTC (former “PIDE”), and METC (former “PIDST”) with 100% ownership.

Classification of Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized, sold or consumed within twelve months after the reporting period, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Except as otherwise mentioned, assets and liabilities that are not classified as current are classified as non-current.

Business Combinations

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

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

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Foreign Currencies

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

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

Exchange differences arising on the retranslation of non-monetary items measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Cash Equivalents

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

Financial Instruments

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

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

a. Financial assets measurement category

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

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

1) Financial asset at FVTPL

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

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

2) Financial assets at amortized cost

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

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

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

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

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

3) Investments in equity instruments at FVTOCI

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

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

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

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

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

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

The Group recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

d. Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

e. Financial liabilities

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses

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

f. Derecognition of financial liabilities

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

g. Derivative financial instruments

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

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

h. Convertible bonds

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

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

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

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

i. Information about fair value of financial instruments

The Group determined the fair value of financial assets and liabilities as follows:

- 1) The fair values of financial assets and liabilities which have standard terms and conditions and traded in active market are determined by reference to quoted market price. If there is no quoted market price in active market, valuation techniques are applied.
- 2) The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts use individual maturity rate to calculate the fair value of each contract.
- 3) The fair values of other financial assets and financial liabilities are determined by discounted cash flow analysis in accordance with generally accepted pricing models.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

The Group uses equity method to recognize investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss.

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

Depreciation is recognized using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The Group's property, plant and equipment with residual values were depreciated straight-line basis over the estimated useful life of the asset:

Buildings	8-50 years
Machinery and equipment	3-7 years
Other equipment	5 years

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss, and depreciated over 20 years useful lives after considered residual values, using the straight-line method. Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Intangible Assets

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

Impairment of Property, Plant and Equipment, Right-of-use Asset, Intangible Assets Other Than Goodwill

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset and cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Non-current Assets Classified as Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event and at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

a. Warranties

For potential product risk, the Group accrues reserve for products guarantee based on commitment to specific customers.

b. Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date, when the fair value of the present obligation resulting from past events can be reliably measured. At the end of subsequent reporting periods, such contingent liabilities are measured at their amortized amount. However, if the present obligation amount is assessed to have a probable outflow of resources, the contingent liabilities shall be measured at the higher of the present obligation amount and the amortized amount.

Revenue Recognition

The Group identifies the performance obligations in the contract with customers, allocates the transaction price to the performance obligations in the contracts and recognizes revenue when the Group satisfies a performance obligation.

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

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

Leasing

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

a. The Group as lessor

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

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

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

b. The Group as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition of qualifying assets are added to the cost of those assets, until such time that the assets are substantially ready for their intended use or sale.

Other than state above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

Government grants that take the form of a transfer of a non-monetary asset for the use of the entity are recognized and measured at the fair value of the non-monetary asset.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the period adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

Taxation

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

a. Current tax

Income tax payable is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

b. Deferred tax

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The Group's critical accounting judgments and key sources of estimation uncertainty is below:

a. Valuation of inventory

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

b. Impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash and deposits in banks	\$ 9,311,306	\$ 9,758,907
Repurchase agreements collateralized by bonds	<u>2,433,000</u>	<u>1,709,000</u>
	<u>\$ 11,744,306</u>	<u>\$ 11,467,907</u>

- a. The Group has time deposits pledged to secure land and building leases, customs tariff obligations, borrowings and sales deposits which are reclassified to “other non-current assets”. Time deposits pledged as security at the end of the reporting period were as follows:

	December 31	
	2020	2019
Time deposits	<u>\$ 773,119</u>	<u>\$ 207,903</u>

- b. The Group has partial time deposits which were not held for the purpose of meeting short-term cash commitments and are reclassified to “other receivables”. These partial time deposits at the end of the reporting period were as follows (refer to Note 10):

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

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets at FVTPL - current</u>		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	\$ 33,531	\$ 64,001
Foreign exchange swap contracts	8,977	11,461
Right of redemption of convertible bonds (Note 18)	<u>9,095</u>	<u>-</u>
	<u>\$ 51,603</u>	<u>\$ 75,462</u>

Financial liabilities at FVTPL - current

Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	<u>\$ 3,191</u>	<u>\$ -</u>

- a. At the date of balance sheet, the outstanding derivative foreign exchange contracts not under hedge accounting were as follows:

	Currencies	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2020</u>			
Sell forward exchange contracts	USD to NTD	2021.01.08-2021.03.26	USD187,000/NTD5,307,824
Sell forward exchange contracts	RMB to NTD	2021.01.08-2021.02.19	RMB54,000/NTD232,017
Buy forward exchange contracts	NTD to USD	2021.01.27-2021.03.17	NTD1,361,320/USD49,000
Foreign exchange swap contracts	USD to NTD	2021.01.15-2021.03.19	USD65,000/NTD1,847,107
<u>December 31, 2019</u>			
Sell forward exchange contracts	USD to NTD	2020.01.03-2020.03.05	USD162,000/NTD4,906,489
Sell forward exchange contracts	RMB to NTD	2020.01.10-2020.02.21	RMB75,000/NTD322,743
Foreign exchange swap contracts	USD to NTD	2020.01.09	USD23,280/NTD708,638
Foreign exchange swap contracts	RMB to NTD	2020.02.21	RMB5,100/NTD21,879

- b. The redemption right of convertible bonds was the result of the issuance of unsecured bonds by NTC in the second quarter of 2020, see Note 18.
- c. The Group entered into derivative financial instruments contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The derivative financial instruments contracts entered into by the Group did not meet the criteria of hedge accounting; therefore, the Group did not apply hedge accounting treatment.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at FVTOCI:

	December 31	
	2020	2019
Domestic listed and emerging stocks		
Walsin Lihwa Corporation	\$ 4,284,600	\$ 3,357,200
Walsin Technology Corporation	1,982,327	2,342,228
Hannstar Display Corporation	1,845,003	890,443
Walton Advanced Engineering Inc.	690,864	583,230
Nyquest Technology Co., Ltd.	80,685	60,720
Brightek Optoelectronic Co., Ltd.	894	485
Domestic unlisted stocks		
United Industrial Gases Co., Ltd.	396,000	440,000
Yu-Ji Venture Capital Co., Ltd.	14,479	16,605
Harbinger III Venture Capital Corp.	107	236
Others	17,970	17,240
Overseas listed stocks		
Tower Semiconductor LTD.	232,110	-
Everspin Technologies, Inc.	34,433	52,487
Overseas unlisted stocks		
Autotalks Ltd. - preferred E. shares	569,600	599,600
Tower Partners Semiconductor Co., LTD. ("TPSCo.")	512,812	-
JVP VIII, L.P.	239,869	130,584
JVP X Funds	106,800	-
Kneron Holding Company	56,960	-
TEGNA Electronics Private Limited	11,701	12,619
LTIP Trust Fund	-	223,667
	<u>\$ 11,077,214</u>	<u>\$ 8,727,344</u>
Current	\$ 8,837,227	\$ 7,225,588
Non-current	<u>2,239,987</u>	<u>1,501,756</u>
	<u>\$ 11,077,214</u>	<u>\$ 8,727,344</u>

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

For the years ended December 31, 2020 and 2019, the Group disposed the shares for \$1,074,374 thousand and \$106,101 thousand at the fair value for the adjustment of the investment position, respectively. The unrealized gains on financial assets at fair value through other comprehensive income of \$352,016 thousand and \$28,211 thousand were transferred to retained earnings, respectively.

The Group recognized dividend income \$227,534 thousand and \$531,803 thousand for the years ended December 31, 2020 and 2019, respectively. Those related to investments derecognized during the period of the years ended December 31, 2020 and 2019 were \$0 thousand and \$4,006 thousand, respectively. Those related to investments held at the end of the period of the years ended December 31 2020 and 2019 were \$227,534 thousand and \$527,797 thousand, respectively.

NTC acquired the Preferred A Shares of the Symetrix Corporation through the combination of Panasonic semiconductor business on September 1, 2020. The entitled rights of the Preferred A Shares were as follows:

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

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

- a. Each Preferred E Share grants its holder a number of votes equal to the number of votes per ordinary share.
- b. The Preferred E Shares shall be prior to all other equity securities of Autotalks Ltd. in the event of liquidation.
- c. The holders of the Preferred E Shares shall be entitled to receive non-cumulative cash dividends at the rate of eight percent.
- d. The investors shall have the right to appoint one non-voting observer ("Observer") to attend Autotalks Ltd.'s board meetings.
- e. The holders of the Preferred E Shares shall be entitled to preemptive right with respect to future issuance of new securities of Autotalks Ltd.
- f. The investors have the rights to obtain the annual financial statements, quarterly financial statements and etc.

9. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2020	2019
<u>Notes receivable</u>	\$ 262	\$ 21
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	9,973,875	6,233,335
Less: Allowance for impairment loss	<u>(266,759)</u>	<u>(148,353)</u>
	<u>\$ 9,707,378</u>	<u>\$ 6,085,003</u>

The average credit period of sales of goods was 30 to 60 days. No interest was charged on accounts receivable. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

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

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

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

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

December 31, 2020

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	1-2%	2%	10%	20%	100%	
Gross carrying amount	\$ 9,663,403	\$ 143,331	\$ 41,969	\$ -	\$ 125,172	\$ 9,973,875
Loss allowance (lifetime ECL)	<u>(134,523)</u>	<u>(2,867)</u>	<u>(4,197)</u>	<u>-</u>	<u>(125,172)</u>	<u>(266,759)</u>
Amortized cost	<u>\$ 9,528,880</u>	<u>\$ 140,464</u>	<u>\$ 37,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,707,116</u>

December 31, 2019

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	
Gross carrying amount	\$ 5,753,803	\$ 448,004	\$ 12,540	\$ 144	\$ 18,844	\$ 6,233,335
Loss allowance (lifetime ECL)	<u>(119,266)</u>	<u>(8,960)</u>	<u>(1,254)</u>	<u>(29)</u>	<u>(18,844)</u>	<u>(148,353)</u>
Amortized cost	<u>\$ 5,634,537</u>	<u>\$ 439,044</u>	<u>\$ 11,286</u>	<u>\$ 115</u>	<u>\$ -</u>	<u>\$ 6,084,982</u>

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

	2020	2019
Balance at January 1	\$ 148,353	\$ 155,158
Add: Acquisitions through business combinations	806	-
Add: Recognized impairment loss	137,818	-
Less: Reversal of provision recognized on accounts receivable	-	(5,342)
Less: Amounts written off	(18,844)	-
Effect of exchange rate changes	<u>(1,374)</u>	<u>(1,463)</u>
Balance at December 31	<u>\$ 266,759</u>	<u>\$ 148,353</u>

Refer to Note 29 for details of NTC's factoring agreements for accounts receivable.

10. OTHER RECEIVABLES

	<u>December 31</u>	
	2020	2019
Receivables for acquisition price adjustment	\$ 520,890	\$ -
Royalty receivable	425,453	-
Business tax refund receivable	367,130	228,970
Time deposits (Note 6)	197,489	447,725
Technical service receivable	156,641	-
Others	<u>305,981</u>	<u>74,025</u>
	<u>\$ 1,973,584</u>	<u>\$ 750,720</u>

11. INVENTORIES

	December 31	
	2020	2019
Finished goods	\$ 3,214,933	\$ 2,239,612
Work-in-process	9,988,731	7,381,909
Raw materials and supplies	931,989	702,423
Inventories in transit	<u>5,761</u>	<u>8,199</u>
	<u>\$ 14,141,414</u>	<u>\$ 10,332,143</u>

- a. Operating costs for the years ended December 31, 2020 and 2019 included inventory (reversal of write-downs for the decline in market value, obsolescence and scrap of inventories of (\$117,786) thousand and \$1,146,371 thousand, respectively.
- b. Unallocated fixed manufacturing costs recognized as cost of sales in the years ended December 31, 2020 and 2019 were \$724,920 thousand and \$1,223,784 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	December 31	
	2020	2019
Associates that are not individually material		
Chin Xin Investment Co., Ltd.	\$ 6,211,869	\$ 4,548,224
Hwa Bao Botanic Conservation Corp.	<u>29,920</u>	<u>715</u>
	<u>\$ 6,241,789</u>	<u>\$ 4,548,939</u>

On September 24, 2020, the board of directors of Hwa Bao Botanic Conservation Corp. ("Hwa Bao") resolved to issue 19,500 thousand ordinary shares, which increased the share capital issued. The Company subscribed 2,925 thousand shares of the ordinary shares with a par value of \$10. As of December 31, 2020, the Company held 3,000 thousand shares of Hwa Bao and owned 15% of directly ownership interest; because the main shareholders of Hwa Bao is Chin Xin Investment Co., Ltd., and its ownership interest were 70%. The Company accounted for the equity investment in Hwa Bao using equity method for its consolidated ownership interest of Hwa Bao was 41%.

As of December 31, 2020, the Company held 182,841 thousand shares of Chin Xin Investment Co., Ltd. with ownership of 38%.

The investments accounted for using equity method and the shares of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the associates' financial statements audited by independent auditors.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2020	2019
Land	\$ 3,322,387	\$ 1,122,431
Buildings	13,339,927	11,605,854
Machinery and equipment	34,238,232	35,939,094
Other equipment	947,273	736,237
Construction in progress and prepayments for purchase of equipment	9,604,697	7,573,498
	<u>\$ 61,452,516</u>	<u>\$ 56,977,114</u>

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 1,122,431	\$ 29,554,461	\$ 126,895,051	\$ 4,101,447	\$ 7,573,498	\$ 169,246,888
Acquisitions through business combinations	2,223,578	19,911,591	52,834,858	3,543,897	110,089	78,624,013
Additions	-	629,036	4,283,207	325,093	3,568,677	8,806,013
Disposals	-	(17,019)	(1,520,025)	(188,869)	-	(1,725,913)
Reclassified	-	227,690	218,391	1,494	(1,611,820)	(1,164,245)
Effect of exchange rate changes	(23,622)	(191,898)	(455,203)	(32,267)	(1,276)	(704,266)
Balance at December 31, 2020	<u>\$ 3,322,387</u>	<u>\$ 50,113,861</u>	<u>\$ 182,256,279</u>	<u>\$ 7,750,795</u>	<u>\$ 9,639,168</u>	<u>\$ 253,082,490</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	\$ -	\$ 17,948,607	\$ 90,955,957	\$ 3,365,210	\$ -	\$ 112,269,774
Acquisitions through business combinations	-	17,667,303	51,732,718	3,384,282	36,176	72,820,479
Depreciation expense	-	1,340,692	7,299,810	263,709	-	8,904,211
Disposals	-	(14,508)	(1,505,681)	(180,031)	-	(1,700,220)
Reclassified	-	-	1,388	-	(1,388)	-
Effect of exchange rate changes	-	(168,160)	(466,145)	(29,648)	(317)	(664,270)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 36,773,934</u>	<u>\$ 148,018,047</u>	<u>\$ 6,803,522</u>	<u>\$ 34,471</u>	<u>\$ 191,629,974</u>
<u>Cost</u>						
Balance at January 1, 2019	\$ 1,619,877	\$ 26,794,687	\$ 121,948,989	\$ 3,882,485	\$ 2,503,038	\$ 156,749,076
Additions	-	460,883	4,963,752	498,999	7,808,589	13,732,223
Disposals	-	(3,964)	(385,911)	(6,662)	-	(396,537)
Liquidation of subsidiary	-	-	-	(2,123)	-	(2,123)
Reclassified	-	2,632,317	364,778	(258,966)	(2,738,129)	-
Transfers to non-current assets classified as held for sale	(495,641)	(294,298)	-	(16,582)	-	(806,521)
Transfers to other non-current assets	-	(28,660)	-	-	-	(28,660)
Effect of exchange rate changes	(1,805)	(6,504)	3,443	4,296	-	(570)
Balance at December 31, 2019	<u>\$ 1,122,431</u>	<u>\$ 29,554,461</u>	<u>\$ 126,895,051</u>	<u>\$ 4,101,447</u>	<u>\$ 7,573,498</u>	<u>\$ 169,246,888</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2019	\$ -	\$ 16,689,096	\$ 84,379,252	\$ 3,196,545	\$ -	\$ 104,264,893
Depreciation expense	-	1,297,699	6,955,006	187,130	-	8,439,835
Disposals	-	(3,964)	(380,552)	(6,397)	-	(390,913)
Liquidation of subsidiary	-	-	-	(991)	-	(991)
Transfers to non-current assets classified as held for sale	-	(29,475)	-	(12,349)	-	(41,824)
Effect of exchange rate changes	-	(4,749)	2,251	1,272	-	(1,226)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 17,948,607</u>	<u>\$ 90,955,957</u>	<u>\$ 3,365,210</u>	<u>\$ -</u>	<u>\$ 112,269,774</u>

- a. As of December 31, 2020 and 2019, the carrying amounts of \$22,133,327 thousand and \$21,230,163 thousand of land, buildings, manufacturing facilities and non-current assets classified as held for sale were pledged to secure long-term borrowings and corporate bonds.

b. Information about capitalized interest

	For the Year Ended December 31	
	2020	2019
Capitalized interest amounts	\$ 175,838	\$ 148,751
Capitalized interest rates	1.79%-1.81%	1.79%-1.81%

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 1,825,502	\$ 1,914,889
Buildings	382,761	334,224
Machinery and equipment	940,670	-
Other equipment	<u>51,399</u>	<u>49,280</u>
	<u>\$ 3,200,332</u>	<u>\$ 2,298,393</u>

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets		
Additions	\$ 201,501	\$ 109,701
Acquisitions through business combinations	<u>997,787</u>	<u>-</u>
	<u>\$ 1,199,288</u>	<u>\$ 109,701</u>
Depreciation charge for right-of-use assets		
Land	\$ 107,534	\$ 106,870
Buildings	108,705	99,242
Machinery and equipment	24,792	-
Other equipment	<u>34,189</u>	<u>15,679</u>
	<u>\$ 275,220</u>	<u>\$ 221,791</u>
Income from the subleasing of right-of-use assets (recorded as "other income")	<u>\$ (1,762)</u>	<u>\$ (1,941)</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current	\$ 388,401	\$ 186,556
Non-current	<u>\$ 3,119,221</u>	<u>\$ 2,096,115</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.76%-2.47%	1.76%-2.47%
Buildings	0.33%-3.75%	1.34%-3.75%
Machinery and equipment	0.33%-0.80%	-
Other equipment	0.33%-3.61%	1.34%-3.61%

For the years ended December 31, 2020 and 2019, the interest expense under lease liabilities were amounts of \$56,235 thousand and \$54,611 thousand, respectively.

c. Material lease-in activities and terms

NTC leased low-voltage protection equipments in Japan, and the lease terms will expire in 2021 to 2035.

The Group leased lands from Science Park Administration, and the lease term will expire in 2023, 2027 and 2037, respectively, which can be extended after the expiration of the lease periods.

NTC leased a land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which can be extended after expiration of the lease periods. The chairman of NTC is a joint guarantor of such lease, refer to Note 30.

The Group leased some of the offices in the United States, China, Hong Kong, Japan, Israel, India, Korea and part in Taiwan, and the lease terms will expire between 2020 and 2029 which can be extended after the expiration of the lease periods.

d. Subleases

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

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

	December 31	
	2020	2019
Year 1	\$ 1,632	\$ 1,985
Year 2	1,632	1,985
Year 3	1,223	1,985
Year 4	<u>-</u>	<u>1,985</u>
	<u>\$ 4,487</u>	<u>\$ 7,940</u>

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

e. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 143,609	\$ 31,197
Expenses relating to low-value asset leases	\$ 828	\$ 946
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 21,109	\$ 23,780
Total cash outflow for leases	\$ (504,459)	\$ (307,634)

The Group has elected to apply the recognition exemption for short-term leases and low-value assets leases and, thus, did not to recognize the right-of-use assets and lease liabilities for these leases.

Lease-out arrangements under operating leases for investment properties are set out in Note 15.

15. INVESTMENT PROPERTIES

	December 31	
	2020	2019
Investment properties, net	\$ 2,466,667	\$ 44,207

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

NTC's other investment properties is in Shen-Zhen, China. As of December 31, 2020 and 2019, the fair value of such investment properties were both approximately \$200,000 thousand, which was referred by the neighborhood transactions. NTC's management team evaluated the fair value of investment properties and determined that the fair value of the investment properties had not changed significantly, compared to the fair value of the investment properties during the year ended December 31, 2020.

	Investment Properties
<u>Cost</u>	
Balance at January 1, 2020	\$ 98,511
Acquisitions through business combinations	9,072,159
Effect of exchange rate changes	(79,702)
Balance at December 31, 2020	<u>9,090,968</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2020	54,304
Acquisitions through business combinations	6,568,568
Depreciation expense	59,248
Effect of exchange rate changes	(57,819)
Balance at December 31, 2020	<u>6,624,301</u>
Investment properties, net	<u>\$ 2,466,667</u>

(Continued)

	Investment Properties
<u>Cost</u>	
Balance at January 1, 2019	\$ 102,333
Effect of exchange rate changes	<u>(3,822)</u>
Balance at December 31, 2019	<u>98,511</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2019	51,806
Depreciation expense	4,605
Effect of exchange rate changes	<u>(2,107)</u>
Balance at December 31, 2019	<u>54,304</u>
Investment properties, net	<u>\$ 44,207</u> (Concluded)

The investment properties were leased out for 3 to 12 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties is as follows:

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

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

16. INTANGIBLE ASSETS

	<u>December 31</u>	
	2020	2019
Deferred technical assets, net	\$ 561,869	\$ 371,074
Other intangible assets, net	<u>329,511</u>	<u>36,648</u>
	<u>\$ 891,380</u>	<u>\$ 407,722</u>

	Deferred Technical Assets	Other Intangible Assets	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 19,088,675	\$ 58,896	\$ 19,147,571
Additions	462,472	238,771	701,243
Acquisitions through business combinations	-	1,200,865	1,200,865
Disposals	-	(35,704)	(35,704)
Effect of exchange rate changes	<u>(481)</u>	<u>(10,689)</u>	<u>(11,170)</u>
Balance at December 31, 2020	<u>\$ 19,550,666</u>	<u>\$ 1,452,139</u>	<u>\$ 21,002,805</u>

Accumulated amortization and impairment

Balance at January 1, 2020	\$ 18,717,601	\$ 22,248	\$ 18,739,849
Amortization expense	159,673	27,615	187,288
Impairment loss	112,805	-	112,805
Acquisitions through business combinations	-	1,117,819	1,117,819
Disposals	-	(34,969)	(34,969)
Effect of exchange rate changes	<u>(1,282)</u>	<u>(10,085)</u>	<u>(11,367)</u>
Balance at December 31, 2020	<u>\$ 18,988,797</u>	<u>\$ 1,122,628</u>	<u>\$ 20,111,425</u>

Cost

Balance at January 1, 2019	\$ 18,901,179	\$ 25,240	\$ 18,926,419
Additions	235,706	34,700	270,406
Disposals	(53,844)	(742)	(54,586)
Effect of exchange rate changes	<u>5,634</u>	<u>(302)</u>	<u>5,332</u>
Balance at December 31, 2019	<u>\$ 19,088,675</u>	<u>\$ 58,896</u>	<u>\$ 19,147,571</u>

Accumulated amortization and impairment

Balance at January 1, 2019	\$ 18,675,462	\$ 21,762	\$ 18,697,224
Amortization expense	90,192	1,528	91,720
Disposals	(53,844)	(742)	(54,586)
Effect of exchange rate changes	<u>5,791</u>	<u>(300)</u>	<u>5,491</u>
Balance at December 31, 2019	<u>\$ 18,717,601</u>	<u>\$ 22,248</u>	<u>\$ 18,739,849</u>

The amounts of deferred technical assets were the technical transfer fees in connection with certain technical transfer agreements. The above technical assets pertained to different products or process technology. The assets were depreciated on a straight-line basis from the commencement of production or over the estimated useful life of the assets. The estimated useful lives of technical assets were based on the economic benefits generated from the assets or the terms of the technical asset contracts.

The Group reviewed the carrying amounts of deferred technical assets to determine whether those assets have suffered an impairment loss. The Group thought a part of those assets will have no future economic benefits, and impairment losses of \$112,805 thousand was recognized.

17. BORROWINGS

a. Short-term borrowings

	December 31			
	2020		2019	
	Interest Rate %	Amount	Interest Rate %	Amount
<u>Secured borrowings</u>				
Bank of Taiwan (Note 6)	4.35%	\$ 1,544,910	-	\$ -
CTBC Bank Co., Ltd.	1.29%	<u>276,300</u>	-	<u>-</u>
		<u>\$ 1,821,210</u>		<u>\$ -</u>
<u>Unsecured borrowings</u>				
Bank lines of credit	-	<u>\$ -</u>	1.00%	<u>\$ 1,000,000</u>

The CTBC Bank Co., Ltd.'s secured borrowing is required to maintain certain financial covenants, including current ratio, debt ratio and tangible net equity, on June 30 and December 31 during the tenors of the loans. Additionally, the principal and interest coverage should be also maintained on June 30 and December 31 during the tenors of the loans. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements.

b. Long-term borrowings

			December 31	
	Period	Interest Rate	2020	2019
<u>Secured borrowings</u>				
Bank of Taiwan secured medium-term loan	2014.12.29-2021.12.29	1.11%-1.70%	\$ -	\$ 247,040
Bank of Taiwan syndicated loan (IV)	2016.08.15-2021.12.29	1.79%-1.81%	5,000,000	9,000,000
Bank of Taiwan syndicated loan (V)	2019.01.14-2026.09.19	1.89%	7,050,000	4,250,000
<u>Unsecured borrowings</u>				
The Export - Import Bank of ROC	2019.09.20-2026.09.21	0.92%	500,000	500,000
The Export - Import Bank of ROC	2020.08.25-2027.08.25	0.92%	1,000,000	-
Taiwan Cooperative Bank medium-term loan (Note 26)	2020.12.28-2027.12.15	0.50%	<u>1,000,000</u>	<u>-</u>
			14,550,000	13,997,040
Less: Current portion			(5,000,000)	(4,123,520)
Less: Syndication agreement management fee			(108,327)	(143,047)
Less: Government loan discount (Note 26)			<u>(59,828)</u>	<u>-</u>
			<u>\$ 9,381,845</u>	<u>\$ 9,730,473</u>

1) The collateral on the Bank of Taiwan secured medium-term loan is the land and building of the Company in Zhubei. Refer to Note 13. The principal will be repaid every six months from June 29, 2017 until maturity. On June 11, 2020, the loan had been repaid in advance.

2) Bank of Taiwan Syndicated Loan (IV)

a) On August 15, 2016, the Company entered into a syndicated loan, with a group of financial institutions, to procure equipment for 12-inch fab, repay bank loans and augment medium-term working capital. The credit line was divided into part A and B, which amounted to \$10 billion and \$2 billion, respectively; and the total line of credit amounted to \$12 billion.

- b) Part A will be repaid every six months from December 29, 2019 until maturity, and part B will be repaid every six months from December 29, 2018 until maturity.
 - c) Refer to Note 13 for collateral on bank borrowings.
- 3) Bank of Taiwan Syndicated Loan (V)
- a) On January 14, 2019, the Company entered into a syndicated loan, with a group of financial institutions, to procure equipment for fab. The credit line amounted to \$42 billion. The principal will be repaid every six months from September 19, 2022 until maturity.
 - b) Refer to Note 13 for collateral on bank borrowings.
- 4) The Taiwan Cooperative Bank medium-term loan is a government grant discounted interest loan. Refer to Note 26. The principal will be repaid every month from January 15, 2024 until maturity.
- 5) The Company is required to maintain certain financial covenants, including current ratio, debt ratio and tangible net equity, on June 30 and December 31 during the tenors of the loans. Additionally, the principal and interest coverage should be also maintained on June 30 and December 31 during the tenors of the loans except for the Bank of Taiwan secured medium - term loan and Taiwan Cooperative Bank medium-term loan. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements.
- 6) The proceeds of the Export-Import Bank of ROC unsecured loans were provided NTC for investing in Autotalks Ltd. and acquiring Panasonic Semiconductor Solutions., Co., Ltd.

18. BONDS PAYABLE

	December 31	
	2020	2019
Domestic secured bonds	\$ 9,943,848	\$ 9,931,746
Domestic unsecured bonds	\$ 1,207,820	\$ -

- a. On July 10, 2018, the Company was approved by the FSC to offer and issue the first secured corporate bonds of 2018, with an aggregate principal amount of \$10,000,000 thousand. The terms of issuance, amounts and interest rate as follows:

Issuance Date	Period	Amount	Coupon Rate	Repayment and Interest Payment
2018.07.17	7 years	\$10,000,000	1%	The principal will be repaid upon maturity.
				The interest is payable once a year at the coupon rate accrued annually on a simple basis starting from the issue date.

Refer to Note 13 for collateral of 12-inch Fab Manufacturing facilities on corporate bonds.

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

Issuance Date	Period	Amount	Coupon Rate	Repayment and Interest Payment
2020.05.20	7 years	\$2,000,000	0%	The principal will be repaid in cash upon maturity at a rate of 109.09% (annual rate of return 1.25% upon maturity).

- 1) The conversion price was set at \$39.9 per share at the time of issuance. When meeting certain criteria, adjustments on the conversion price are made in accordance with the terms and conditions. Since NTC's surplus distribution of cash dividends, the conversion price was adjusted according to the issuance and conversion measures, so the conversion price has been adjusted to \$38.2 since December 10, 2020.
- 2) After the first three months of the issuance and forty days before the maturity date, if the closing price of NTC's common shares listed on the Taiwan Stock Exchange exceeds or equals 30% of the conversion price or the outstanding balance of the bonds is less than 10% in principal amount of the bonds originally outstanding for thirty consecutive business days, NTC may redeem the bonds in cash at the principal amount.
- 3) After the bonds has been issued for over five years, the bondholders may request NTC to redeem the bonds at 106.41% of the principal amount (annual rate of return 1.25%). The right of the redemption was recognized as financial instruments at fair value through profit or loss - current. The fair value was \$9,095 thousand on December 31, 2020. Refer to Note 7.
- 4) Except for the bonds that have been redeemed, sold back, converted, or bought back by NTC in the market, the principal will be repaid in cash upon maturity at a rate of 109.09% (annual rate of return 1.25% upon maturity).

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

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

19. PROVISION

	December 31	
	2020	2019
<u>Current</u>		
Decommissioning liabilities	\$ 612,281	\$ -
Employee benefits	<u>316,438</u>	<u>-</u>
	<u>\$ 928,719</u>	<u>\$ -</u>
		(Continued)

	December 31	
	2020	2019
<u>Non-current</u>		
Employee benefits	\$ 1,765,833	\$ -
Warranties	776,497	276,873
Decommissioning liabilities	<u>750,983</u>	<u>-</u>
	<u>\$ 3,293,313</u>	<u>\$ 276,873</u>
		(Concluded)

NTC purchased the semiconductor business of Panasonic Corporation in September 2020. The expected decommissioning costs and personnel costs from shutting down some fabs were recognized as the decommissioning liabilities and employee benefits provisions.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

The employees of the Group's subsidiaries in the United States, Japan, Hong Kong, Israel, Korea, Singapore and China are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plan

The defined benefit plans adopted by the Company and NTC in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average of monthly salaries of the 6 months before retirement. The Company contributed amounts equal to 2% of total monthly salaries and wages; NTC contributed amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee of the Company. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

The amount included in the consolidated balance sheet in respect of the Group's obligation to its defined benefit plan was as follows:

	December 31	
	2020	2019
Present value of the defined benefit obligation	\$ 4,578,390	\$ 3,064,210
Fair value of the plan assets	<u>(1,855,846)</u>	<u>(1,812,341)</u>
Net defined benefit liabilities, non-current	<u>\$ 2,722,544</u>	<u>\$ 1,251,869</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2020	<u>\$ 3,064,210</u>	<u>\$ (1,812,341)</u>	<u>\$ 1,251,869</u>
Service cost			
Current service cost	79,258	-	79,258
Net interest expense (income)	32,839	(18,536)	14,303
Others	<u>(59)</u>	<u>82</u>	<u>23</u>
Recognized in profit or loss	<u>112,038</u>	<u>(18,454)</u>	<u>93,584</u>
Remeasurement			
Actuarial (gain) loss			
- realized rate greater than the discounted rate	-	(41,941)	(41,941)
- changes in financial assumptions	78,467	(2,995)	75,472
- experience adjustments	<u>(29,952)</u>	<u>15,118</u>	<u>(14,834)</u>
Recognized in other comprehensive income	<u>48,515</u>	<u>(29,818)</u>	<u>18,697</u>
Contributions from the employer	-	(75,862)	(75,862)
Benefits paid	(94,125)	94,125	-
Acquisitions through business combinations	1,473,458	-	1,473,458
Settlements	(27,298)	-	(27,298)
Effect of exchange rate changes	<u>1,592</u>	<u>(13,496)</u>	<u>(11,904)</u>
Balance at December 31, 2020	<u>\$ 4,578,390</u>	<u>\$ (1,855,846)</u>	<u>\$ 2,722,544</u>
Balance at January 1, 2019	<u>\$ 2,792,238</u>	<u>\$ (1,624,913)</u>	<u>\$ 1,167,325</u>
Service cost			
Current service cost	80,427	-	80,427
Net interest expense (income)	47,117	(25,023)	22,094
Others	<u>1,062</u>	<u>286</u>	<u>1,348</u>
Recognized in profit or loss	<u>128,606</u>	<u>(24,737)</u>	<u>103,869</u>
Remeasurement			
Actuarial (gain) loss			
- realized rate greater than the discounted rate	-	(38,635)	(38,635)
- changes in demographic assumptions	(4,210)	-	(4,210)
- changes in financial assumptions	187,779	(42,433)	145,346
- experience adjustments	<u>40,737</u>	<u>(7,409)</u>	<u>33,328</u>
Recognized in other comprehensive income	<u>224,306</u>	<u>(88,477)</u>	<u>135,829</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Contributions from the employer	\$ -	\$ (155,408)	\$ (155,408)
Benefits paid	(106,716)	106,716	-
Effect of exchange rate changes	<u>25,776</u>	<u>(25,522)</u>	<u>254</u>
Balance at December 31, 2019	<u>\$ 3,064,210</u>	<u>\$ (1,812,341)</u>	<u>\$ 1,251,869</u> (Concluded)

Amounts recognized in profit or loss in respect of these defined benefit plans analyzed by function were as follows:

	For the Year Ended December 31	
	2020	2019
Operating cost	\$ 21,389	\$ 20,819
Selling expenses	2,580	2,224
General and administrative expenses	21,743	14,400
Research and development expenses	<u>47,872</u>	<u>66,426</u>
	<u>\$ 93,584</u>	<u>\$ 103,869</u>

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

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

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

	December 31	
	2020	2019
Discount rates	0.40%-2.50%	0.75%-4.18%
Expected rates of salary increase	1.00%-3.36%	1.00%-3.46%

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

	December 31	
	2020	2019
Discount rates		
0.25%-0.50% increase	<u>\$ (112,244)</u>	<u>\$ (114,858)</u>
0.25%-0.50% decrease	<u>\$ 122,541</u>	<u>\$ 125,741</u>
Expected rates of salary increase		
0.25%-0.50% increase	<u>\$ 117,629</u>	<u>\$ 120,099</u>
0.25%-0.50% decrease	<u>\$ (107,581)</u>	<u>\$ (109,476)</u>

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

	December 31	
	2020	2019
The expected contribution to the plan for the next year	<u>\$ 91,413</u>	<u>\$ 83,692</u>
The average duration of defined benefit obligation	7.51-12.21 years	7.47-12.74 years

21. EQUITY

a. Share capital

Common stock

	December 31	
	2020	2019
Number of shares authorized (in thousands)	<u>6,700,000</u>	<u>6,700,000</u>
Shares authorized	<u>\$ 67,000,000</u>	<u>\$ 67,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>3,980,000</u>	<u>3,980,000</u>
Shares issued	<u>\$ 39,800,002</u>	<u>\$ 39,800,002</u>

As of December 31, 2020 and 2019, the balance of the Company's capital account amounted to \$39,800,002 thousand, divided into 3,980,000 thousand common shares with a par value of NT\$10.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital</u>		
Arising from issuance of share capital	\$ 4,787,673	\$ 4,787,673
Arising from treasury share transactions	2,342,036	2,342,036
Arising from conversion of bonds	136,352	136,352

(Continued)

	December 31	
	2020	2019
<u>May only be used to offset a deficit</u>		
Arising from changes in percentage of ownership interest in subsidiaries	\$ 236,467	\$ 1,998
Arising from share of changes in capital surplus of associates	29,137	29,137
Cash capital increase reserved for employee share options	208,451	208,451
Others	<u>30,749</u>	<u>30,749</u>
	<u>\$ 7,770,865</u>	<u>\$ 7,536,396</u>
		(Concluded)

The capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers and convertible bonds) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of the Company's paid-in capital. The capital surplus from share of changes in equities of subsidiaries and associates may be used to offset a deficit; however, when generated from issuance of restricted shares for employees, such capital surplus may not be used for any purpose.

c. Retained earnings and dividend policy

The shareholders held their regular meeting on June 14, 2019 and resolved the amendments to the Company's Articles of Incorporation. The amendments of the Company's dividend distribution policy as follows:

From the pre-tax net profit of the current year, before deducting remuneration of employees and remuneration of directors, no more than 1% shall be allocated as remuneration of directors and no less than 1% as remuneration of employees. The remuneration of employees may be distributed in stock or cash upon resolution of the board of directors and may be distributed to the employees of subsidiaries of the Company meeting certain criteria.

However, if the Company has accumulated losses, the Company shall first set aside an amount for making up losses and then allocate remuneration of employees and remuneration of directors according to the percentage set forth in the preceding paragraph.

The Company purchases its stock for transferring such treasury shares, issues employee options, provides pre-emptive right for employees' subscription upon issuing new shares, issues new restricted employee shares, and distributes employee remuneration, to employees of the Company's controlling or subordinated companies who meet certain criteria, which shall be determined and resolved by the board of directors.

If the Company has pre-tax profits at the end of the current fiscal year, after paying all taxes and covering all accumulated losses, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities or based on the business needs of the Company, if there is any balance, the board of directors may submit a proposal for allocation of the remaining balance and the accumulated undistributed earnings to the shareholders meeting for resolution of distributing bonuses and dividends to shareholders.

The board of directors shall be authorized to distribute the profit, the legal reserve and the capital reserve mentioned in the preceding paragraph in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting.

The Company's dividend distribution policy is made in accordance with the Company Act and the Articles of Incorporation in consideration of factors including capital and financial structure, operating status, retained earnings, industry characteristics and economic cycle. The dividends shall be distributed in a steady manner. With respect to distribution of dividends, in consideration of future operation scale and cash flow needs, no less than 30% of the remaining amount of the net profit after tax of the current year, after covering the accumulative losses and setting aside the legal reserve and the special reserve, shall be distributed to shareholders as dividends, which may be distributed in stock dividend or cash dividend, and the distribution of cash dividend shall not be less than 50% of total dividends, so as to maintain continuous growth.

The Company may distribute its profit or make up its losses at the end of each half of a fiscal year. The business report, the financial statements, and the proposal for distribution of earnings or making up loss shall be prepared by and then resolved by the board of directors.

The Company, in distributing its profit according to the preceding paragraph, shall estimate and reserve employee and director remuneration and any taxes payable as well as cover any losses and set aside the legal reserve in accordance with the law; however, provided that the legal reserve amounts to the total paid-in capital, the legal reserve need not be set aside. Where the Company distributes the profit in cash, such distribution shall be resolved by the board of directors, but where the profit is distributed in the form of newly issued shares, such distribution shall be resolved by the shareholders' meeting.

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

Pursuant to existing regulations, the Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of shareholders' equity, such as the accumulated balance of foreign currency translation reserve, unrealized valuation gain (loss) from available-for-sale financial assets, net amount of fair value below the cost of the Company's ordinary shares held by subsidiaries, etc. For the subsequent decrease in the deduction amount to shareholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

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

The appropriations of earnings for 2019 and 2018 were approved in the shareholders' meetings on June 12, 2020 and June 14, 2019, respectively, as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2019	For Year 2018	For Year 2019	For Year 2018
Legal reserve appropriated	\$ 115,226	\$ 744,650		
Cash dividends	<u>398,000</u>	<u>3,980,000</u>	\$ 0.1	\$ 1.0
	<u>\$ 513,226</u>	<u>\$ 4,724,650</u>		

For information about the accrual basis of the employees' compensation and remuneration of directors and the actual appropriations, refer to Note 23 to the consolidated financial statements on employee benefits expenses.

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (119,246)	\$ (50,780)
Exchange differences arising on translating the financial statements of foreign operations	<u>(152,082)</u>	<u>(68,466)</u>
Balance at December 31	<u>\$ (271,328)</u>	<u>\$ (119,246)</u>

The exchange differences arising on translation of foreign operation's net assets from its functional currency to the Group's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 5,009,928	\$ 3,533,423
Unrealized gains (losses) on revaluation of financial assets at FVTOCI	1,753,336	710,507
Share of unrealized gains (losses) on revaluation of financial assets at FVTOCI of associates accounted for using equity method	1,692,465	777,428
Disposal of investments in equity instruments designated at FVTOCI	<u>(314,219)</u>	<u>(11,430)</u>
Balance at December 31	<u>\$ 8,141,510</u>	<u>\$ 5,009,928</u>

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

e. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 2,836,565	\$ 1,446,726
Share attributable to non-controlling interests		
Profit for the year	215,024	220,900
Exchange differences on translation of foreign financial statements	(50,018)	(3,191)
Remeasurement of defined benefit plans	(12,987)	(20,268)
Unrealized losses on investments in equity instruments measured at fair value through other comprehensive income	66,247	14,307
Cash dividends issued by subsidiaries to non-controlling interests	(132,665)	(202,336)
Changes in ownership interests in subsidiaries	<u>2,221,402</u>	<u>1,380,427</u>
Balance at December 31	<u>\$ 5,143,568</u>	<u>\$ 2,836,565</u>

22. REVENUE

Refer to Note 36 for the Group's revenue.

23. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

For the Year Ended December 31, 2020				
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	<u>\$ 2,847,782</u>	<u>\$ 7,198,169</u>	<u>\$ -</u>	<u>\$ 10,045,951</u>
Post-employment benefits	<u>\$ 137,317</u>	<u>\$ 354,382</u>	<u>\$ -</u>	<u>\$ 491,699</u>
Compensation costs of employee share options	<u>\$ 16,945</u>	<u>\$ 45,295</u>	<u>\$ -</u>	<u>\$ 62,240</u>
Depreciation	<u>\$ 8,051,980</u>	<u>\$ 1,123,552</u>	<u>\$ 65,057</u>	<u>\$ 9,240,589</u>
Amortization	<u>\$ 34,330</u>	<u>\$ 152,958</u>	<u>\$ 34,720</u>	<u>\$ 222,008</u>

For the Year Ended December 31, 2019				
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	<u>\$ 2,635,857</u>	<u>\$ 5,479,081</u>	<u>\$ -</u>	<u>\$ 8,114,938</u>
Post-employment benefits	<u>\$ 131,266</u>	<u>\$ 327,166</u>	<u>\$ -</u>	<u>\$ 458,432</u>
Compensation costs of employee share options	<u>\$ 16,667</u>	<u>\$ 33,253</u>	<u>\$ -</u>	<u>\$ 49,920</u>
Depreciation	<u>\$ 7,847,263</u>	<u>\$ 811,480</u>	<u>\$ 7,648</u>	<u>\$ 8,666,391</u>
Amortization	<u>\$ 33,506</u>	<u>\$ 58,214</u>	<u>\$ 19,720</u>	<u>\$ 111,440</u>

The Company has established the Audit Committee. There was no supervisor, and no remuneration of supervisors, either.

The remuneration policies of the Company were as follows:

a. Directors

In accordance with the Article 22 of the Company's Articles of Incorporation, the distribution of the remuneration of directors shall be appropriated at the rates no more than 1% of net profit before income tax before deducting remuneration to employees and directors. The Remuneration Committee will recommend remuneration to directors in accordance with the Company's Articles of Incorporation, the internal Rules for Remuneration of Directors and Performance Assessment of The Board of Directors, board members' self-assessment results, and annual profit deduct the accumulative losses. The remuneration was resolved by the board of directors and reported to the shareholders' meeting.

b. Managers

The remuneration of the managers, which depends on responsibilities and performance of individuals to encourage managers to take responsibilities and achieve performance, shall be competitive to attract external talent and stabilize internal talent. The managers have the responsibilities for operating performance, the encouragement shall be taken both short-term and long-term performance into account.

c. Employees

Employees' compensation, including fixed and variable compensation, was taken both internal fairness and external competitiveness into consideration. The Company gives bonus immediately and shares operating performance with the employees to attract, encourage and retain the talent. In accordance with the Articles of Incorporation, it stipulates distribution of the compensation of employees at the rates no less than 1% of net profit before income tax before deducting remuneration to employees and directors. Personal salary is determined by responsibilities and professional skills. Bonus and compensation are in relation to individual's performance and contribution.

For the years ended December 31, 2020 and 2019, the employees' compensation and remuneration of directors were as follows:

	For the Year Ended December 31			
	2020		2019	
	Amounts	Accrual Rate	Amounts	Accrual Rate
Employees' compensation	<u>\$ 27,831</u>	2%	<u>\$ 28,038</u>	2%
Remuneration of directors	<u>\$ 13,916</u>	1%	<u>\$ 14,019</u>	1%

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The compensation to employees and remuneration to the directors of 2019 and 2018 were approved by the Company's board of directors on April 30, 2020 and March 25, 2019, respectively, were as below:

	For the Year Ended December 31	
	2019	2018
Employees' compensation	<u>\$ 28,038</u>	<u>\$ 163,650</u>
Remuneration of directors	<u>\$ 14,019</u>	<u>\$ 81,825</u>

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

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

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2020	2019
Current income tax expense		
Current tax expense	\$ 282,699	\$ 158,549
Additional income tax expense on unappropriated earnings	-	88,192
Income tax adjustments on prior years	(93,740)	21,617
Deferred income tax		
Current tax expense	<u>104,406</u>	<u>6,872</u>
Income tax expense recognized in profit or loss	<u>\$ 293,365</u>	<u>\$ 275,230</u>

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

	For the Year Ended December 31	
	2020	2019
Income tax expense from continuing operations at the statutory rate	\$ 524,136	\$ 480,125
Tax effect of adjustment item		
Permanent differences	(36,002)	(255,813)
Others	<u>(30,029)</u>	<u>5,109</u>
Current income tax	458,105	229,421
Unrecognized loss carryforwards, investment credits and deductible temporary differences	(71,000)	(64,000)
Additional income tax on unappropriated earnings	-	88,192
Adjustment for prior years' income tax expense	<u>(93,740)</u>	<u>21,617</u>
Tax expense recognized in profit or loss	<u>\$ 293,365</u>	<u>\$ 275,230</u>

Based on the Income Tax Act in the ROC, the corporate income tax rate is 20%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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

b. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refund receivables (recorded as "other receivables and notes receivable")	<u>\$ 16,173</u>	<u>\$ 9,971</u>
Current tax liabilities		
Income tax payables	<u>\$ 310,810</u>	<u>\$ 198,242</u>

c. Deferred tax assets

As of December 31, 2020 and 2019, deferred income tax assets of \$908,560 thousand and \$923,902 thousand, respectively, were mainly generated from unused net operating loss carryforwards.

d. Deferred tax liabilities

As of December 31, 2020 and 2019, deferred income tax liabilities of \$52,132 thousand and \$0 thousand, respectively, were mainly generated from unrealized valuation gains or losses on financial assets at FVTOCI.

e. Operating loss carryforwards

Information about the Group's operating loss carryforwards as of December 31, 2020 was as follows:

As of December 31, 2020, WECA's operating loss carryforward was US\$9,337 thousand, and will expire in 2025.

As of December 31, 2020, the Company's operating loss carryforwards comprised as below:

Operating Loss Carryforwards	Expiry Year
<u>\$ 109,000</u>	2022

f. Information about investment credits

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

g. Tax return assessments

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

25. EARNINGS PER SHARE

	For the Year Ended December 31					
	2020			2019		
	Amounts (Numerator) After Income Tax (Attributable to Owners of the Parent)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Parent)	Amounts (Numerator) After Income Tax (Attributable to Owners of the Parent)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Parent)
Basic earnings per share						
Net income attributed to ordinary shareholders	\$ 1,304,019	3,980,000	<u>\$ 0.33</u>	\$ 1,256,387	3,980,000	<u>\$ 0.32</u>
Effect of dilutive potential ordinary share						
Employees' compensation	-	958		-	1,434	
Diluted earnings per share						
Net income attributed to ordinary shareholders	<u>\$ 1,304,019</u>	<u>3,980,958</u>	<u>\$ 0.33</u>	<u>\$ 1,256,387</u>	<u>3,981,434</u>	<u>\$ 0.32</u>

If the Company offered to settle the compensation or bonuses paid to employees by cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share (EPS), if the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the number of shares to be distributed to employees is resolved in the following year.

26. GOVERNMENT GRANTS

As of December 31, 2020, the Company received a government loan of \$1,000,000 thousand at a below-market rate of interest, which is 0.5%. It will be used in purchase of machinery and equipments. The loan is repayable in full upon maturity at 2027. Using prevailing market interest rates for an equivalent loan of 1.79%, the fair value of the loan was estimated at \$940,172 thousand on initial recognition. The difference of \$59,828 thousand between the proceeds and the fair value of the loan is the benefit derived from the below-market rate of interest which has been recognized as deferred revenue. The deferred revenue will be recognized as other income during the loan period accordingly.

27. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Panasonic Semiconductor Solutions Co., Ltd.	Semiconductor business	September 1, 2020	100	<u>\$ 7,936,496</u>
Great Target Development Ltd.	Investment holding	July 4, 2019	100	<u>\$ 155,367</u> <u>US\$ 5,000</u>

On September 1, 2020, NTC acquired the semiconductor business of Panasonic mainly operated by Panasonic Semiconductor Solutions Co., Ltd. This transaction is inclusive of 100% shares of NTHJ, NTCJ (former “PSCS”), AMTC (former “PIDE”), and METC (former “PIDST”), equipments and inventories of Panasonic Semiconductor (Suzhou) Co., Ltd. (“PSCSZ”) and assets, liabilities and contracts related to predefined specific business of Panasonic Industrial Devices Semiconductor Asia (“PIDSCA”).

In July 2019, the Company purchased 100% ownership interest of Great Target Development Ltd. in order to indirectly hold Great Target Development Ltd.’s subsidiary in India, GLMTD Technology Private Limited, with a 99.99% ownership interest.

b. Consideration transferred

	Panasonic Semiconductor Solutions Co., Ltd.	Great Target Development Ltd.
Cash	\$ 7,862,056	\$ 155,367
Contingent consideration agreement (Note)	<u>74,440</u>	<u>-</u>
	<u>\$ 7,936,496</u>	<u>\$ 155,367</u>

Note: Under the contingent consideration arrangement, if TPSCo., which NTCJ held approximately 49% ownership interest, turns net profit during the period of the effective date of the acquisition to March 31, 2022, NTCJ is required to pay Panasonic Corporation the net profit based on ownership ratio. The estimated amount of such contingent consideration transferred was JPY267,000 thousand (approximately NT\$74,440 thousand) on the purchase price allocation report. The amount of \$74,440 thousand represents the estimated fair value of NTC's contingent consideration transferred.

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

	Panasonic Semiconductor Solutions Co., Ltd.	Great Target Development Ltd.
Current assets		
Cash and cash equivalents	\$ 1,102,882	\$ 27,853
Accounts receivable and other receivables	4,469,464	19
Inventories	4,613,102	-
Other current assets	-	552
Non-current assets		
Prepayments	216,082	-
Financial assets at fair value through other comprehensive income	960,800	13,531
Property, plant and equipment	5,803,534	-
Investment properties	2,503,591	-
Right-of-use assets	997,787	-
Intangible assets	83,046	-
Deferred income tax assets	103,259	-
Other non-current assets	<u>4,639</u>	<u>84,758</u>
Total assets	<u>\$ 20,858,186</u>	<u>\$ 126,713</u>
Current liabilities		
Accounts payable and other payables	\$ 5,999,366	\$ 417
Current tax liabilities	86,320	575
Provisions - current	617,821	-
Lease liabilities - current	176,138	-
Other current liabilities	57,635	-
Non-current liabilities		
Provisions - non-current	2,539,589	-
Net defined benefit liabilities - non-current	1,473,458	-
Deferred income tax liabilities	89,169	-
Warranties	506,301	-
Lease liabilities - non-current	<u>1,156,925</u>	<u>-</u>
Total liabilities	<u>\$ 12,702,722</u>	<u>\$ 992</u>
Net assets	<u>\$ 8,155,464</u>	<u>\$ 125,721</u>

d. Non-controlling interests

The non-controlling interest recognized at the acquisition date of Panasonic Semiconductor Solutions Co., Ltd. and its subsidiaries was measured by reference to the fair value of the non-controlling interest.

e. Goodwill (bargain purchase gain) recognized on acquisition

	Panasonic Semiconductor Solutions Co., Ltd.	Great Target Development Ltd.
Consideration transferred	\$ 7,936,496	\$ 155,367
Less: Fair value of identifiable net assets acquired	<u>(8,155,464)</u>	<u>(125,721)</u>
Goodwill (bargain purchase gain) recognized on acquisitions	<u>\$ (218,968)</u>	<u>\$ 29,646</u>

The goodwill recognized in the acquisition of Great Target Development Ltd. mainly represents the control premium included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of Great Target Development Ltd.

f. Net cash outflow on the acquisition of subsidiaries

	Panasonic Semiconductor Solutions Co., Ltd.	Great Target Development Ltd.
Consideration paid in cash	\$ 7,936,496	\$ 155,367
Less: Cash and cash equivalent balances acquired	<u>(1,102,882)</u>	<u>(27,853)</u>
	6,833,614	127,514
Adjustments for:		
Receivables for investments	277,930	-
Business tax refund receivable	133,101	-
Severance pay on behalf of another party (recorded as “provisions”)	<u>(316,438)</u>	<u>-</u>
	<u>\$ 6,928,207</u>	<u>\$ 127,514</u>

g. Impact of acquisitions on the results of the Group

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

	Panasonic Semiconductor Solutions Co., Ltd.	Great Target Development Ltd.
Revenue	\$ 8,993,175	\$ -
Profit (loss)	<u>\$ (460,607)</u>	<u>\$ 118</u>

Since NTC’s business combination on September 1, 2020 included purchasing the equipments and inventories of PSCSZ and assets, liabilities and contracts related to predefined specific business of PIDSCA, which are not separate entities, so would not be able to disclose the pro-forma revenue and profit.

28. CAPITAL MANAGEMENT

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

29. FINANCIAL INSTRUMENT

a. Fair value of financial instruments

1) Valuation techniques and assumptions used in fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stock and mutual funds).
- The fair values of derivative foreign exchange contracts are measured using quoted middle and discount rates of foreign exchange contracts matching the foreign exchange rate on the maturity date of the contracts.
- Domestic and overseas unlisted equity instrument at FVTOCI were all measured based on Level 3. Fair values of the above equity instruments were determined using comparable listed company approach, refer to strike price of similar business at active market, implied value multiple of the price and relevant information. Significant unobservable inputs included PE ratio, value multiple and market liquidity discount.

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Fair value hierarchy as at December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable (secured)	\$ -	\$ 9,943,848	\$ -	\$ 9,943,848

Fair value hierarchy as at December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable (secured)	\$ -	\$ 9,931,746	\$ -	\$ 9,931,746

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

Fair value hierarchy as at December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
<u>Financial assets at FVTPL</u>				
Derivative financial assets (not under hedge accounting)	\$ -	\$ 51,603	\$ -	\$ 51,603
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 8,884,373	\$ -	\$ -	\$ 8,884,373
Overseas listed securities	266,543	-	-	266,543
Domestic and overseas unlisted securities	-	17,970	1,908,328	1,926,298
	\$ 9,150,916	\$ 17,970	\$ 1,908,328	\$ 11,077,214

Financial liabilities

Financial liabilities at FVTPL

Derivative financial liabilities	\$ -	\$ 3,191	\$ -	\$ 3,191
<u>Financial liabilities measured at amortized cost</u>				
Bonds payable (unsecured)	\$ 1,483,908	\$ -	\$ -	\$ 1,483,908

Fair value hierarchy as at December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets (not under hedge accounting)	\$ -	\$ 75,462	\$ -	\$ 75,462
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 7,234,306	\$ -	\$ -	\$ 7,234,306
Overseas listed securities	52,487	-	-	52,487
Domestic and overseas unlisted securities	-	17,240	1,423,311	1,440,551
	\$ 7,286,793	\$ 17,240	\$ 1,423,311	\$ 8,727,344

b. Categories of financial instruments

Fair values of financial assets and liabilities were summarized as follows:

	December 31			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Measured at amortized cost				
Cash and cash equivalents	\$ 11,744,306	\$ 11,744,306	\$ 11,467,907	\$ 11,467,907
Notes and accounts receivable (included related parties)	9,785,138	9,785,138	6,130,906	6,130,906
Other receivables	1,973,584	1,973,584	750,720	750,720
Refundable deposits (recorded in other non-current assets)	972,089	972,089	396,681	396,681
Financial assets at fair value through profit or loss	51,603	51,603	75,462	75,462
Financial assets at fair value through other comprehensive income (current and non-current)	11,077,214	11,077,214	8,727,344	8,727,344
<u>Financial liabilities</u>				
Measured at amortized cost				
Short-term borrowings	1,821,210	1,821,210	1,000,000	1,000,000
Notes and accounts payable (included related parties)	8,237,432	8,237,432	5,697,780	5,697,780
Payable on equipment and other payables	8,262,912	8,262,912	6,138,634	6,138,634
Bonds payable	11,151,668	11,427,756	9,931,746	9,931,746
Long-term borrowings (included current portion)	14,550,000	14,550,000	13,997,040	13,997,040
Guarantee deposits (recorded in other non-current liabilities)	90,248	90,248	64,347	64,347
Financial liabilities at fair value through profit or loss	3,191	3,191	-	-

c. Financial risk management objectives and policies

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, and use of financial derivatives. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts to hedge the foreign currency risk on export.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group uses forward foreign exchange contracts to hedge the exchange rate risk within approved policy parameters utilizing forward foreign exchange contracts.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against U.S. dollars, there would be impact on net income increase in the amounts of \$44,645 thousand and \$23,287 thousand for the years ended December 31, 2020 and 2019, respectively.

b) Interest rate risk

The Group's interest rate risk arises primarily from floating rate borrowings.

The carrying amount of the Group's financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2020	2019
Cash flow interest rate risk		
Financial assets	\$ 7,749	\$ 284,413
Financial liabilities	14,550,000	13,997,040

The sensitivity analyses below were determined based on the Group's exposure to interest rates for fair value of variable-rate derivatives instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Group's cash flows would have increased by \$145,423 thousand and \$137,126 thousand for the years ended December 31, 2020 and 2019, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In order to minimize credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual accounts receivables at the end of the reporting period to ensure that adequate impairment losses are recognized for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group has enough operating capital to comply with loan covenants; liquidity risk is low.

The Group's non-derivative financial liabilities and their agreed repayment period were as follows:

	December 31, 2020			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$ 16,500,344	\$ 90,248	\$ -	\$ 16,590,592
Lease liabilities	443,531	388,324	3,186,034	4,017,889
Variable interest rate liabilities	5,000,000	2,205,000	7,345,000	14,550,000
Fixed interest rate liabilities	<u>1,821,210</u>	<u>-</u>	<u>11,305,480</u>	<u>13,126,690</u>
	<u>\$ 23,765,085</u>	<u>\$ 2,683,572</u>	<u>\$ 21,836,514</u>	<u>\$ 48,285,171</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 2 Years	2-5 Years	5-10 Years	10-15 Years	Over 15 Years
Lease liabilities	<u>\$ 823,899</u>	<u>\$ 839,286</u>	<u>\$ 1,263,164</u>	<u>\$ 533,185</u>	<u>\$ 516,312</u>

	December 31, 2019			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$ 11,836,414	\$ 64,347	\$ -	\$ 11,900,761
Lease liabilities	239,834	220,802	2,337,896	2,798,532
Variable interest rate liabilities	4,123,520	5,123,520	4,750,000	13,997,040
Fixed interest rate liabilities	<u>1,000,000</u>	<u>-</u>	<u>10,000,000</u>	<u>11,000,000</u>
	<u>\$ 17,199,768</u>	<u>\$ 5,408,669</u>	<u>\$ 17,087,896</u>	<u>\$ 39,696,333</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 2 Years	2-5 Years	5-10 Years	10-15 Years	Over 15 Years
Lease liabilities	<u>\$ 460,636</u>	<u>\$ 538,384</u>	<u>\$ 651,067</u>	<u>\$ 526,818</u>	<u>\$ 621,627</u>

4) Transfers of financial assets

NTC's factored accounts receivables that are not yet overdue at the end of the period were as follows:

December 31, 2020

Counterparty	Receivables Factoring Proceeds	Advances Received - Unused	Advances Received - Used	Annual Interest Rates on Advances Received (Used) (%)
Sumitomo Mitsui Banking Corporation	<u>\$ 230,449</u>	<u>\$ -</u>	<u>\$ 230,449</u>	<u>0.9</u>

Pursuant to the NTC's factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by NTC, while losses from credit risk are borne by the banks.

30. RELATED PARTY TRANSACTIONS

- a. The names and relationships of related parties are as follows:

<u>Related Party</u>	<u>Relationship with the Group</u>
Walsin Lihwa Corporation	Investor that exercises significant influence over the Group
Hwa Bao Botanic Conservation Corp.	Associate
Chin Xin Investment Co., Ltd.	Associate
Tower Partners Semiconductor Co., Ltd. ("TPSCo.")	Related party in substance
Nyquest Technology Co., Ltd.	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Walton Advanced Engineering Ltd. (Suzhou)	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance
Walsin Technology Corporation	Related party in substance
United Industrial Gases Co., Ltd.	Related party in substance
Hannstar Display Corporation	Related party in substance
Harbinger III Venture Capital Corp.	Related party in substance
Glorystone Inc.	Related party in substance
TDC	Subsidiary (June 10, 2019 as the date of liquidation)

- b. Operating activities

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
1) Operating revenue		
Related party in substance	<u>\$ 300,890</u>	<u>\$ 246,399</u>
2) Purchases of goods		
Related party in substance TPSCo.	<u>\$ 2,101,947</u>	<u>\$ -</u>
3) Manufacturing expenses		
Related party in substance		
Walton Advanced Engineering Inc.	\$ 3,223,498	\$ 2,957,727
TPSCo.	720,784	-
Walton Advanced Engineering Ltd. (Suzhou)	<u>548,436</u>	<u>562,033</u>
	<u>\$ 4,492,718</u>	<u>\$ 3,519,760</u>
4) Operating expenses		
Investor that exercises significant influence over the Group	\$ 12,146	\$ 11,467
Related party in substance		
TPSCo.	190,014	-
Others	<u>11,507</u>	<u>10,818</u>
	<u>\$ 213,667</u>	<u>\$ 22,285</u>

		For the Year Ended December 31	
		2020	2019
5) Dividend income			
Investor that exercises significant influence over the Group			
Walsin Lihwa Corporation	\$	112,351	\$ 252,000
Related party in substance			
Walsin Technology Corporation		47,301	160,051
United Industrial Gases Co., Ltd.		64,394	62,858
Nyquest Technology Co., Ltd.		3,300	4,006
HannStar Display Corporation		-	33,020
Walton Advanced Engineering Inc.		-	15,019
Others		<u>136</u>	<u>4,814</u>
	\$	<u>227,482</u>	<u>\$ 531,768</u>
6) Other income			
Associate	\$	72	\$ 72
Related party in substance			
Walsin Technology Corporation		2,345	14,669
Others		<u>-</u>	<u>299</u>
	\$	<u>2,417</u>	<u>\$ 15,040</u>
		December 31	
		2020	2019
7) Accounts receivable due from related parties			
Related party in substance	\$	<u>77,760</u>	<u>\$ 45,903</u>
8) Accounts payable to related parties			
Related party in substance			
TPSCo.	\$	788,043	\$ -
Walton Advanced Engineering Inc.		782,278	773,107
Others		<u>95,682</u>	<u>138,422</u>
	\$	<u>1,666,003</u>	<u>\$ 911,529</u>
9) Other receivables and other current assets			
Related party in substance			
TPSCo.	\$	278,957	\$ -
Subsidiary		<u>16,552</u>	<u>16,157</u>
	\$	<u>295,509</u>	<u>\$ 16,157</u>

	December 31	
	2020	2019
10) Other payables and other current liabilities		
Related party in substance		
TPSCo.	\$ 65,978	\$ -
Others	11,760	34,923
Investor that exercises significant influence over the Group	<u>-</u>	<u>1,117</u>
	<u>\$ 77,738</u>	<u>\$ 36,040</u>
11) Refundable deposits (recorded as “other non-current assets”)		
Related party in substance	\$ 1,722	\$ 1,722
Investor that exercises significant influence over the Group	<u>203</u>	<u>203</u>
	<u>\$ 1,925</u>	<u>\$ 1,925</u>

The Group’s transactions with the related party were conducted under normal terms.

c. Acquisition of property, plant and equipment

	Purchase Price	
	For the Year Ended December 31	
	2020	2019
Related party in substance	<u>\$ 8,352</u>	<u>\$ -</u>

d. Lease arrangements - Group is lessee

	December 31	
	2020	2019
1) Lease liabilities		
Related party in substance	\$ 22,450	\$ 32,869
Investor that exercises significant influence over the Group	<u>2,642</u>	<u>5,160</u>
	<u>\$ 25,092</u>	<u>\$ 38,029</u>
	For the Year Ended December 31	
	2020	2019
2) Interest expense		
Related party in substance	\$ 438	\$ 604
Investor that exercises significant influence over the Group	<u>59</u>	<u>100</u>
	<u>\$ 497</u>	<u>\$ 704</u>

- e. Lease arrangements - Group is lessor/sublease arrangements

Lease arrangements - sublease arrangement under operating leases

From September 1, 2020 to December 31, 2020, NTC subleases its right-of-use asset to TPSCo. under operating lease with lease term of 1 to 12 years, and the rental is based on similar asset's market rental rates and fixed lease payments are received monthly.

	December 31	
	2020	2019
1) Operating lease receivables		
Investor that exercises significant influence over the Group	\$ <u>245</u>	\$ <u>-</u>
		December 31, 2019
2) Future lease payment receivables		
Related party in substance		\$ <u>1,635,005</u>
		For the Year Ended December 31
3) Lease income		
Related party in substance		\$ <u>85,353</u>

- f. Guarantee

The chairman of NTC is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Refer to Note 14.

- g. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employment benefits	\$ 275,970	\$ 342,723
Post-employment benefits	47,590	8,590
Compensation costs of employee share options	<u>2,957</u>	<u>2,072</u>
	<u>\$ 326,517</u>	<u>\$ 353,385</u>

The remuneration of directors and key management personnel was suggested by the remuneration committee having regard to the performance of individuals and market trends. And the remuneration was resolved by the board of directors.

31. PLEDGED AND COLLATERALIZED ASSETS

Refer to Note 6 and Note 13 to the consolidated financial statements.

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. Amounts available under unused letters of credit as of December 31, 2020 and 2019 were approximately US\$5,535 thousand and US\$6,592 thousand and JPY246,613 thousand and JPY449,780 thousand, respectively.
- b. Signed construction contract

	Total Contract Price	Payment as of December 31, 2020
TASA Construction Corporation	<u>\$ 8,736,454</u>	<u>\$ 7,603,779</u>

- c. NTC and NTCA received a complaint served by the court on June 29, 2020. The plaintiff charged in the California High Court that the gasoline generator produced by NTCA's client, HD POWER SYSTEMS INC., exploded during use and caused damage to it. At the same time, NTC, NTCA and other related companies shall bear the relevant compensation liabilities. The court stipulated that the defendant must submit a defense within 30 days. NTC continues to evaluate the possible impact of this case on its business and finances, and will also conduct related litigation matters in accordance with the procedures established by the court.

33. OTHER ITEMS

In 2020, the novel viral pneumonia (Covid-19 pandemic) spread all over the world, causing subsidiaries, customers and suppliers in some regions to implement quarantine and travel restrictions. The Group evaluated that there is no significant impact on the overall business operation and financial position of the Group. There are no doubts about the ability of the Group to going concern, assets impairment and financing risks.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed.

The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31					
	2020			2019		
	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)
<u>Financial assets</u>						
Monetary items						
USD	\$ 269,426	28.48	\$ 7,673,245	\$ 209,636	29.98	\$ 6,284,877
USD	24,365	103.08	693,912	23,628	108.62	708,381
		(Note 2)			(Note 2)	
EUR	2,342	35.02	82,028	591	33.59	19,847
JPY	1,570,680	0.2763	433,979	1,615,538	0.276	445,888
RMB	82,515	4.377	361,168	75,469	4.305	324,895
ILS	23,042	8.8712	204,409	14,128	8.6652	122,421
Non-monetary items						
USD	-	28.48	-	7,461	29.98	223,667

(Continued)

	December 31					
	2020			2019		
	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)
<u>Financial liabilities</u>						
Monetary items						
USD	\$ 110,623	28.48	\$ 3,150,531	\$ 132,119	29.98	\$ 3,960,917
USD	14,973	103.08	426,430	14,739	108.62	441,864
		(Note 2)			(Note 2)	
EUR	2,803	35.02	98,166	2,683	33.59	90,135
JPY	1,444,374	0.2763	399,080	1,636,729	0.276	451,737
RMB	7,083	0.1537	31,003	47,882	0.1436	206,132
		(Note 3)			(Note 3)	
ILS	21,479	8.8712	190,547	24,104	8.6652	208,865
						(Concluded)

Note 1: Except as otherwise noted, exchange rate represents the number of New Taiwan dollars for which one unit of foreign currency could be exchanged.

Note 2: The exchange rate represents the number of JPY for which one U.S. dollar could be exchanged.

Note 3: The exchange rate represents the number of U.S. dollar for which one RMB could be exchanged.

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange gain (loss) were loss of \$130,651 thousand and loss of \$137,534 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

35. ADDITIONAL DISCLOSURE

a. Following are the additional disclosures for material transactions:

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

b. Information on investments: Refer to Table 8 attached.

c. Information on investment in mainland China

1)	The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits (losses) of investee, ending balance, amount received as dividends from the investee, and the limitation on investee.	Table 9
2)	<p>Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports.</p> <p>a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.</p> <p>b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.</p> <p>c) The amount of property transactions and the amount of the resultant gains or losses.</p> <p>d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.</p> <p>e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.</p> <p>f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.</p>	Table 9

d. Information on major shareholders: Refer to Table 11 attached.

36. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

The Group's reportable segments under IFRS 8 "Operating Segments" was as follows:

a) Segment of DRAM IC product

The DRAM IC product segment engages mainly in the manufacturing, selling, researching, designing and after-sales service of Mobile RAM and Specialty DRAM.

b) Segment of Flash Memory product

The Flash Memory product segment engages mainly in the manufacturing, selling, researching, designing and after-sales service of Flash Memory product.

c) Segment of Logic IC product

The Logic IC product segment engages mainly in the manufacturing, selling, researching, designing and after-sales service of Logic IC product.

2) Principles of measuring reportable segments, profit, assets and liabilities

The significant accounting principles of each operating segment are the same as those stated in Note 4 to the consolidated financial statements. The Group's operating segment profit or loss represents the profit or loss earned by each segment. The profit or loss is controllable by segment managers and is the basis for assessment of segment performance. Individual segment assets are disclosed as zero since those measures are not reviewed by the chief operating decision maker. Major liabilities are arranged based on the capital cost and deployment of the whole company, which are not controlled by individual segment managers.

b. Segment revenues and operating results

The following was an analysis of the Group's revenue from continuing operations by reportable segments.

	Segment Revenue		Segment Profit and Loss	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2020	2019	2020	2019
DRAM IC product	\$ 17,458,114	\$ 18,790,988	\$ (602,590)	\$ 98,225
Flash Memory product	22,747,656	19,723,011	5,421,058	4,298,936
Logic IC product	<u>20,477,170</u>	<u>10,256,574</u>	<u>2,372,378</u>	<u>1,507,729</u>
Total of segment revenue	60,682,940	48,770,573	7,190,846	5,904,890
Other revenue	<u>231</u>	<u>861</u>	231	861
Operating revenue	<u>\$ 60,683,171</u>	<u>\$ 48,771,434</u>		
Unallocated expenditure				
Administrative and supporting expenses			(3,170,173)	(2,123,292)
Sales and other common expenses			<u>(2,393,613)</u>	<u>(2,527,250)</u>
Income from operations			<u>1,627,291</u>	<u>1,255,209</u>
Non-operating income and expenses				
Interest income			47,015	95,203
Dividend income			227,534	531,803
Gain on bargain purchase			218,968	-
Other income			254,482	49,788
Share of profit of associates			62,556	241,034
Gains (losses) on disposal of property, plant and equipment			44,334	(1,039)
Gains (losses) on disposal of non-current held for sale assets			27,674	-
Gains (losses) on financial instruments at fair value through profit or loss			110,312	64,016
Interest expense			(296,470)	(218,980)
Other expenses			(251,686)	(126,983)
Gains (losses) on disposal of investments			(16,146)	-

(Continued)

	Segment Revenue		Segment Profit and Loss	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2020	2019	2020	2019
Gains (losses) on foreign exchange			\$ (130,651)	\$ (137,534)
Impairment loss on intangible assets			<u>(112,805)</u>	<u>-</u>
Income before income tax			<u>\$ 1,812,408</u>	<u>\$ 1,752,517</u>
				(Concluded)

c. Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets (non-current assets exclude financial instruments, deferred income tax assets and post-employment benefit assets) by location of assets are detailed below.

	Revenue from		Non-current Assets	
	External Customers		For the Year Ended	
	December 31		December 31	
	2020	2019	2020	2019
Asia	\$ 56,770,463	\$ 44,709,682	\$ 67,882,414	\$ 59,631,806
Americas	2,203,356	2,492,029	243,925	244,530
Europe	1,594,040	1,528,999	-	-
Others	<u>115,312</u>	<u>40,724</u>	<u>-</u>	<u>-</u>
	<u>\$ 60,683,171</u>	<u>\$ 48,771,434</u>	<u>\$ 68,126,339</u>	<u>\$ 59,876,336</u>

d. Major customer information

For the years ended December 31, 2020 and 2019, the Group's operating revenue were \$60,683,171 thousand and \$48,771,434 thousand and single customer contacting 10% or more to the Group's operating revenue were \$5,842,435 thousand and \$5,153,522 thousand, respectively. For the years ended December 31, 2020 and 2019, there was no other individual customer exceeded 10% of the Group's operating revenue.

TABLE 1

WINBOND ELECTRONICS CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guaranteee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Borrowing Amount (Note 2)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Winbond Electronics Corporation ("WEC")	NTCJ	Indirect subsidiary with 55% ownership	\$ 13,089,824 (Note 1)	\$ 4,440,417 (JPY 16,071,000) (Note 3)	\$ 4,440,417 (JPY 16,071,000) (Note 3)	\$ 276,300 (JPY 1,000,000)	\$ -	6.78	\$ 32,724,559 (Note 5)	Y	N	N	
1	NTC	NTSH	Subsidiary	11,521,368 (Note 2)	2,319,810 (RMB 530,000) (Note 4)	2,319,810 (RMB 530,000) (Note 4)	1,544,910 (RMB 352,961)	541,120	20.13	11,521,368 (Note 6)	Y	N	Y	
1	NTC	NTCJ	Subsidiary	11,521,368 (Note 2)	1,146,645 (JPY 4,150,000) (Note 4)	1,146,645 (JPY 4,150,000) (Note 4)	385,991 (JPY 1,397,000)	-	9.95	11,521,368 (Note 6)	Y	N	N	

Note 1: WEC's maximum amount endorsed are limited to 20% of the net equity in latest financial statements of WEC or 150% of the net value of the endorsee company, whichever is lower. WEC's limitation of maximum endorse amount as described are not limited to subsidiaries that directly or indirectly hold 100% of voting shares.

Note 2: NTC's maximum amount endorsed are limited to 20% of the net equity in latest financial statements of NTC or the net value of the endorsee company, whichever is lower. NTC's limitation of maximum endorse amount as described are not limited to subsidiaries that directly or indirectly hold more than 50% of voting shares.

Note 3: The ending balance is approved by the boards of directors of WEC.

Note 4: The ending balance is approved by the boards of directors of NTC.

Note 5: WEC's total maximum amount endorsed are limited to 50% of the net equity in latest financial statements of WEC.

Note 6: NTC's maximum amount endorsed are based on the net equity in the current financial statements of NTC.

TABLE 2

WINBOND ELECTRONICS CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	
WEC	<u>Shares</u> Walsin Lihwa Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman. As WEC's corporate director, the investee held 22% ownership interest in WEC	Current financial assets at fair value through other comprehensive income	222,000,000	\$ 4,284,600	7	\$ 4,284,600
	Walsin Technology Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	8,600,117	1,982,327	2	1,982,327
	Hannstar Display Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	150,000,210	1,845,003	5	1,845,003
	Walton Advanced Engineering Inc.	The investee's chairman are relatives within the second degree of relationship of WEC's chairman. WEC as the investee's director.	"	50,062,641	690,864	10	690,864
WECA	<u>Shares</u> His Chu Golf Country Club	None	Non-current financial assets at fair value through other comprehensive income	3	9,600	-	9,600
	Linkou Golf Course	"	"	1	8,370	-	8,370
	Smart Catch International Co., Ltd.	"	"	4,000,000	-	16	-
	Harbinger III Venture Capital Corp.	WEC as the investee's supervisor	"	5,440	107	5	107
WECE	<u>Shares</u> Everspin Technologies, Inc.	None	Current financial assets at fair value through other comprehensive income	262,834	USD 1,209	1	USD 1,209
	Kneron Holding Company	"	Non-current financial assets at fair value through other comprehensive income	377,808	USD 2,000	1	USD 2,000
	<u>Funds</u> JVP VIII, L.P.	None	Non-current financial assets at fair value through other comprehensive income	-	USD 8,422	7	USD 8,422
	JVP X Funds	"	"	-	USD 3,750	4	USD 3,750
WECEJ	<u>Shares</u> Nihon Computer Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	10	JPY -	1	JPY -
GLMTD	<u>Shares</u> TEGNA Electronics Private Limited	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	3,001,000	INR 30,010	10	INR 30,010

(Continued)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	
NTC	Shares Yu-Ji Venture Capital Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value	1,125,000	\$ 14,479	5	\$ 14,479
	Brightek Optoelectronic Co., Ltd.	None	"	34,680	894	-	894
	United Industrial Gases Co., Ltd.	The held company as the investee's director	"	8,800,000	396,000	4	396,000
SYI	Autotalks Ltd. - Preferred E. Share	None	"	3,932,816	569,600	9	569,600
	Shares Nyquest Technology Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value	1,650,000	80,685	5	80,685
NTCJ	Shares Tower Semiconductor LTD.	None	Non-current financial assets at fair value	314,291	232,110	-	232,110
	Symatrix Corporation	None	"	50,268	-	1	-
	Tower Partners Semiconductor Co., Ltd.	Related party in substance	"	14,700	512,812	49	512,812

Note 1: Under the business combination arrangement, if TPSCo. turns net profit during the period of the effective date of the acquisition to March 31, 2022, NTCJ is required to pay Panasonic Corporation the net profit based on ownership share. Thus, NTC has no significant influence over TPSCo. during the period of the effective date of the acquisition to March 31, 2022. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income.

Note 2: Refer to Tables 8 and 9 for information of investment in subsidiaries, investments in associates and investment in Mainland China.

(Concluded)

TABLE 3

WINBOND ELECTRONICS CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount (Note 3)	Gain (Loss) on Disposal	Shares	Amount
WVEC	NTC	Investments accounted for using equity method	Subscription of shares	Related party	177,000,000	\$ 4,528,887	37,954,635	\$ 2,033,316 (Note 1)	-	\$ -	\$ (212,400) (Note 2)	\$ -	214,954,635	\$ 6,349,803
NTC	NTHJ	Investments accounted for using equity method	Panasonic Corporation	None	-	-	100	5,941,896 Investment income or loss (441,519) Unrealized gain or loss 153,024 Cumulative translation adjustments (59,836) Gains (losses) on disposal of financial liabilities at fair value through other comprehensive income 82,399 Investment income or loss 27,829 Cumulative translation adjustments (38,858)	-	-	-	-	100	5,675,964
	NTSG	Investments accounted for using equity method	-	Subsidiary	-	-	37,100,000	1,094,134 Investment income or loss 82,399 Cumulative translation adjustments (38,858)	-	-	-	-	37,100,000	1,083,105
NTCJ	Tower Semiconductor LTD.	Financial assets at fair value through other comprehensive income	-	None	870,454 (Note 3)	504,684	-	Unrealized gain or loss 49,886	556,163	402,003	322,460	Disposal income or loss 82,399 Cumulative translation adjustments (2,856)	314,291	232,110

(Continued)

Note 1: Include adjustment for equity method.

Note 2: Cash dividends.

Note 3: NTC acquired from the purchase of the semiconductor business of Panasonic Corporation on September 1, 2020.

(Concluded)

TABLE 4

WINBOND ELECTRONICS CORPORATION

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Property	Event Date	Transaction Amount	Payment Term	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is A Related Party			Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date			
WEC	Buildings	2020.02.05-2020.12.14	\$ 1,422,216	Monthly settlement by the construction progress and acceptance	TASA Construction Corporation	None	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2020.02.05-2020.12.21	534,734	Monthly settlement by the construction progress and acceptance	L&K Engineering Co., LTD.	None	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2020.06.18-2020.12.21	374,799	Monthly settlement by the construction progress and acceptance	Exyte Taiwan Co., Ltd.	None	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2020.02.26-2020.11.25	325,986	Monthly settlement by the construction progress and acceptance	Marketch International Corporation	None	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None

TABLE 5

WINBOND ELECTRONICS CORPORATION

DISPOSAL OF INDIVIDUAL REAL ESTATE PROPERTIES AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
WEC	Land and buildings	2020.10.15- 2020.11.12	2014.11.20	\$ 515,171	\$ 542,845	Collect after ownership transfer	\$ 27,674	Amazing Microelectronic Corp.	None	Sale	Price comparison and price negotiation	None

TABLE 6

WINBOND ELECTRONICS CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
WEC	WEHK	Direct subsidiary with 100% ownership	Sales	\$ 9,959,520	25	Net 90 days from invoice date	N/A	N/A	\$ 684,631	14	
	WECJ	Indirect subsidiary with 100% ownership	Sales	4,090,095	10	Net 90 days from invoice date	N/A	N/A	288,362	6	
	WECN	Indirect subsidiary with 100% ownership	Sales	1,503,988	4	Net 90 days from invoice date	N/A	N/A	61,920	1	
	WECA	Indirect subsidiary with 100% ownership	Sales	625,242	2	Net 90 days from invoice date	N/A	N/A	1,456	-	
	NTC	Direct subsidiary with 55% ownership	Sales	210,753	1	Net 30 days from invoice date	N/A	N/A	39,669	1	
WEHK	WEC	Parent company	Purchases	USD 337,706	100	Net 90 days from invoice date	N/A	N/A	USD (24,039)	(100)	
WECJ	WEC	Parent company	Purchases	JPY 14,799,481	98	Net 90 days from invoice date	N/A	N/A	JPY (1,047,778)	(96)	
WECN	WEC	Parent company	Purchases	RMB 353,691	100	Net 90 days from invoice date	N/A	N/A	RMB (14,147)	(100)	
WECA	WEC	Parent company	Purchases	USD 21,227	100	Net 90 days from invoice date	N/A	N/A	USD (60)	(27)	
NTC	WEC	Parent company	Purchases	209,957	5	Net 30 days from invoice date	N/A	N/A	(39,500)	(3)	
NTC	NTHK	NTC's direct subsidiary with 100% ownership	Sales	4,084,959	36	Net 90 days from invoice date	N/A	N/A	17,518	2	
NTHK	NTC	Parent company	Purchases	USD 139,065	100	Net 90 days from invoice date	N/A	N/A	USD (615)	(100)	
NTC	Nyquest Technology Co., Ltd.	Related party in substance	Sales	200,205	2	Net 90 days from invoice date	N/A	N/A	50,780	5	
NTSPL	NTCJ	NTC's direct subsidiary with 100% ownership	Sales	USD 28,937	31	Net 10 days end of the month	N/A	N/A	USD 7,165	28	
NTCJ	NTSPL	NTC's direct subsidiary with 100% ownership	Purchases	JPY 3,050,414	20	Net 10 days end of the month	N/A	N/A	USD (7,165)	(10)	
NTSPL	NTSPL	NTC's direct subsidiary with 100% ownership	Sales	JPY 6,058,562	23	Net 10 days end of the month	N/A	N/A	USD 15,110	16	
NTSPL	NTCJ	NTC's direct subsidiary with 100% ownership	Purchases	USD 57,688	24	Net 10 days end of the month	N/A	N/A	USD (15,110)	(66)	
NTCJ	NTSH	NTC's direct subsidiary with 100% ownership	Sales	JPY 5,350,943	20	Net 15 days end of the month	N/A	N/A	-	-	

(Continued)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
NTSH	NTCJ	NTC's direct subsidiary with 100% ownership	Purchases	JPY 5,350,943	100	Net 15 days end of the month	N/A	N/A	\$ -	-	
	NTCJ	NTC's direct subsidiary with 100% ownership	Sales	RMB 92,709	20	Net 15 days end of the month	N/A	N/A	-	-	
NTCJ	NTSH	NTC's direct subsidiary with 100% ownership	Purchases	RMB 92,709	13	Net 15 days from invoice date	N/A	N/A	-	-	
	TPSCo.	Related party in substance	Purchases	JPY 7,616,477	51	Net 10 days from invoice date	N/A	N/A	JPY (2,852,129)	(39)	

(Concluded)

TABLE 7

WINBOND ELECTRONICS CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
WEC	WEHK WECJ	Direct subsidiary with 100% ownership Indirect subsidiary with 100% ownership	\$ 684,631 288,362	11.94 11.46	\$ - -	- -	\$ 536,272 288,362	\$ - -
NTSPL	NTCJ	NTC's direct and indirect subsidiary	USD 7,165	12.63	-	-	USD 7,165	-
NTCJ	NTSPL	NTC's direct and indirect subsidiary	USD 15,110	12.23	-	-	USD 15,110	-
NTCJ	TPSCo.	Related party in substance	JPY 1,009,617	(Note)	-	-	JPY 1,009,617	-

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

TABLE 8

WINBOND ELECTRONICS CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2020	December 31, 2019	As of December 31, 2020 Number of Shares	%	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
Winbond Electronics Corp.	Nuvoton Technology Corporation	Taiwan	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	\$ 4,436,920	\$ 2,994,644	214,954,635	55	\$ 6,349,803	\$ 532,785	\$ 328,442	
	Winbond International Corporation	British Virgin Islands	Investment holding	2,758,517	2,992,157	87,960,000	100	1,396,823	50,811	50,811	
	Winbond Electronics (HK) Limited	Hong Kong	Sales of semiconductor and investment holding	278,158	278,158	71,150,000	100	570,123	154,266	154,272	
	Landmark Group Holdings Ltd.	British Virgin Islands	Investment holding	168,755	168,755	5,343,000	100	377,539	(32,272)	(32,272)	
	Great Target Development Ltd.	Seychelles	Investment holding	155,663	155,367	4,470,000	100	138,284	(506)	(506)	
	Callisto Holding Limited	Hong Kong	Electronic commerce and investment holding	156,292	156,292	40,000,000	100	121,876	(14,625)	(14,625)	
	Winbond Technology Ltd.	Israel	Design and service of semiconductor	21,242	21,242	100,000	100	77,647	6,025	6,025	
	Winbond Electronics Germany GmbH	Germany	Sales and service of semiconductor	28,679	28,679	850,000	100	26,066	(3,628)	(3,628)	
	Pine Capital Investment Limited	Hong Kong	Investment holding	2,967	2,967	780,000	100	3,168	(311)	(311)	
	Chin Xin Investment Co., Ltd.	Taiwan	Investment holding	1,874,825	1,874,825	182,840,999	38	6,211,869	196,303	62,600	
	Hwa Bao Botanic Conservation Corp.	Taiwan	Agriculture and forestry botanic conservation	30,000	750	3,000,000	15	29,920	(296)	(44)	
Winbond International Corporation	Winbond Electronics Corporation America	United States of America	Design, sales and service of semiconductor	1,683,207	1,683,207	3,067	100	1,427,060	37,515	37,515	
Landmark Group Holdings Ltd.	Winbond Electronics Corporation Japan	Yokohama, Japan	Research, development, sales and after-sales service of semiconductor	112,644	112,644	2,970	100	388,539	(33,463)	(33,463)	
	Peaceful River Corp.	British Virgin Islands	Investment holding	-	20,044	-	-	-	12,009	(160)	(Note 1)
Callisto Holding Limited	Callisto Technology Limited	Hong Kong	Electronic commerce and investment holding	30,895	30,895	1,000,000	100	28,539	(89)	(89)	
				USD 1,000	USD 1,000			USD 1,002	USD (3)	USD (3)	
Great Target Development Ltd.	GLMTD Technology Private Limited	India	Sales and service of semiconductor	135,415	135,415	27,998,400	99.99	108,487	(273)	(273)	
Nuvoton Technology Corporation	Nuvoton Electronics Technology (H.K.) Limited	Hong Kong	Sales of semiconductor	427,092	427,092	107,400,000	100	481,285	32,149	32,149	
	Marketplace Management Limited	British Virgin Islands	Investment holding	273,418	273,418	8,842,789	100	120,740	41,055	41,055	
	Nuvoton Investment Holding Ltd.	Taiwan	Investment holding	590,953	590,953	17,960,000	100	319,938	44,067	44,067	
	Song Yong Investment Corporation	Taiwan	Investment holding	38,500	38,500	99,346	100	99,346	3,242	3,242	
	Nuvoton Technology India Private Limited	India	Design, sales and service of semiconductor	30,211	30,211	600,000	100	21,389	805	805	
	Nuvoton Technology Corp. America	United States of America	Design, sales and service of semiconductor	190,862	190,862	60,500	100	181,972	5,381	5,381	
	Nuvoton Technology Singapore Pte. Ltd.	Singapore	Design, sales and service of semiconductor	1,094,134	-	37,100,000	100.00	1,083,105	27,829	27,829	
	Nuvoton Technology Korea Limited	Korea	Design, sales and service of semiconductor	30,828	-	125,000	100.00	28,780	(3,828)	(3,828)	
	Nuvoton Technology Holding Japan	Japan	Investment holding	5,941,896	-	100	100.00	5,675,964	(214,674)	(441,519)	(Note 2)
Marketplace Management Limited	Goldbond LLC	United States of America	Investment holding	1,472,903	1,472,903	-	100	120,783	41,402	41,402	
Nuvoton Investment Holding Ltd.	Nuvoton Technology Israel Ltd.	Israel	Design and service of semiconductor	46,905	46,905	1,000	100	321,118	44,220	44,220	
Nuvoton Technology Holding Japan	Nuvoton Technology Corporation Japan	Japan	Design, sales and service of semiconductor	111,520	-	9,480	100	11,948,721	(214,662)	(214,662)	
Nuvoton Technology Corporation Japan	Miraxia Edge Technology Corporation	Japan	Design and service of semiconductor	55,760	-	4,000	100	313,282	53,127	53,127	
	Afields Manufacturing Technology Corporation	Japan	Design and service of semiconductor	55,760	-	4,000	100	172,800	66,853	66,853	

Note 1: PRC completed the liquidation and legal procedures in November 2020.

Note 2: Share of profit (loss) includes downstream and upstream transactions and the amortization cost of the difference between the original investment amount and equity.

Note 3: Refer to Table 9 for information on investment in mainland China.

TABLE 9

WINBOND ELECTRONICS CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and USD Dollars)

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

Investor Company	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Income as of December 31, 2020
						Outward	Inward					
WEC	Winbond Electronics (Suzhou) Limited	Design, development and marketing of VLSI integrated ICs	\$ 276,435 USD 9,000	Through investing in WEHK in the third area, which then invested in the investee in mainland China indirectly	\$ 276,435 USD 9,000	\$ -	\$ -	\$ 25,731	100	\$ 25,731	\$ 322,343	\$ 35,880
NTC	Nuvoton Electronics Technology (Shanghai) Limited	Provide project of sale in China and repairing, testing and consulting of software	68,036 USD 2,000	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	68,036 USD 2,000	-	-	42,980	55	23,785	68,505	-
	Winbond Electronics (Nanjing) Ltd.	Computer software service (except I.C. design)	16,429 USD 500	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	16,429 USD 500	-	-	(1,229)	55	(680)	(1,670) (Note 2)	-
	Nuvoton Electronics Technology (Shenzhen) Limited	Computer software service (except I.C. design), wholesale business for computer, supplement and software	197,670 USD 6,000	Through investing in NTHK in the third area, which then invested in the investee in mainland China indirectly	197,670 USD 6,000	-	-	7,700	55	4,261	120,902	-
	Song Zhi Electronics Technology (Suzhou)	Provide development, consult and equipment lease of semiconductor	(Note 3)	Through investing in NTHK in the third area, which then invested in the investee in mainland China indirectly	-	-	-	-	-	-	-	-

Note 1: Investment profit or loss for the year ended December 31, 2020 was recognized under the basis of the financial statements audited by the Company's auditor.

Note 2: WENJ has a negative net book value as of December 31, 2020, which is reclassified to other non-current liabilities.

Note 3: As of December 31, 2020, NTC has not injected the capital in Song Zhi Electronics Technology (Suzhou).

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

Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)	
WEC	\$ 276,435 (USD9,000)	\$ 276,435 (USD9,000)	\$	39,269,471
NTC	282,135 (USD8,500)	282,135 (USD8,500)		6,912,821

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

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

TABLE 10

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms	
0	WEC	WEHK WEKA WECA WECA WECJ WECJ WECJ WTL WECN NTC	Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries	Operating revenue	\$ 9,959,520	-	16
				Accounts receivable due from related parties	684,631	-	1
				Operating revenue	625,242	-	1
				Other payables	118,115	-	-
				Operating expenses	514,560	-	1
				Accounts receivable due from related parties	288,362	-	-
				Operating revenue	4,090,095	-	7
				Operating expenses	355,342	-	1
				Operating expenses	280,094	-	-
				Operating revenue	1,503,988	-	2
1	NTC	NTHK NTCA NTIL NTIL	Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries	Operating revenue	210,753	-	-
				Operating revenue	4,084,959	-	7
				Operating expenses	310,515	-	-
				Operating expenses	857,575	-	1
				Other payables	174,487	-	-
2	NTCJ	NTSG NTSH NTSG	Transactions between subsidiaries Transactions between subsidiaries Transactions between subsidiaries	Operating revenue	JPY 6,058,562	-	3
				Operating revenue	JPY 5,350,940	-	2
				Accounts receivable due from related parties	USD 15,110	-	-
3	NTSG	NTCJ NTCJ	Transactions between subsidiaries Transactions between subsidiaries	Operating revenue	USD 28,937	-	1
				Accounts receivable due from related parties	USD 7,165	-	-
4	NTSH	NTCJ	Transactions between subsidiaries	Operating revenue	RMB 92,709	-	1

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

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

TABLE 11**WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Walsin Lihwa Corporation	883,848,423	22.20
Chin Xin Investment Co., Ltd.	239,003,072	6.00

Note 1: Table 11 is based on the information on the last business day of the quarter provided by the Taiwan Depository & Clearing Corporation (TDCC). The TDCC calculate the total number of ordinary shares and preferred shares held by shareholders who retain more than 5% of the Company's share (including treasury shares) that have delivered without physical registration. The number of shares in the Company's consolidated financial report and the actual number of shares delivered without physical registration may differ due to the different calculation basis.

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

Winbond Electronics Corporation

**Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Winbond Electronics Corporation

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Occurrence of Sales Revenues

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

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

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 audit committees, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

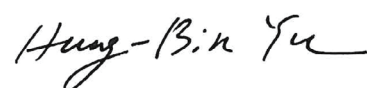
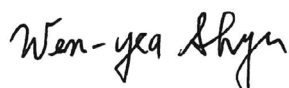
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

The engagement partners on the audit resulting in this independent auditors' report are Wen-Yea Shyu and Hung-Bin Yu.



Deloitte & Touche
Taipei, Taiwan
Republic of China

February 18, 2021

Notice to Readers

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

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

WINBOND ELECTRONICS CORPORATION

BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,818,337	5	\$ 5,424,966	6
Current financial assets at fair value through profit or loss (Notes 4 and 7)	38,380	-	69,425	-
Current financial assets at fair value through other comprehensive income (Notes 4 and 8)	8,802,794	9	7,173,101	7
Notes and accounts receivable, net (Notes 4 and 9)	3,828,445	4	2,940,289	3
Accounts receivable due from related parties, net (Note 27)	1,077,501	1	1,477,313	2
Other receivables	248,394	-	221,601	-
Inventories (Notes 4 and 10)	7,919,624	8	8,750,071	9
Other current assets	725,566	-	1,413,779	1
Total current assets	27,459,041	27	27,470,545	28
NON-CURRENT ASSETS				
Non-current financial assets at fair value through other comprehensive income (Notes 4 and 8)	18,077	-	17,476	-
Investments accounted for using equity method (Notes 4 and 11)	15,303,118	15	11,931,184	12
Property, plant and equipment (Notes 4 and 12)	54,399,180	55	55,691,405	57
Right-of-use assets (Notes 4 and 13)	1,650,011	2	1,716,292	2
Investment properties (Notes 4 and 14)	292,195	-	295,251	-
Intangible assets (Notes 4 and 15)	57,563	-	123,949	-
Deferred income tax assets (Notes 4 and 21)	518,000	1	652,000	1
Other non-current assets (Note 6)	356,115	-	350,829	-
Total non-current assets	72,594,259	73	70,778,386	72
TOTAL	\$ 100,053,300	100	\$ 98,248,931	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ -	-	\$ 1,000,000	1
Notes payable	185,729	-	181,352	-
Accounts payable	3,362,133	4	3,488,513	4
Accounts payable to related parties (Note 27)	877,960	1	911,529	1
Payables on machinery and equipment	2,066,672	2	2,919,647	3
Other payables	2,350,134	2	2,410,968	3
Current tax liabilities (Note 21)	-	-	86,193	-
Lease liabilities - current (Notes 4 and 13)	78,038	-	74,527	-
Long-term borrowings - current portion (Note 16)	5,000,000	5	4,123,520	4
Other current liabilities	71,353	-	71,350	-
Total current liabilities	13,992,019	14	15,267,599	16
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 17)	9,943,848	10	9,931,746	10
Long-term borrowings (Notes 16 and 23)	7,881,845	8	9,230,473	9
Lease liabilities - non-current (Notes 4 and 13)	1,604,911	2	1,660,704	2
Net defined benefit liabilities, non-current (Notes 4 and 18)	929,544	1	952,775	1
Other non-current liabilities	252,014	-	185,012	-
Total non-current liabilities	20,612,162	21	21,960,710	22
Total liabilities	34,604,181	35	37,228,309	38
EQUITY (Note 19)				
Share capital	39,800,002	40	39,800,002	40
Capital surplus	7,770,865	8	7,536,396	8
Retained earnings				
Legal reserve	1,913,317	2	1,798,091	2
Unappropriated earnings	8,094,753	8	6,995,451	7
Exchange differences on translation of foreign financial statements	(271,328)	(1)	(119,246)	-
Unrealized gains on financial assets measured at fair value through other comprehensive income	8,141,510	8	5,009,928	5
Total equity	65,449,119	65	61,020,622	62
TOTAL	\$ 100,053,300	100	\$ 98,248,931	100

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

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 39,649,875	100	\$ 37,884,848	100
OPERATING COSTS (Note 10)	<u>30,842,706</u>	<u>78</u>	<u>29,645,436</u>	<u>78</u>
GROSS PROFIT	<u>8,807,169</u>	<u>22</u>	<u>8,239,412</u>	<u>22</u>
OPERATING EXPENSES				
Selling expenses	866,694	2	930,591	2
General and administrative expenses	1,468,085	4	1,407,488	4
Research and development expenses	5,363,963	13	5,539,492	15
Expected credit (gain) loss (Note 9)	<u>17,844</u>	<u>-</u>	<u>(18,000)</u>	<u>-</u>
Total operating expenses	<u>7,716,586</u>	<u>19</u>	<u>7,859,571</u>	<u>21</u>
INCOME FROM OPERATIONS	<u>1,090,583</u>	<u>3</u>	<u>379,841</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	16,536	-	56,775	-
Dividend income	159,788	-	461,274	1
Other income	75,600	-	42,671	-
Gains (losses) on disposal of property, plant and equipment	6,097	-	(903)	-
Gains (losses) on disposal of non-current held for sale assets	27,674	-	-	-
Gains (losses) on financial instruments at fair value through profit or loss	76,346	-	64,269	-
Share of profit of subsidiaries and associates (Note 11)	550,764	1	808,579	2
Interest expense	(224,749)	(1)	(204,095)	(1)
Other expenses	(163,775)	-	(117,052)	-
Gains (losses) on disposal of investments	(16,146)	-	-	-
Gains (losses) on foreign exchange (Note 30)	(136,087)	-	(131,507)	-
Impairment loss on intangible assets (Note 15)	<u>(112,805)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>259,243</u>	<u>-</u>	<u>980,011</u>	<u>2</u>
INCOME BEFORE INCOME TAX	1,349,826	3	1,359,852	3
INCOME TAX EXPENSE (Notes 4 and 21)	<u>45,807</u>	<u>-</u>	<u>103,465</u>	<u>-</u>
NET INCOME	<u>1,304,019</u>	<u>3</u>	<u>1,256,387</u>	<u>3</u>

(Continued)

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Components of other comprehensive income (loss)				
that will not be reclassified to profit or loss:				
Gains (losses) on remeasurement of defined benefit plans (Note 18)	\$ 10,891	-	\$ (74,024)	-
Unrealized gains from investments in equity instruments measured at fair value through other comprehensive loss	1,608,878	4	700,754	2
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	1,820,322	5	745,644	2
Components of other comprehensive income (loss) that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	(30,052)	-	(10,985)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	<u>(122,030)</u>	<u>-</u>	<u>(57,481)</u>	<u>-</u>
Other comprehensive income (loss)	<u>3,288,009</u>	<u>9</u>	<u>1,303,908</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 4,592,028</u>	<u>12</u>	<u>\$ 2,560,295</u>	<u>7</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 0.33</u>		<u>\$ 0.32</u>	
Diluted	<u>\$ 0.33</u>		<u>\$ 0.32</u>	

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

(Concluded)

WINBOND ELECTRONICS CORPORATION

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

	Share Capital	Capital Surplus	Retained Earnings		Exchange Differences on Translation of Foreign Financial Statements	Other Equity		Total Equity
			Legal Reserve	Unappropriated Earnings		Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	
BALANCE AT JANUARY 1, 2019	\$ 39,800,002	\$ 7,540,440	\$ 1,053,441	\$ 10,567,845	\$ (50,780)	\$ 3,533,423	\$ -	\$ 62,444,371
Appropriation of 2018 earnings	-	-	744,650	(744,650)	-	-	-	-
Legal reserve appropriated	-	-	-	(3,980,000)	-	-	-	(3,980,000)
Cash dividends	-	-	-	-	-	-	-	-
Total appropriations	-	-	744,650	(4,724,650)	-	-	-	(3,980,000)
Net profit for the year ended December 31, 2019	-	-	-	1,256,387	-	-	-	1,256,387
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	(115,561)	(68,466)	1,487,935	-	1,303,908
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	1,140,826	(68,466)	1,487,935	-	2,560,295
Changes in ownership interest in subsidiaries	-	(4,044)	-	-	-	-	-	(4,044)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	11,430	-	(11,430)	-	-
BALANCE AT DECEMBER 31, 2019	39,800,002	7,536,396	1,798,091	6,995,451	(119,246)	5,009,928	-	61,020,622
Appropriation of 2019 earnings	-	-	115,226	(115,226)	-	-	-	-
Legal reserve appropriated	-	-	-	(398,000)	-	-	-	(398,000)
Cash dividends	-	-	115,226	(513,226)	-	-	-	(398,000)
Total appropriations	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	1,304,019	-	-	-	1,304,019
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	(5,710)	(152,082)	3,445,801	-	3,288,009
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	1,298,309	(152,082)	3,445,801	-	4,592,028
Changes in ownership interest in subsidiaries	-	234,469	-	-	-	-	-	234,469
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	314,219	-	(314,219)	-	-
BALANCE AT DECEMBER 31, 2020	\$ 39,800,002	\$ 7,770,865	\$ 1,913,317	\$ 8,094,753	\$ (271,328)	\$ 8,141,510	\$ -	\$ 65,449,119

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

WINBOND ELECTRONICS CORPORATION

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,349,826	\$ 1,359,852
Adjustments for:		
Depreciation expense	8,593,723	8,328,952
Amortization expense	51,065	30,120
Expected credit (gain) loss recognized on accounts receivable	17,844	(18,000)
(Reversal of) provision for declines in market value, obsolescence and scraps of inventories	(56,957)	1,087,821
Net (gains) losses on financial assets and liabilities at fair value through profit or loss	31,044	(61,898)
Interest expense	224,749	204,095
Interest income	(16,536)	(56,775)
Dividend income	(159,788)	(461,274)
Share of profit of subsidiaries and associates	(550,764)	(808,579)
(Gains) losses on disposal of investments	16,146	-
(Gains) losses on disposal of property, plant and equipment	(6,097)	903
(Gains) losses on disposal of non-current held for sale assets	(27,674)	-
(Reversal of) impairment loss on intangible assets	112,805	-
Unrealized profit (loss) on the transactions with subsidiaries	5,754	(14,010)
(Gains) losses on other items	(1)	(669)
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	(906,000)	995,957
(Increase) decrease in accounts receivable due from related parties	399,812	(198,643)
(Increase) decrease in other receivables	(23,330)	(10,826)
(Increase) decrease in inventories	887,405	(507,246)
(Increase) decrease in other current assets	173,042	40,542
(Increase) decrease in other non-current assets	(7,195)	(122,838)
Increase (decrease) in notes payable	4,377	(26,042)
Increase (decrease) in accounts payable	(126,380)	257,472
Increase (decrease) in accounts payable to related parties	(33,569)	281,744
Increase (decrease) in other payables	(60,900)	(689,328)
Increase (decrease) in other current liabilities	3	14,421
Increase (decrease) in other non-current liabilities	(14,967)	17,296
Cash generated from (used in) operations	9,877,437	9,643,047
Interest received	16,464	62,000
Dividends received	467,410	832,677
Interest paid	(388,527)	(335,849)
Income taxes paid	(1,391)	(70,855)
Net cash flows generated by (used in) operating activities	9,971,393	10,131,020

(Continued)

WINBOND ELECTRONICS CORPORATION

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

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (457,202)	\$ (291,398)
Proceeds from disposal of financial assets at fair value through other comprehensive income	435,785	-
Acquisition of investments accounted for using the equity method	(1,471,822)	(2,451,142)
Proceeds from capital reduction of investments accounted for using equity method	233,640	284,436
Acquisition of property, plant and equipment	(7,885,047)	(13,158,790)
Proceeds from disposal of property, plant and equipment	23,143	495
Acquisition of intangible assets	(62,764)	(29,423)
Acquisition of right-of-use assets	(6,971)	-
Acquisition of investment properties	(5,754)	-
Proceeds from disposal of non-current held for sale assets	542,845	-
Net cash inflows from business combination	<u>-</u>	<u>26,375</u>
Net cash flows generated by (used in) investing activities	<u>(8,654,147)</u>	<u>(15,619,447)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(1,000,000)	1,000,000
Proceeds from long-term borrowings	3,800,000	9,850,000
Repayments of long-term borrowings	(4,247,040)	(5,123,520)
Cash dividends paid	(398,000)	(3,980,000)
Repayments of lease liabilities	(78,835)	(82,612)
Other financing activities	<u>-</u>	<u>(135,000)</u>
Net cash flows generated by (used in) financing activities	<u>(1,923,875)</u>	<u>1,528,868</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(606,629)	(3,959,559)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>5,424,966</u>	<u>9,384,525</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,818,337</u>	<u>\$ 5,424,966</u>

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

(Concluded)

WINBOND ELECTRONICS CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Winbond Electronics Corporation (the “Company”) was incorporated in the Republic of China (ROC) on September 29, 1987 and is engaged in the design, development, manufacture and marketing of Very Large Scale Integration (VLSI) integrated circuits (ICs) used in a variety of microelectronic applications.

The Company’s shares have been listed on the Taiwan Stock Exchange Corporation since October 18, 1995. Walsin Lihwa Corporation is a major shareholder of the Company and held approximately 22% ownership interest in the Company as of December 31, 2020 and 2019.

These financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 18, 2021.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

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

The Company adopted the amendments starting from January 1, 2020. The threshold for materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the financial statements do not include immaterial information that may obscure material information.

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

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

The Company applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

- b. The IFRSs endorsed by the FSC for application starting from 2021

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

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

The Company used equity method to account for its investment in subsidiaries and associates for the stand-alone financial statements. The amounts of the net profit, other comprehensive income and total equity in stand-alone financial statements are same with the amounts attributable to the owner of the Company in its consolidated financial statements since there is no difference in accounting treatment between stand-alone basis and consolidated basis.

Classification of Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized, sold or consumed within twelve months after the reporting period, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Except as otherwise mentioned, assets and liabilities that are not classified as current are classified as non-current.

Foreign Currencies

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

Exchange differences arising on the retranslation of non-monetary items measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into New Taiwan dollars using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The exchange differences arising are recognized in other comprehensive income and accumulated in balance of foreign currency translation of equity.

Cash Equivalents

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

Financial Instruments

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

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

a. Financial assets measurement category

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

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

1) Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 26.

2) Financial assets at amortized cost

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

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

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

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

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

3) Investments in equity instruments at FVTOCI

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

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

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

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

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

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

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

d. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

e. Financial liabilities

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is measured at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in other profit or loss.

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

f. Derecognition of financial liabilities

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

g. Derivative financial instruments

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

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

h. Information about fair value of financial instruments

The Company determined the fair value of financial assets and liabilities as follows:

- 1) The fair values of financial assets and liabilities which have standard terms and conditions and traded in active market are determined by reference to quoted market price. If there is no quoted market price in active market, valuation techniques are applied.
- 2) The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts use individual maturity rate to calculate the fair value of each contract.
- 3) The fair values of other financial assets and financial liabilities are determined by discounted cash flow analysis in accordance with generally accepted pricing models.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Investments Accounted for Using Equity Method

Investment accounted for using equity method include investments in subsidiaries and associates.

a. Investment in subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream transactions with a subsidiary and sidestream transactions between subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

b. Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

The Company uses equity method to recognize investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified as profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests, that in substances, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss.

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

Depreciation is recognized using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The Company's property, plant and equipment with residual values were depreciated straight-line basis over the estimated useful life of the asset:

Buildings	8-50 years
Machinery and equipment	3-7 years
Other equipment	5 years

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss, and depreciated over 20 to 50 years useful lives after considered residual values, using the straight-line method. Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Intangible Assets

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

Impairment of Property, Plant and Equipment, Right-of-use Asset, Intangible Assets Other than Goodwill

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset, cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event and at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. For potential product risk, the Company accrues reserve for products guarantee based on commitment to specific customers.

Revenue Recognition

The Company identifies the performance obligations in the contract with customers, allocates the transaction price to the performance obligations in the contracts and recognizes revenue when the Company satisfies a performance obligation.

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

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

Leases

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

a. The Company as lessor

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

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

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

b. The Company as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

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

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition of qualifying assets are added to the cost of those assets, until such time that the assets are substantially ready for their intended use or sale.

Other than state above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

Government grants that take the form of a transfer of a non-monetary asset for the use of the entity are recognized and measured at the fair value of the non-monetary asset.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the period adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

Taxation

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

a. Current tax

Income tax payable is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

b. Deferred tax

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The Company's critical accounting judgments and key sources of estimation uncertainty is below:

a. Valuation of inventory

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

b. Impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash and deposits in banks	\$ 3,368,337	\$ 3,924,966
Repurchase agreements collateralized by bonds	<u>1,450,000</u>	<u>1,500,000</u>
	<u>\$ 4,818,337</u>	<u>\$ 5,424,966</u>

The Company has time deposits pledged to secure land and building leases at a science park, customs tariff obligations and export bill deposits which are reclassified as other non-current assets. Time deposits pledged as security at the end of the reporting period were as follows:

	December 31	
	2020	2019
Time deposits	<u>\$ 126,443</u>	<u>\$ 126,395</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets at FVTPL - current</u>		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	\$ 33,531	\$ 57,964
Foreign exchange swap contracts	<u>4,849</u>	<u>11,461</u>
	<u>\$ 38,380</u>	<u>\$ 69,425</u>

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

	<u>Currencies</u>	<u>Maturity Date</u>	<u>Contract Amount (In Thousands)</u>
<u>December 31, 2020</u>			
Sell forward exchange contracts	USD to NTD	2021.01.08-2021.03.26	USD166,000/NTD4,712,935
Sell forward exchange contracts	RMB to NTD	2021.01.08-2021.02.19	RMB54,000/NTD232,017
Buy forward exchange contracts	NTD to USD	2021.01.27-2021.03.17	NTD1,361,320/USD49,000
Foreign exchange swap contracts	USD to NTD	2021.01.15-2021.03.19	USD49,000/NTD1,387,299
<u>December 31, 2019</u>			
Sell forward exchange contracts	USD to NTD	2020.01.03-2020.02.27	USD142,000/NTD4,302,439
Sell forward exchange contracts	RMB to NTD	2020.01.10-2020.02.21	RMB75,000/NTD322,743
Foreign exchange swap contracts	USD to NTD	2020.01.09	USD23,280/NTD708,638
Foreign exchange swap contracts	RMB to NTD	2020.02.21	RMB5,100/NTD21,879

The Company entered into derivative financial instruments contracts to manage exposures to exchange rate fluctuations of foreign-currency-denominated assets and liabilities. The derivative financial instruments contracts entered into by the Company did not meet the criteria for hedge accounting; therefore, the Company did not apply hedge accounting treatment.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at FVTOCI:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Domestic listed and emerging stocks		
Walsin Lihwa Corporation	\$ 4,284,600	\$ 3,357,200
Walsin Technology Corporation	1,982,327	2,342,228
Hannstar Display Corporation	1,845,003	890,443
Walton Advanced Engineering Inc.	690,864	583,230
Domestic unlisted stocks	<u>18,077</u>	<u>17,476</u>
	<u>\$ 8,820,871</u>	<u>\$ 7,190,577</u>
Current	\$ 8,802,794	\$ 7,173,101
Non-current	<u>18,077</u>	<u>17,476</u>
	<u>\$ 8,820,871</u>	<u>\$ 7,190,577</u>

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

For the year ended December 31, 2020, the Company disposed the shares for \$435,785 thousand at the fair value for the adjustment of the investment position, and its related unrealized valuation gain of \$257,641 thousand were transferred from other equity to retained earnings. In 2019, the Company didn't sold its investment shares.

Dividends of \$159,788 thousand and \$461,274 thousand were recognized during 2020 and 2019, respectively. Those related to investments held at December 31, 2020 and 2019 were \$159,788 thousand and \$461,274 thousand, respectively.

9. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2020	2019
<u>Notes receivable</u>	\$ 262	\$ -
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	3,909,183	3,022,289
Less: Allowance for impairment loss	(81,000)	(82,000)
Total accounts receivable	<u>3,828,183</u>	<u>2,940,289</u>
Total notes and accounts receivable	<u>\$ 3,828,445</u>	<u>\$ 2,940,289</u>

The average credit period of sales of goods was 30 to 60 days. No interest was charged on accounts receivable. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

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

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company estimates expected credit losses based on past due days. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

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

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

December 31, 2020

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	
Gross carrying amount	\$ 3,770,952	\$ 114,133	\$ 24,098	\$ -	\$ -	\$ 3,909,183
Loss allowance (Lifetime ECL)	<u>(76,307)</u>	<u>(2,283)</u>	<u>(2,410)</u>	<u>-</u>	<u>-</u>	<u>(81,000)</u>
Amortized cost	<u>\$ 3,694,645</u>	<u>\$ 111,850</u>	<u>\$ 21,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,828,183</u>

December 31, 2019

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	
Gross carrying amount	\$ 2,606,288	\$ 385,072	\$ 11,941	\$ 144	\$ 18,844	\$ 3,022,289
Loss allowance (Lifetime ECL)	<u>(54,232)</u>	<u>(7,701)</u>	<u>(1,194)</u>	<u>(29)</u>	<u>(18,844)</u>	<u>(82,000)</u>
Amortized cost	<u>\$ 2,552,056</u>	<u>\$ 377,371</u>	<u>\$ 10,747</u>	<u>\$ 115</u>	<u>\$ -</u>	<u>\$ 2,940,289</u>

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

	2020	2019
Balance at January 1	\$ 82,000	\$ 100,000
Add: Recognized impairment loss	17,844	-
Less: Reversal of provision recognized on accounts receivable	-	(18,000)
Less: Amounts written off	<u>(18,844)</u>	<u>-</u>
Balance at December 31	<u>\$ 81,000</u>	<u>\$ 82,000</u>

10. INVENTORIES

	<u>December 31</u>	
	2020	2019
Finished goods	\$ 1,308,980	\$ 1,953,329
Work-in-process	5,979,784	6,200,256
Raw materials and supplies	630,225	596,486
Inventories in transit	<u>635</u>	<u>-</u>
	<u>\$ 7,919,624</u>	<u>\$ 8,750,071</u>

- Operating costs for the years ended December 31, 2020 and 2019 included inventory (reversal of) write-downs for the decline in market value, obsolescence and scrap of inventories of \$(56,957) thousand and \$1,087,821 thousand, respectively. In 2020, the increase in net realizable value of inventory decreased operating costs of \$124,255 thousand due to the improvement of the condition that the net realizable value of inventory were lower than operating cost and obsolescence.
- Unallocated fixed manufacturing costs recognized as operating costs in the years ended December 31, 2020 and 2019 amounted to \$724,920 thousand and \$1,223,784 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 9,061,329	\$ 7,382,245
Investments in associates	<u>6,241,789</u>	<u>4,548,939</u>
	<u>\$ 15,303,118</u>	<u>\$ 11,931,184</u>

a. Investments in subsidiaries

	December 31			
	2020		2019	
Name of Subsidiaries	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Listed companies				
Nuvoton Technology Corporation ("NTC")	\$ 6,349,803	55%	\$ 4,528,887	62%
Unlisted companies				
Winbond International Corporation ("WIC")	1,396,823	100%	1,625,896	100%
Winbond Electronics (H.K.) Limited ("WEHK")	570,123	100%	421,958	100%
Landmark Group Holdings Ltd. ("Landmark")	377,539	100%	409,747	100%
Great Target Development Ltd. ("GTD")	138,284	100%	147,019	100%
Callisto Holding Limited ("Callisto")	121,876	100%	142,793	100%
Winbond Technology Ltd. ("WTL")	77,647	100%	70,113	100%
Winbond Electronics Germany GmbH ("WEG")	26,066	100%	28,551	100%
Pine Capital Investment Limited ("PCI")	<u>3,168</u>	100%	<u>7,281</u>	100%
	<u>\$ 9,061,329</u>		<u>\$ 7,382,245</u>	

Refer to Table 8 for information of above subsidiaries' company name, main business and products, and registered location.

- 1) The fair value of investment in subsidiaries for which there are published price quotations, based on closing price of those investments at the balance sheet date, are summarized as follows:

	December 31	
Name of Subsidiary	2020	2019
NTC	<u>\$ 10,199,597</u>	<u>\$ 8,274,750</u>

- 2) On July 25, 2019, NTC's board of directors resolved to issue 80,000 thousand ordinary shares to fund working capital. The Company subscribed 50,380 thousand shares of the ordinary shares of NTC at \$45 per share and directly owned 62% of interest. Additionally, on August 21, 2020 NTC's board of directors resolved to issue 80,000 thousand ordinary shares to fund working capital. The Company subscribed 37,955 thousand shares of the ordinary shares of NTC at \$38 per share and directly owned 55% of interest.

- 3) In September 2020, the board of directors of WIC resolved the capital reductions for the repayment of shares in the amount of \$233,640 thousand.
- 4) In March 2019, the board of directors of Landmark resolved the capital reductions for the repayment of shares in the amount of \$17,371 thousand.
- 5) In July 2019, the Company purchased 100% ownership interest of GTD for investing activities in India. The Company has provided the financial information of the subsidiaries acquired in the consolidated financial statements. The parent company only financial statements do not provide such information. Additionally, on May 28, 2020 GTD board of directors resolved to issue 10 thousand ordinary shares with a par value of USD\$1. After the issuance, the company still holds 100% ownership of GTD.
- 6) A capital was injected in WEG, which was incorporated in November 2019.
- 7) TDC filed for liquidation in June 2019 and the date of dissolution was on June 10, 2019. The liquidation procedures were not completed as of December 31, 2020.
- 8) In July 2019, MMDC's board of directors resolved to conduct a short-form merger with the Company on the effective date of October 1, 2019. The Company is the surviving company after the short-form merger. Refer to Note 24 for information on the assets acquired and liabilities assumed at the date of combination.
- 9) In 2020 and 2019, the Company recognized shares of subsidiaries' profit in the amounts of \$488,208 thousand and \$567,545 thousand, respectively.

b. Investments in associates

- 1) Aggregate information of associates that are not individually material

	December 31	
	2020	2019
Associates that are not individually material		
Chin Xin Investment Co., Ltd.	\$ 6,211,869	\$ 4,548,224
Hwa Bao Botanic Conservation Corp.	<u>29,920</u>	<u>715</u>
	<u>\$ 6,241,789</u>	<u>\$ 4,548,939</u>

On September 24, 2020, the board of directors of Hwa Bao Botanic Conservation Corp. ("Hwa Bao") resolved to issue 19,500 thousand ordinary shares, which increased the share capital issued. The Company subscribed 2,925 thousand shares of the ordinary shares with a par value of \$10. As of December 31, 2020, the Company held 3,000 thousand shares of Hwa Bao and owned 15% of directly ownership interest; because the main shareholders of Hwa Bao is Chin Xin Investment Co., Ltd., and its ownership interest were 70%. The Company accounted for the equity investment in Hwa Bao using equity method for its consolidated ownership interest of Hwa Bao was 41%.

As of December 31, 2020, the Company held 182,841 thousand shares of Chin Xin Investment Co., Ltd. with ownership of 38%.

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2020	2019
The Company's share of:		
Profit from continuing operations for the year	\$ 62,556	\$ 241,034
Other comprehensive income (loss)	<u>1,692,465</u>	<u>777,428</u>
Total comprehensive income	<u>\$ 1,755,021</u>	<u>\$ 1,018,462</u>

The investments accounted for using equity method and the shares of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the subsidiaries' and associates' financial statements audited by independent auditors.

12. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2020	2019
Land	\$ 977,945	\$ 977,945
Buildings	10,682,437	11,115,211
Machinery and equipment	32,649,257	35,456,547
Other equipment	623,194	569,620
Construction in progress and prepayments for purchase of equipment	<u>9,466,347</u>	<u>7,572,082</u>
	<u>\$ 54,399,180</u>	<u>\$ 55,691,405</u>

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments on Purchase of Equipment	Total
Cost						
Balance at January 1, 2020	\$ 977,945	\$ 25,398,614	\$ 115,264,079	\$ 3,566,267	\$ 7,572,082	\$ 152,778,987
Additions	-	574,471	4,138,367	227,125	3,432,191	8,372,154
Disposals	-	(271)	(616,116)	(28,378)	-	(644,765)
Reclassified	-	224,302	143,917	5,462	(1,537,926)	(1,164,245)
Balance at December 31, 2020	<u>\$ 977,945</u>	<u>\$ 26,197,116</u>	<u>\$ 118,930,247</u>	<u>\$ 3,770,476</u>	<u>\$ 9,466,347</u>	<u>\$ 159,342,131</u>
Accumulated depreciation and impairment						
Balance at January 1, 2020	\$ -	\$ 14,283,403	\$ 79,807,532	\$ 2,996,647	\$ -	\$ 97,087,582
Depreciation expense	-	1,231,328	7,078,731	173,029	-	8,483,088
Disposals	-	(52)	(605,273)	(22,394)	-	(627,719)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 15,514,679</u>	<u>\$ 86,280,990</u>	<u>\$ 3,147,282</u>	<u>\$ -</u>	<u>\$ 104,942,951</u>
Cost						
Balance at January 1, 2019	\$ 1,544,450	\$ 22,873,232	\$ 110,465,977	\$ 3,416,727	\$ 2,503,038	\$ 140,803,424
Additions	-	441,747	4,785,488	402,044	7,807,173	13,436,452
Disposals	-	-	(328,413)	(692)	-	(329,121)
Reclassified	-	2,632,316	341,043	(235,230)	(2,738,129)	-
Transfers to non-current assets classified as held for sale	(495,641)	(294,298)	-	(16,582)	-	(806,521)
Transfers to investment property	(70,864)	(225,723)	-	-	-	(296,587)
Transfers to other non-current assets	-	(28,660)	-	-	-	(28,660)
Balance at December 31, 2019	<u>\$ 977,945</u>	<u>\$ 25,398,614</u>	<u>\$ 115,264,079</u>	<u>\$ 3,566,267</u>	<u>\$ 7,572,082</u>	<u>\$ 152,778,987</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments on Purchase of Equipment	Total
Accumulated depreciation and impairment						
Balance at January 1, 2019	\$ -	\$ 13,051,134	\$ 73,311,038	\$ 2,863,622	\$ -	\$ 89,225,794
Depreciation expense	-	1,261,744	6,820,907	146,066	-	8,228,717
Disposals	-	-	(324,413)	(692)	-	(325,105)
Transfers to non-current assets classified as held for sale	-	(29,475)	-	(12,349)	-	(41,824)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 14,283,403</u>	<u>\$ 79,807,532</u>	<u>\$ 2,996,647</u>	<u>\$ -</u>	<u>\$ 97,087,582</u>

(Concluded)

- a. As of December 31, 2020 and 2019, the carrying amounts of \$22,133,327 thousand and \$21,230,163 thousand of land, buildings and 12-inch fab facilities were pledged to secure long-term borrowings and corporate bonds.
- b. Information about capitalized interest

	For the Year Ended December 31	
	2020	2019
Capitalized interest amounts	\$ 175,838	\$ 148,751
Capitalized interest rate	1.79%-1.81%	1.79%-1.81%

13. LEASE ARRANGEMENTS

- a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 1,626,955	\$ 1,688,309
Buildings	10,160	16,288
Other equipment	<u>12,896</u>	<u>11,695</u>
	<u>\$ 1,650,011</u>	<u>\$ 1,716,292</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 47,240</u>	<u>\$ 5,616</u>
Depreciation charge for right-of-use assets		
Land	\$ 82,323	\$ 81,461
Buildings	6,396	12,705
Other equipment	<u>11,195</u>	<u>4,574</u>
	<u>\$ 99,914</u>	<u>\$ 98,740</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current	\$ 78,038	\$ 74,527
Non-current	\$ 1,604,911	\$ 1,660,704

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	2.47%	2.47%
Buildings	1.27%-1.6%	1.34%-1.6%
Other equipment	1.27%-1.86%	1.34%-1.6%

For the years ended December 31, 2020 and 2019 the interest expense under lease liabilities were amounts of \$41,260 thousand and \$42,709 thousand respectively.

c. Material lease-in activities and terms

The Company leased lands from Science Park Administration, and the lease term will expire in 2023 and 2037, respectively, which can be extended after the expiration of the lease periods.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 6,409	\$ 9,736
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 16,762	\$ 19,663
Total cash outflow for leases	\$ 150,345	\$ 151,241

The Company has elected to apply the recognition exemption for short-term leases and low-value assets leases and, thus, did not to recognize the right-of-use assets and lease liabilities for these leases.

14. INVESTMENT PROPERTIES

	December 31	
	2020	2019
Investment properties, net	\$ 292,195	\$ 295,251

The Company has been subleasing its offices located in Hsinchu to its subsidiary, NTC, since November 2019, which was classified as operating lease with lease terms of 5 years and with an extension option. As of December 31, 2020, the fair value of such investment properties was approximately NT\$297,000 thousand, which used as reference the neighboring area transactions.

	Investment Properties
<u>Cost</u>	
Balance at January 1, 2020	\$ 296,587
Additions	<u>5,754</u>
Balance at December 31, 2020	<u>\$ 302,341</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2020	\$ 1,336
Depreciation expense	<u>8,810</u>
Balance at December 31, 2020	<u>\$ 10,146</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ -
Reclassified from property, plant and equipment	<u>296,587</u>
Balance at December 31, 2019	<u>\$ 296,587</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2019	\$ -
Depreciation expense	<u>1,336</u>
Balance at December 31, 2019	<u>\$ 1,336</u>

15. INTANGIBLE ASSETS

	<u>December 31</u>	
	2020	2019
Deferred technical assets, net	\$ 27,838	\$ 123,949
Other intangible assets	<u>29,725</u>	<u>-</u>
	<u>\$ 57,563</u>	<u>\$ 123,949</u>

	Deferred Technical Assets	Other Intangible Assets	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 17,873,635	\$ -	\$ 17,873,635
Additions	<u>27,094</u>	<u>35,670</u>	<u>62,764</u>
Balance at December 31, 2020	<u>\$ 17,900,729</u>	<u>\$ 35,670</u>	<u>\$ 17,936,399</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2020	\$ 17,749,686	\$ -	\$ 17,749,686
Amortization expense	10,400	5,945	16,345
Impairment losses	<u>112,805</u>	<u>-</u>	<u>112,805</u>
Balance at December 31, 2020	<u>\$ 17,872,891</u>	<u>\$ 5,945</u>	<u>\$ 17,878,836</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 17,844,211	\$ -	\$ 17,844,211
Additions	<u>29,424</u>	<u>-</u>	<u>29,424</u>
Balance at December 31, 2019	<u>\$ 17,873,635</u>	<u>\$ -</u>	<u>\$ 17,873,635</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2019	\$ 17,739,286	\$ -	\$ 17,739,286
Amortization expense	<u>10,400</u>	<u>-</u>	<u>10,400</u>
Balance at December 31, 2019	<u>\$ 17,749,686</u>	<u>\$ -</u>	<u>\$ 17,749,686</u>

The amounts of deferred technical assets were the technical transfer fees in connection with certain technical transfer agreements. The above technical assets pertained to different products or process technology. The assets were depreciated on a straight-line basis from the commencement of production or over the estimated useful lives of the assets. The estimated useful lives of technical assets were based on the economic benefits generated from the assets or the terms of the technical asset contracts.

In 2020, the Company evaluated and decided that some of deferred technical assets lack of future economic benefits, therefore recognized impairment loss of \$112,805 thousand.

16. BORROWINGS

a. Short-term borrowings

	December 31			
	2020		2019	
	Interest Rate		Interest Rate	
	%	Amount	%	Amount
Bank lines of credit	-	<u>\$ -</u>	1.00	<u>\$ 1,000,000</u>

b. Long-term borrowings

			December 31	
	Period	Interest Rate	2020	2019
<u>Secured borrowings</u>				
Bank of Taiwan secured medium-term loan	2014.12.29-2021.12.29	1.11%-1.70%	\$ -	\$ 247,040
Bank of Taiwan syndicated loan (IV)	2016.08.15-2021.12.29	1.79%-1.81%	5,000,000	9,000,000
Bank of Taiwan syndicated loan (V)	2019.01.14-2026.09.19	1.89%	7,050,000	4,250,000
<u>Unsecured borrowings</u>				
Taiwan Cooperative Bank medium-term loan (Note 23)	2020.12.28-2027.12.15	0.5%	<u>1,000,000</u>	<u>-</u>
			13,050,000	13,497,040
Less: Current portion			(5,000,000)	(4,123,520)
Less: Syndication agreement management fee			(108,327)	(143,047)
Less: Government loan discount (Note 23)			<u>(59,828)</u>	<u>-</u>
			<u>\$ 7,881,845</u>	<u>\$ 9,230,473</u>

- 1) The collateral on the Bank of Taiwan secured medium-term loan is the land and building of the Company in Zhubei. Refer to Note 12. The principal will be repaid every six months from June 29, 2017 until maturity. On June 11, 2020, the loan had been repaid in advance.
- 2) Bank of Taiwan Syndicated Loan (IV)
 - a) On August 15, 2016, the Company entered into a syndicated loan, with a group of financial institutions, to procure equipment for 12-inch fab, repay bank loans and augment medium-term working capital. The credit line was divided into part A and B, which amounted to \$10 billion and \$2 billion, respectively; and the total line of credit amounted to \$12 billion.
 - b) Part A will be repaid every six months from December 29, 2019 until maturity, and part B will be repaid every six months from December 29, 2018 until maturity.
 - c) Refer to Note 12 for collateral on bank borrowings.
- 3) Bank of Taiwan Syndicated Loan (V)
 - a) On January 14, 2019, the Company entered into a syndicated loan, with a group of financial institutions, to procure equipment for fab. The credit line amounted to \$42 billion. The principal will be repaid every six months from September 19, 2022 until maturity.
 - b) Refer to Note 12 for collateral on bank borrowings.
- 4) The Taiwan Cooperative Bank medium-term loan is a government grant discounted interest loan. Refer to Note 23. The principal will be repaid every month from January 15, 2024 until maturity.
- 5) The Company is required to maintain certain financial covenants, including current ratio, debt ratio and tangible net equity, on June 30 and December 31 during the tenors of the loans. Additionally, the principal and interest coverage should be also maintained on June 30 and December 31 during the tenors of the loans except for the Bank of Taiwan secured medium-term loan. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements.

17. BONDS PAYABLE

	December 31	
	2020	2019
Domestic secured bonds	\$ 10,000,000	\$ 10,000,000
Less: Discounts on bonds payable	<u>(56,152)</u>	<u>(68,254)</u>
	<u>\$ 9,943,848</u>	<u>\$ 9,931,746</u>

On July 10, 2018, the Company was approved by the FSC to offer and issue the first secured corporate bonds of 2018, with an aggregate principal amount of \$10,000,000 thousand. The terms of issuance, amounts and interest rate as follows:

Issuance Date	Period	Amount	Coupon Rate	Repayment and Interest Payment
2018.07.17	7 years	\$10,000,000	1%	The principal will be repaid upon maturity. The interest is payable once a year at the coupon rate accrued annually on a simple basis starting from the issue date.

Refer to Note 12 for collateral of 12-inch Fab Manufacturing facilities on corporate bonds.

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee of the Company. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amount included in the balance sheet in respect of the Company's obligation to its defined benefit plan was as follows:

	December 31	
	2020	2019
Present value of the defined benefit obligation	\$ 1,525,037	\$ 1,543,793
Fair value of the plan assets	<u>(595,493)</u>	<u>(591,018)</u>
Net defined benefit liabilities, non-current	<u>\$ 929,544</u>	<u>\$ 952,775</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2020	<u>\$ 1,543,793</u>	<u>\$ (591,018)</u>	<u>\$ 952,775</u>
Service cost			
Current service cost	30,479	-	30,479
Net interest expense (income)	<u>11,420</u>	<u>(4,351)</u>	<u>7,069</u>
Recognized in profit or loss	<u>41,899</u>	<u>(4,351)</u>	<u>37,548</u>
Remeasurement			
Actuarial (gain) loss			
- realized rate greater than the discounted rate	-	(19,889)	(19,889)
- changes in financial assumptions	53,893	-	53,893
- experience adjustments	<u>(44,895)</u>	<u>-</u>	<u>(44,895)</u>
Recognized in other comprehensive income	<u>8,998</u>	<u>(19,889)</u>	<u>(10,891)</u>
Contributions from the employer	-	(22,590)	(22,590)
Benefits paid	(42,355)	42,355	-
Settlements	<u>(27,298)</u>	<u>-</u>	<u>(27,298)</u>
Balance at December 31, 2020	<u>\$ 1,525,037</u>	<u>\$ (595,493)</u>	<u>\$ 929,544</u>
Balance at January 1, 2019	<u>\$ 1,278,847</u>	<u>\$ (520,415)</u>	<u>\$ 758,432</u>
Service cost			
Current service cost	23,984	-	23,984
Net interest expense (income)	<u>16,345</u>	<u>(6,652)</u>	<u>9,693</u>
Recognized in profit or loss	<u>40,329</u>	<u>(6,652)</u>	<u>33,677</u>
Remeasurement			
Actuarial (gain) loss			
- realized rate greater than the discounted rate	-	(18,781)	(18,781)
- changes in demographic assumptions	(4,608)	-	(4,608)
- changes in financial assumptions	79,485	-	79,485
- experience adjustments	<u>17,928</u>	<u>-</u>	<u>17,928</u>
Recognized in other comprehensive income	<u>92,805</u>	<u>(18,781)</u>	<u>74,024</u>
Contributions from the employer	-	(17,023)	(17,023)
Benefits paid	(27,598)	27,598	-
Transfer from pension liabilities from subsidiaries	<u>159,410</u>	<u>(55,745)</u>	<u>103,665</u>
Balance at December 31, 2019	<u>\$ 1,543,793</u>	<u>\$ (591,018)</u>	<u>\$ 952,775</u>

Amounts recognized in profit or loss in respect of these defined benefit plans analyzed by function were as follows:

	For the Year Ended December 31	
	2020	2019
Operating cost	\$ 16,276	\$ 14,566
Selling expenses	2,482	2,120
General and administrative expenses	6,375	5,120
Research and development expenses	<u>12,415</u>	<u>11,871</u>
	<u>\$ 37,548</u>	<u>\$ 33,677</u>

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

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

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

	December 31	
	2020	2019
Discount rate	0.40%	0.75%
Expected rate of salary increase	1.00%-3.00%	1.00%-3.00%

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

	December 31	
	2020	2019
Discount rate		
0.5% increase	<u>\$ (76,177)</u>	<u>\$ (79,485)</u>
0.5% decrease	<u>\$ 81,750</u>	<u>\$ 85,621</u>
Expected rate of salary increase		
0.5% increase	<u>\$ 79,506</u>	<u>\$ 83,449</u>
0.5% decrease	<u>\$ (74,821)</u>	<u>\$ (78,341)</u>

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

	December 31	
	2020	2019
The expected contribution to the plan for the next year	<u>\$ 17,764</u>	<u>\$ 20,356</u>
The average duration of defined benefit obligation	10.30 years	10.70 years

19. EQUITY

a. Share capital

Common stock

	December 31	
	2020	2019
Number of shares authorized (in thousands)	<u>6,700,000</u>	<u>6,700,000</u>
Shares authorized	<u>\$ 67,000,000</u>	<u>\$ 67,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>3,980,000</u>	<u>3,980,000</u>
Shares issued	<u>\$ 39,800,002</u>	<u>\$ 39,800,002</u>

As of December 31, 2020 and 2019, the balance of the Company's capital account amounted to \$39,800,002 thousand, divided into 3,980,000 thousand common shares with a par value of NT\$10.

b. Capital surplus

	December 31	
	2020	2019
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Arising from issuance of share capital	\$ 4,787,673	\$ 4,787,673
Arising from treasury share transactions	2,342,036	2,342,036
Arising from conversion of bonds	136,352	136,352
<u>May only be used to offset a deficit</u>		
Arising from changes in percentage of ownership interest in subsidiaries	236,467	1,998
Arising from share of changes in capital surplus of associates	29,137	29,137
Cash capital increase reserved for employee share options	208,451	208,451
Others	<u>30,749</u>	<u>30,749</u>
	<u>\$ 7,770,865</u>	<u>\$ 7,536,396</u>

The capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers and convertible bonds) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of the Company's paid-in capital. The capital surplus from share of changes in equities of subsidiaries and associates may be used to offset a deficit; however, when generated from issuance of restricted shares for employees, such capital surplus may not be used for any purpose.

c. Retained earnings and dividend policy

The shareholders held their regular meeting on June 14, 2019 and resolved the amendments to the Company's Articles of Incorporation. The amendments of the Company's dividend distribution policy as follows:

From the pre-tax net profit of the current year, before deducting remuneration of employees and remuneration of directors, no more than 1% shall be allocated as remuneration of directors and no less than 1% as remuneration of employees. The remuneration of employees may be distributed in stock or cash upon resolution of the board of directors and may be distributed to the employees of subsidiaries of the Company meeting certain criteria.

However, if the Company has accumulated losses, the Company shall first set aside an amount for making up losses and then allocate remuneration of employees and remuneration of directors according to the percentage set forth in the preceding paragraph.

The Company purchases its stock for transferring such treasury shares, issues employee options, provides pre-emptive right for employees' subscription upon issuing new shares, issues new restricted employee shares, and distributes employee remuneration, to employees of the Company's controlling or subordinated companies who meet certain criteria, which shall be determined and resolved by the board of directors.

If the Company has pre-tax profits at the end of the current fiscal year, after paying all taxes and covering all accumulated losses, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities or based on the business needs of the Company, if there is any balance, the board of directors may submit a proposal for allocation of the remaining balance and the accumulated undistributed earnings to the shareholders meeting for resolution of distributing bonuses and dividends to shareholders.

The board of directors shall be authorized to distribute the profit, the legal reserve and the capital reserve mentioned in the preceding paragraph in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting.

The Company's dividend distribution policy is made in accordance with the Company Act and the Articles of Incorporation in consideration of factors including capital and financial structure, operating status, retained earnings, industry characteristics and economic cycle. The dividends shall be distributed in a steady manner. With respect to distribution of dividends, in consideration of future operation scale and cash flow needs, no less than 30% of the remaining amount of the net profit after tax of the current year, after covering the accumulative losses and setting aside the legal reserve and the special reserve, shall be distributed to shareholders as dividends, which may be distributed in stock dividend or cash dividend, and the distribution of cash dividend shall not be less than 50% of total dividends, so as to maintain continuous growth.

The Company may distribute its profit or make up its losses at the end of each half of a fiscal year. The business report, the financial statements, and the proposal for distribution of earnings or making up loss shall be prepared by and then resolved by the board of directors. The Company, in distributing its profit according to the preceding paragraph, shall estimate and reserve employee and director remuneration and any taxes payable as well as cover any losses and set aside the legal reserve in accordance with the law; however, provided that the legal reserve amounts to the total paid-in capital, the legal reserve need not be set aside. Where the Company distributes the profit in cash, such distribution shall be resolved by the board of directors, but where the profit is distributed in the form of newly issued shares, such distribution shall be resolved by the shareholders' meeting.

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

Pursuant to existing regulations, the Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of shareholders' equity, such as the accumulated balance of foreign currency translation reserve, unrealized valuation gain (loss) from available-for-sale financial assets, net amount of fair value below the cost of the Company's ordinary shares held by subsidiaries, etc. For the subsequent decrease in the deduction amount to shareholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

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

The appropriations of earnings for 2019 and 2018 were approved in the shareholders' meetings on June 12, 2020 and June 14, 2019, respectively, as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2019	For Year 2018	For Year 2019	For Year 2018
Legal reserve appropriated	\$ 115,226	\$ 744,650		
Cash dividends	<u>398,000</u>	<u>3,980,000</u>	\$ 0.1	\$ 1.0
	<u>\$ 513,226</u>	<u>\$ 4,724,650</u>		

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (119,246)	\$ (50,780)
Exchange differences arising on translating the financial statements of foreign operations	(30,052)	(10,985)
Share of exchange difference of subsidiaries and associates accounted for using the equity method	<u>(122,030)</u>	<u>(57,481)</u>
Balance at December 31	<u>\$ (271,328)</u>	<u>\$ (119,246)</u>

The exchange differences arising on translation of foreign operation's net assets from its functional currency to the Company's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 5,009,928	\$ 3,533,423
Unrealized gains (losses) on revaluation of financial assets at FVTOCI	1,608,878	700,754
Share of unrealized gains (losses) on revaluation of financial assets at FVTOCI of associates accounted for using equity method	1,836,923	787,181
Disposal of investments in equity instruments designated at FVTOCI	<u>(314,219)</u>	<u>(11,430)</u>
Balance at December 31	<u>\$ 8,141,510</u>	<u>\$ 5,009,928</u>

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

20. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	For the Year Ended December 31, 2020			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits				
Salary	<u>\$ 1,841,139</u>	<u>\$ 2,328,947</u>	<u>\$ -</u>	<u>\$ 4,170,086</u>
Insurance	<u>\$ 132,343</u>	<u>\$ 143,502</u>	<u>\$ -</u>	<u>\$ 275,845</u>
Board compensation	<u>\$ -</u>	<u>\$ 20,115</u>	<u>\$ -</u>	<u>\$ 20,115</u>
Post-employment benefits				
Pension	<u>\$ 103,096</u>	<u>\$ 111,796</u>	<u>\$ -</u>	<u>\$ 214,892</u>
Depreciation	<u>\$ 7,765,178</u>	<u>\$ 817,824</u>	<u>\$ 10,721</u>	<u>\$ 8,593,723</u>
Amortization	<u>\$ -</u>	<u>\$ 16,345</u>	<u>\$ 34,720</u>	<u>\$ 51,065</u>
	For the Year Ended December 31, 2019			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits				
Salary	<u>\$ 1,783,158</u>	<u>\$ 2,212,453</u>	<u>\$ -</u>	<u>\$ 3,995,611</u>
Insurance	<u>\$ 141,361</u>	<u>\$ 149,617</u>	<u>\$ -</u>	<u>\$ 290,978</u>
Board compensation	<u>\$ -</u>	<u>\$ 20,424</u>	<u>\$ -</u>	<u>\$ 20,424</u>
Post-employment benefits				
Pension	<u>\$ 100,474</u>	<u>\$ 105,482</u>	<u>\$ -</u>	<u>\$ 205,956</u>
Depreciation	<u>\$ 7,724,047</u>	<u>\$ 603,410</u>	<u>\$ 1,495</u>	<u>\$ 8,328,952</u>
Amortization	<u>\$ -</u>	<u>\$ 10,400</u>	<u>\$ 19,720</u>	<u>\$ 30,120</u>

There were 2,907 and 2,984 employees in the Company as of December 31, 2020 and 2019, respectively. There were 8 and 7 full time board directors as of December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the average employee benefits and average salaries and wages were \$1,608 thousand and \$1,516 thousand, \$1,438 thousand and \$1,342 thousand, respectively. The average salaries and wages increase 7%.

The Company has established the Audit Committee. There was no supervisor, and no remuneration of supervisors, either.

The remuneration policies of the Company were as follows:

1) Directors:

In accordance with the Article 22 of the Company's Articles of Incorporation, the distribution of the remuneration of directors shall be appropriated at the rates no more than 1% of net profit before income tax before deducting remuneration to employees and directors. The Remuneration Committee will recommend remuneration to directors in accordance with the Company's Articles of Incorporation, the internal Rules for Remuneration of Directors and Performance Assessment of The Board of Directors, board members' self-assessment results, and annual profit deduct the accumulative losses. The remuneration was resolved by the board of directors and reported to the shareholders' meeting.

2) Managers:

The remuneration of the managers, which depends on responsibilities and performance of individuals to encourage managers to take responsibilities and achieve performance, shall be competitive to attract external talent and stabilize internal talent. The managers have the responsibilities for operating performance, the encouragement shall be taken both short-term and long-term performance into account.

3) Employees

Employees' compensation, including fixed and variable compensation, was taken both internal fairness and external competitiveness into consideration. The Company gives bonus immediately and shares operating performance with the employees to attract, encourage and retain the talent. In accordance with the Articles of Incorporation, it stipulates distribution of the compensation of employees at the rates no less than 1% of net profit before income tax before deducting remuneration to employees and directors. Personal salary is determined by responsibilities and professional skills. Bonus and compensation are in relation to individual's performance and contribution.

For the years ended December 31, 2020 and 2019, the employees' compensation and remuneration of directors were as follows:

	For the Year Ended December 31			
	2020		2019	
	Amounts	Accrual Rate	Amounts	Accrual Rate
Employees' compensation	\$ 27,831	2%	\$ 28,038	2%
Remuneration of directors	\$ 13,916	1%	\$ 14,019	1%

If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The compensation to employees and remuneration to the directors of 2019 and 2018 were approved by the Company's board of directors on April 30, 2020 and March 25, 2019, respectively, were as below:

	For the Year Ended December 31	
	2019	2018
Employees' compensation	<u>\$ 28,038</u>	<u>\$ 163,650</u>
Remuneration of directors	<u>\$ 14,019</u>	<u>\$ 81,825</u>

There was no difference between the amounts of the compensation of employees and remuneration of directors resolved by the Company's board of directors, and the amounts recognized in the financial statements for the years ended December 31, 2019 and 2018.

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

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2020	2019
Current income tax expense		
Current tax expense	\$ -	\$ -
Additional income tax expense on unappropriated earnings	-	88,192
Income tax adjustments on prior years	(88,193)	20,273
Deferred income tax		
Current tax expense	<u>134,000</u>	<u>(5,000)</u>
Income tax expense recognized in profit or loss	<u>\$ 45,807</u>	<u>\$ 103,465</u>

Reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2020	2019
Income tax expense from continuing operations at the statutory rate	\$ 270,000	\$ 272,000
Tax effect of adjustment items		
Permanent difference	<u>(123,000)</u>	<u>(243,000)</u>
Current income tax expense	147,000	29,000
Unrecognized loss carryforwards and deductible temporary differences	(13,000)	(34,000)
Additional income tax expense on unappropriated earnings	-	88,192
Adjustment for prior years' income tax expense	<u>(88,193)</u>	<u>20,273</u>
Tax expense recognized in profit or loss	<u>\$ 45,807</u>	<u>\$ 103,465</u>

Based on the Income Tax Act in the ROC the corporate income tax rate is 20%.

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

b. Current tax assets and liabilities

	December 31	
	2020	2019
Current income tax assets		
Tax refund receivable (recorded as “other receivables”)	<u>\$ 9,197</u>	<u>\$ 5,807</u>
Current income tax liabilities		
Income tax payable	<u>\$ -</u>	<u>\$ 86,193</u>

c. Deferred tax assets

As of December 31, 2020 and 2019, deferred tax assets were as follows:

	December 31	
	2020	2019
<u>Deferred tax assets</u>		
Operating loss carryforwards	\$ 109,000	\$ 51,000
Temporary differences		
Allowance for loss on inventories	307,000	332,000
Others	<u>102,000</u>	<u>269,000</u>
	<u>\$ 518,000</u>	<u>\$ 652,000</u>

d. Operating loss carryforwards

Operating loss carryforwards as of December 31, 2020 comprised:

Operating Loss Carryforwards	Expiry Year
<u>\$ 109,000</u>	2022

e. Information about investment credits

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

f. Tax return assessments

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

22. EARNINGS PER SHARE

	For the Year Ended December 31					
	2020			2019		
	Amounts (Numerator)	Shares (Denominator)	Earnings Per Share (NTS)	Amounts (Numerator)	Shares (Denominator)	Earnings Per Share (NTS)
	Net profit	(In Thousands)	Net profit	Net profit	(In Thousands)	Net profit
Basic earnings per share						
Net income attributed to ordinary shareholders	\$ 1,304,019	3,980,000	<u>\$ 0.33</u>	\$ 1,256,387	3,980,000	<u>\$ 0.32</u>
Effect of dilutive potential ordinary shares						
Employees' compensation	-	958		-	1,434	
Diluted earnings per share						
Net income attributed to ordinary shareholders	<u>\$ 1,304,019</u>	<u>3,980,958</u>	<u>\$ 0.33</u>	<u>\$ 1,256,387</u>	<u>3,981,434</u>	<u>\$ 0.32</u>

If the Company offered to settle the compensation or bonuses paid to employees by cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share (EPS), if the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the number of shares to be distributed to employees is resolved in the following year.

23. GOVERNMENT GRANTS

As of December 31, 2020, the company received a government loan of 1,000,000 thousands at a below-market rate of interest, which is 0.5%. It will be used in purchase of machinery and equipments. The loan is repayable in full upon maturity at 2027. Using prevailing market interest rates for an equivalent loan of 1.79%, the fair value of the loan was estimated at \$940,172 thousand on initial recognition. The difference of \$59,828 thousand between the proceeds and the fair value of the loan is the benefit derived from the below-market rate of interest which has been recognized as deferred revenue. The deferred revenue will be recognized as other income during the loan period accordingly.

24. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
GTD	Investment holding	July 4, 2019	100	<u>\$ 155,367</u> <u>US\$ 5,000</u>

In July 2019, the Company purchase 100% ownership interest of Great Target Development Ltd. in order to indirectly hold Great Target Development Ltd.'s subsidiary in India, GLMTD Technology Private Limited, with a 99.99% ownership interest.

b. Subsidiaries combinations

Subsidiary	Main Business	Date of Combination
MMDC	Design, development and marketing of Pseudo SRAM	October 1, 2019

On July 25, 2019, MMDC's board of directors resolved to conduct a short-form merger with the Company on the effective date of October 1, 2019. The Company is the surviving company after the short-form merger.

Assets acquired and liabilities assumed at the date of combination:

	Amounts
Assets	
Cash and cash equivalents	\$ 26,375
Other	67,627
Liabilities	
Net defined benefit liabilities, current	(103,665)
Other	<u>(15,834)</u>
	<u>\$ (25,497)</u>

25. CAPITAL MANAGEMENT

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

26. FINANCIAL INSTRUMENT

a. Fair value of financial instruments

1) Valuation techniques and assumptions used in fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stock and mutual funds).
- The fair values of derivative foreign exchange contracts are measured using quoted middle and discount rates of foreign exchange contracts matching the foreign exchange rate on the maturity date of the contracts.
- Domestic and overseas unlisted equity instrument at FVTOCI were all measured based on Level 3. Fair values of the above equity instruments were determined using comparable listed company approach, refer to strike price of similar business at active market, implied value multiple of the price and relevant information. Significant unobservable inputs included PE ratio, value multiple and market liquidity discount.

2) Fair value measurements recognized in the balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Fair value hierarchy as at December 31, 2020

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Bonds payable	\$ 9,943,848	\$ -	\$ 9,943,848	\$ -	\$ 9,943,848

Fair value hierarchy as at December 31, 2019

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Bonds payable	\$ 9,931,746	\$ -	\$ 9,931,746	\$ -	\$ 9,931,746

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

Fair value hierarchy as at December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets (not under hedge accounting)	\$ -	\$ 38,380	\$ -	\$ 38,380
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 8,802,794	\$ -	\$ -	\$ 8,802,794
Domestic unlisted securities	-	17,970	107	18,077
	\$ 8,802,794	\$ 17,970	\$ 107	\$ 8,820,871

Fair value hierarchy as at December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets (not under hedge accounting)	\$ -	\$ 69,425	\$ -	\$ 69,425
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 7,173,101	\$ -	\$ -	\$ 7,173,101
Domestic unlisted securities	-	17,240	236	17,476
	<u>\$ 7,173,101</u>	<u>\$ 17,240</u>	<u>\$ 236</u>	<u>\$ 7,190,577</u>

b. Categories of financial instruments

Fair values of financial assets and liabilities were summarized as follows:

	December 31			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Measured at amortized cost				
Cash and cash equivalents	\$ 4,818,337	\$ 4,818,337	\$ 5,424,966	\$ 5,424,966
Notes and accounts receivable (included related parties)	4,905,946	4,905,946	4,417,602	4,417,602
Other receivables	248,394	248,394	221,601	221,601
Refundable deposits (recorded in other non-current assets)	298,946	298,946	291,751	291,751
Financial assets at fair value through profit or loss	38,380	38,380	69,425	69,425
Financial assets at fair value through other comprehensive income (current and non-current)	8,820,871	8,820,871	7,190,577	7,190,577
<u>Financial liabilities</u>				
Measured at amortized cost				
Short-term borrowings	-	-	1,000,000	1,000,000
Notes and accounts payable (included related parties)	4,425,822	4,425,822	4,581,394	4,581,394
Payable on equipment and other payables	4,416,806	4,432,892	5,330,615	5,330,615
Bonds payable	9,943,848	9,943,848	9,931,746	9,931,746
Long-term borrowings (included current portion)	13,050,000	13,050,000	13,497,040	13,497,040
Guarantee deposits (recorded in other non-current liabilities)	1,810	1,810	1,810	1,810

c. Financial risk management objectives and policies

The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provided written principles on foreign exchange risk, and use of financial derivatives. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses forward foreign exchange contracts to hedge the foreign currency risk on export.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company uses forward foreign exchange contracts to hedge the exchange rate risk within approved policy parameters utilizing forward foreign exchange contracts.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against US dollars, there would be an increase in net income in the amounts of \$41,583 thousand and \$18,934 thousand for the years ended December 31, 2020 and 2019.

b) Interest rate risk

The Company's interest rate risk arises primarily from floating rate borrowings.

The carrying amount of the Company's financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2020	2019
Cash flow interest rate risk		
Financial liabilities	\$ 13,050,000	\$ 13,497,040

The sensitivity analyses below were determined based on the Company's exposure to interest rates for fair value of variable-rate derivatives instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Company's cash flows would increase by \$130,500 thousand and \$134,970 thousand for the years ended December 31, 2020 and 2019, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In order to minimize credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each individual accounts receivable at the end of the reporting period to ensure that adequate impairment losses are recognized for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk was significantly reduced.

3) Liquidity risk

The Company has enough operating capital to comply with loan covenants; liquidity risk is low.

The Company's non-derivative financial liabilities and their agreed repayment period were as follows:

	December 31, 2020			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$ 8,842,629	\$ 1,810	\$ -	\$ 8,844,439
Lease liabilities	117,539	112,838	1,892,723	2,123,100
Variable interest rate liabilities	5,000,000	705,000	7,345,000	13,050,000
Fixed interest rate liabilities	-	-	10,000,000	10,000,000
	<u>\$ 13,960,168</u>	<u>\$ 819,648</u>	<u>\$ 19,237,723</u>	<u>\$ 34,017,539</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 2 Years	2-5 Years	5-10 Years	10-15 Years	Over 15 Years
Lease liabilities	<u>\$ 230,377</u>	<u>\$ 318,631</u>	<u>\$ 528,890</u>	<u>\$ 528,890</u>	<u>\$ 516,312</u>

	December 31, 2019			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$ 9,912,009	\$ 1,810	\$ -	\$ 9,913,819
Lease liabilities	115,353	115,030	1,983,279	2,213,662
Variable interest rate liabilities	4,123,520	5,123,520	4,250,000	13,497,040
Fixed interest rate liabilities	<u>1,000,000</u>	-	<u>10,000,000</u>	<u>11,000,000</u>
	<u>\$ 15,150,882</u>	<u>\$ 5,240,360</u>	<u>\$ 16,233,279</u>	<u>\$ 36,624,521</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 2 Years	2-5 Years	5-10 Years	10-15 Years	Over 15 Years
Lease liabilities	<u>\$ 230,383</u>	<u>\$ 319,471</u>	<u>\$ 521,091</u>	<u>\$ 521,091</u>	<u>\$ 621,626</u>

27. RELATED PARTY TRANSACTIONS

- a. The names and relationships of related parties are as follows:

Related Party	Relationship with the Company
Walsin Lihwa Corporation	Investor that exercises significant influence over the Company
WEHK	Subsidiary
PCI	Subsidiary
MMDC	Subsidiary (October 1, 2019 as the date of short-form merger date with the Company)
WTL	Subsidiary
TDC	Subsidiary (June 10, 2019 as the date of liquidation)
Callisto	Subsidiary
Winbond Electronics (Suzhou) Limited (“WECN”)	Subsidiary
Winbond Electronics Corporation America (“WECA”)	Subsidiary
Winbond Electronics Corporation Japan (“WECJ”)	Subsidiary
GTD	Subsidiary
NTC	Subsidiary
Chin Xin Investment Co., Ltd.	Associate
Hwa Bao Botanic Conservation Corp.	Associate
Walton Advanced Engineering Inc.	Related party in substance
Walton Advanced Engineering (Suzhou) Inc.	Related party in substance
HannStar Display Corporation	Related party in substance
Walsin Technology Corporation	Related party in substance
Harbinger III Venture Capital Corp.	Related party in substance

- b. Operating activities

	For the Year Ended December 31	
	2020	2019
1) Operating revenue		
Subsidiaries		
WEHK	\$ 9,959,520	\$ 8,417,086
WECJ	4,090,095	4,607,248
Others	<u>2,339,983</u>	<u>2,191,261</u>
	<u>\$ 16,389,598</u>	<u>\$ 15,215,595</u>
2) Manufacturing expenses		
Related party in substance		
Walton Advanced Engineering Inc.	\$ 3,222,665	\$ 2,957,727
Others	<u>548,435</u>	<u>562,033</u>
	<u>\$ 3,771,100</u>	<u>\$ 3,519,760</u>

		For the Year Ended December 31	
		2020	2019
3) Selling expenses			
Subsidiaries			
WECA	\$	180,869	\$ 184,945
Others		<u>48,649</u>	<u>4,424</u>
	\$	<u>229,518</u>	<u>\$ 189,369</u>
4) General and administrative expenses			
Investor that exercises significant influence over the			
Company	\$	12,146	\$ 11,467
Subsidiaries		4,253	4,223
Related party in substance		<u>628</u>	<u>38</u>
	\$	<u>17,027</u>	<u>\$ 15,728</u>
5) Research and development expenses			
Subsidiaries	\$	<u>922,377</u>	<u>\$ 1,142,886</u>
6) Dividend income			
Investor that exercises significant influence over the			
Company			
Walsin Lihwa Corporation	\$	112,351	\$ 252,000
Related party in substance			
Walsin Technology Corporation		47,301	160,051
Others		<u>136</u>	<u>49,223</u>
	\$	<u>159,788</u>	<u>\$ 461,274</u>
7) Other income			
Associate	\$	72	\$ 72
Subsidiaries			
NTC		21,748	7,408
Others		-	297
Related party in substance		<u>2,345</u>	<u>14,968</u>
	\$	<u>24,165</u>	<u>\$ 22,745</u>

		December 31	
		2020	2019
8) Accounts receivable due from related parties			
Subsidiaries			
WEHK	\$	684,631	\$ 984,183
WECJ		288,362	425,678
Others		<u>104,508</u>	<u>67,452</u>
	\$	<u>1,077,501</u>	<u>\$ 1,477,313</u>
9) Accounts payable to related parties			
Related party in substance			
Walton Advanced Engineering Inc.	\$	782,278	\$ 773,107
Others		<u>95,682</u>	<u>138,422</u>
	\$	<u>877,960</u>	<u>\$ 911,529</u>
10) Other receivables and other current assets			
Subsidiaries	\$	<u>26,550</u>	<u>\$ 18,710</u>
11) Other payables			
Subsidiaries	\$	198,090	\$ 240,135
Related party in substance		34,269	34,908
Investor that exercises significant influence over the Company		<u>-</u>	<u>1,117</u>
	\$	<u>232,359</u>	<u>\$ 276,160</u>
12) Refundable deposits paid (recorded as “other non-current assets”)			
Subsidiaries	\$	545	\$ 545
Investor that exercises significant influence over the Company		<u>203</u>	<u>203</u>
	\$	<u>748</u>	<u>\$ 748</u>
13) Refundable deposits received (recorded as “other non-current liabilities”)			
Subsidiaries	\$	<u>1,780</u>	<u>\$ 1,780</u>

The Company’s transactions with the related party were conducted under normal terms.

c Acquisitions of property, plant and equipment

		For the Year Ended December 31	
		2020	2019
Subsidiaries	\$	<u>-</u>	<u>\$ 1,670</u>

d. Lease arrangements

	December 31	
	2020	2019
1) Lease liabilities		
Subsidiaries	\$ 7,674	\$ 11,254
Investor that exercises significant influence over the Group	<u>2,642</u>	<u>5,161</u>
	<u>\$ 10,316</u>	<u>\$ 16,415</u>
	For the Year Ended December 31	
	2020	2019
2) Interest expense		
Subsidiaries	\$ 145	\$ 204
Investor that exercises significant influence over the Group	<u>59</u>	<u>99</u>
	<u>\$ 204</u>	<u>\$ 303</u>

e. Subleasing

Refer to Note 14.

f. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employment benefits	\$ 96,700	\$ 140,654
Post-employment benefits	<u>39,230</u>	<u>685</u>
	<u>\$ 135,930</u>	<u>\$ 141,339</u>

The remuneration of directors and key management personnel was determined by the remuneration committee having regard to the performance of individuals and market trends. And the remuneration was resolved by the board of directors.

28. PLEDGED AND COLLATERALIZED ASSETS

Refer to Notes 6 and 12 to the financial statements.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- Amounts available under unused letters of credit as of December 31, 2020 and 2019 were approximately US\$5,535 thousand and US\$6,592 thousand, JPY246,613 thousand and JPY436,580 thousand, respectively.

b. Signed construction contract

	Total Contract Price	Payment as of December 31, 2020
TASA Construction Corporation	<u>\$ 8,736,454</u>	<u>\$ 7,603,779</u>

30. OTHER ITEMS

In 2020, the novel viral pneumonia (Covid-19 pandemic) spread all over the world, causing subsidiaries, customers and suppliers in some regions to implement quarantine and travel restrictions. The Company evaluated that there is no significant impact on the overall business operation and financial position of the Company. There are no doubts about the ability of the Company to going concern, assets impairment and financing risks.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31					
	2020			2019		
	Foreign Currencies (In Thousands)	Exchange Rate	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate	New Taiwan Dollars (In Thousands)
<u>Financial assets</u>						
Monetary items						
USD	\$ 215,190	28.48	\$ 6,128,609	\$ 169,151	29.98	\$ 5,071,147
EUR	2,267	35.02	79,389	564	33.59	18,957
JPY	1,521,857	0.2763	420,489	1,600,445	0.276	441,723
RMB	77,858	4.377	340,785	73,383	4.305	315,915
Non-monetary items						
USD	24,297	28.48	691,983	18,837	29.98	564,741
ILS	8,810	8.8712	78,154	8,091	8.6652	70,113
<u>Financial liabilities</u>						
Monetary items						
USD	69,184	28.48	1,970,348	105,995	29.98	3,177,737
EUR	2,689	35.02	94,185	2,526	33.59	84,854
JPY	1,375,402	0.2763	380,024	1,574,340	0.276	434,518
ILS	2,774	8.8712	24,604	6,291	8.6652	54,516

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currencies	For the Year Ended December 31	
	2020	2019
USD	\$ (195,107)	\$ (116,593)
RMB	<u>51,691</u>	<u>(8,263)</u>
	<u>\$ (143,416)</u>	<u>\$ (124,856)</u>

32. ADDITIONAL DISCLOSURE

a. Following are the additional disclosures for material transactions for the Company:

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

b. Information on investments: Refer to Table 8.

c. Information on investment in mainland China

1)	The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits (losses) of investee, ending balance, amount received as dividends from the investee, and the limitation on investee.	Table 9
2)	<p>Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports.</p> <p>a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.</p> <p>b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.</p> <p>c) The amount of property transactions and the amount of the resultant gains or losses.</p> <p>d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.</p> <p>e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.</p> <p>f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.</p>	Table 9

33. SEGMENT INFORMATION

The Company has provided the financial information of the operating segments in the consolidated financial statements. These parent company only financial statements do not provide such information.

TABLE 1

WINBOND ELECTRONICS CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Borrowing Amount (Note 2)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Winbond Electronics Corporation ("WEC")	NTCJ	Indirect subsidiary with 55% ownership	\$ 13,089,824 (Note 1)	\$ 4,440,417 (JPY 16,071,000) (Note 3)	\$ 4,440,417 (JPY 16,071,000) (Note 3)	\$ 276,300 (JPY 1,000,000)	\$ -	6.78	\$ 32,724,559 (Note 5)	Y	N	N	
1	NTC	NTSH	Subsidiary	11,521,368 (Note 2)	2,319,810 (RMB 530,000) (Note 4)	2,319,810 (RMB 530,000) (Note 4)	1,544,910 (RMB 352,961)	541,120	20.13	11,521,368 (Note 6)	Y	N	Y	
1	NTC	NTCJ	Subsidiary	11,521,368 (Note 2)	1,146,645 (JPY 4,150,000) (Note 4)	1,146,645 (JPY 4,150,000) (Note 4)	385,991 (JPY 1,397,000)	-	9.95	11,521,368 (Note 6)	Y	N	N	

Note 1: WEC's maximum amount endorsed are limited to 20% of the net equity in latest financial statements of WEC or 150% of the net value of the endorsee company, whichever is lower. WEC's limitation of maximum endorse amount as described are not limited to subsidiaries that directly or indirectly hold 100% of voting shares.

Note 2: NTC's maximum amount endorsed are limited to 20% of the net equity in latest financial statements of NTC or the net value of the endorsee company, whichever is lower. NTC's limitation of maximum endorse amount as described are not limited to subsidiaries that directly or indirectly hold more than 50% of voting shares.

Note 3: The ending balance is approved by the boards of directors of WEC.

Note 4: The ending balance is approved by the boards of directors of NTC.

Note 5: WEC's total maximum amount endorsed are limited to 50% of the net equity in latest financial statements of WEC.

Note 6: NTC's maximum amount endorsed are based on the net equity in the current financial statements of NTC.

TABLE 2

WINBOND ELECTRONICS CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	
WEC	<u>Shares</u> Walsin Lihwa Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman. As WEC's corporate director, the investee held 22% ownership interest in WEC	Current financial assets at fair value through other comprehensive income	222,000,000	\$ 4,284,600	7	\$ 4,284,600
	Walsin Technology Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	8,600,117	1,982,327	2	1,982,327
	Hannstar Display Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	150,000,210	1,845,003	5	1,845,003
	Walton Advanced Engineering Inc.	The investee's chairman are relatives within the second degree of relationship of WEC's chairman. WEC as the investee's director.	"	50,062,641	690,864	10	690,864
WECA	<u>Shares</u> His Chu Golf Country Club	None	Non-current financial assets at fair value through other comprehensive income	3	9,600	-	9,600
	Linkou Golf Course	"	"	1	8,370	-	8,370
	Smart Catch International Co., Ltd.	"	"	4,000,000	-	16	-
	Harbinger III Venture Capital Corp.	WEC as the investee's supervisor	"	5,440	107	5	107
WECE	<u>Shares</u> Everspin Technologies, Inc.	None	Current financial assets at fair value through other comprehensive income	262,834	USD 1,209	1	USD 1,209
	Kneron Holding Company	"	Non-current financial assets at fair value through other comprehensive income	377,808	USD 2,000	1	USD 2,000
	<u>Funds</u> JVP VIII, L.P.	None	Non-current financial assets at fair value through other comprehensive income	-	USD 8,422	7	USD 8,422
	JVP X Funds	"	"	-	USD 3,750	4	USD 3,750
WECEJ	<u>Shares</u> Nihon Computer Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	10	JPY -	1	JPY -
GLMTD	<u>Shares</u> TEGNA Electronics Private Limited	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	3,001,000	INR 30,010	10	INR 30,010

(Continued)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	
NTC	Shares Yu-Ji Venture Capital Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	1,125,000	\$ 14,479	5	\$ 14,479
	Brightek Optoelectronic Co., Ltd.	None	"	34,680	894	-	894
	United Industrial Gases Co., Ltd.	The held company as the investee's director	"	8,800,000	396,000	4	396,000
SYI	Autotalks Ltd. - Preferred E. Share	None	"	3,932,816	569,600	9	569,600
	Shares Nyquest Technology Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	1,650,000	80,685	5	80,685
NTCJ	Shares Tower Semiconductor Ltd.	None	Non-current financial assets at fair value through other comprehensive income	314,291	232,110	-	232,110
	Symatrix Corporation	None	"	50,268	-	1	-
	Tower Partners Semiconductor Co., Ltd.	Related party in substance	"	14,700	512,812	49	512,812

Note 1: Under the business combination arrangement, if TPSCo. turns net profit during the period of the effective date of the acquisition to March 31, 2022, NTCJ is required to pay Panasonic Corporation the net profit based on ownership share. Thus, NTC has no significant influence over TPSCo. during the period of the effective date of the acquisition to March 31, 2022. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income.

Note 2: Refer to Tables 8 and 9 for information of investment in subsidiaries, investments in associates and investment in Mainland China.

(Concluded)

TABLE 3

WINBOND ELECTRONICS CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount (Note 3)	Gain (Loss) on Disposal	Shares	Amount
WEC	NTC	Investments accounted for using equity method	Subscription of shares	Related party	177,000,000	\$ 4,528,887	37,954,635	\$ 2,033,316 (Note 1)	-	\$ -	\$ (212,400) (Note 2)	\$ -	214,954,635	\$ 6,349,803
	NTHJ	Investments accounted for using equity method	Panasonic Corporation	None	-	-	100	Investment income or loss 5,941,896 Unrealized gain or loss (441,519)	-	-	-	-	100	5,675,964
								153,024 Cumulative translation adjustments Gains (losses) on disposal of financial liabilities at fair value through other comprehensive income 82,399						
	NTSG	Investments accounted for using equity method	-	Subsidiary	-	-	37,100,000	\$ 1,094,134 Investment income or loss 27,829	-	-	-	-	37,100,000	1,083,105
								Cumulative translation adjustments (38,858)						
NTCJ	Tower Semiconductor Ltd.	Financial assets at fair value through other comprehensive income	-	None	870,454 (Note 3)	504,684	-	Unrealized gain or loss 49,886	556,163	402,003	322,460	Disposal income or loss 82,399 Cumulative translation adjustments (2,856)	314,291	232,110

Note 1: Include adjustment for equity method.

Note 2: Cash dividends.

Note 3: NTC acquired from the purchase of the semiconductor business of Panasonic Corporation on September 1, 2020.

TABLE 4

WINBOND ELECTRONICS CORPORATION

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Property	Event Date	Transaction Amount	Payment Term	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is A Related Party			Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date			
WEC	Buildings	2020.02.05-2020.12.14	\$ 1,422,216	Monthly settlement by the construction progress and acceptance	TASA Construction Corporation	None	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2020.02.05-2020.12.21	534,734	Monthly settlement by the construction progress and acceptance	L&K Engineering Co., Ltd.	None	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2020.06.18-2020.12.21	374,799	Monthly settlement by the construction progress and acceptance	Exyte Taiwan Co., Ltd.	None	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2020.02.26-2020.11.25	325,986	Monthly settlement by the construction progress and acceptance	Marketch International Corporation	None	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None

TABLE 5

WINBOND ELECTRONICS CORPORATION

DISPOSAL OF INDIVIDUAL REAL ESTATE PROPERTIES AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
WEC	Land and Buildings	2020.10.15- 2020.11.12	2014.11.20	\$ 515,171	\$ 542,845	Collect after ownership transfer	\$ 27,674	Amazing Microelectronic Corp.	None	Sale	Price comparison and price negotiation	None

TABLE 6

WINBOND ELECTRONICS CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
WEC	WEHK	Direct subsidiary with 100% ownership	Sales	\$ 9,959,520	25	Net 90 days from invoice date	N/A	N/A	\$ 684,631	14	
	WECJ	Indirect subsidiary with 100% ownership	Sales	4,090,095	10	Net 90 days from invoice date	N/A	N/A	288,362	6	
	WECN	Indirect subsidiary with 100% ownership	Sales	1,503,988	4	Net 90 days from invoice date	N/A	N/A	61,920	1	
	WECA	Indirect subsidiary with 100% ownership	Sales	625,242	2	Net 90 days from invoice date	N/A	N/A	1,456	-	
	NTC	Direct subsidiary with 55% ownership	Sales	210,753	1	Net 30 days from invoice date	N/A	N/A	39,669	1	
WEHK	WEC	Parent company	Purchases	USD 337,706	100	Net 90 days from invoice date	N/A	N/A	USD (24,039)	(100)	
WECJ	WEC	Parent company	Purchases	JPY 14,799,481	98	Net 90 days from invoice date	N/A	N/A	JPY (1,047,778)	(96)	
WECN	WEC	Parent company	Purchases	RMB 353,691	100	Net 90 days from invoice date	N/A	N/A	RMB (14,147)	(100)	
WECA	WEC	Parent company	Purchases	USD 21,227	100	Net 90 days from invoice date	N/A	N/A	USD (60)	(27)	
NTC	WEC	Parent company	Purchases	209,957	5	Net 30 days from invoice date	N/A	N/A	(39,500)	(3)	
NTC	NTHK	NTC's direct subsidiary with 100% ownership	Sales	4,084,959	36	Net 90 days from invoice date	N/A	N/A	17,518	2	
NTHK	NTC	Parent company	Purchases	USD 139,065	100	Net 90 days from invoice date	N/A	N/A	USD (615)	(100)	
NTC	Nyquest Technology Co., Ltd.	Related party in substance	Sales	200,205	2	Net 90 days from invoice date	N/A	N/A	50,780	5	
NTSPL	NTCJ	NTC's direct subsidiary with 100% ownership	Sales	USD 28,937	31	Net 10 days end of the month	N/A	N/A	USD 7,165	28	
NTCJ	NTSPL	NTC's direct subsidiary with 100% ownership	Purchases	JPY 3,050,414	20	Net 10 days end of the month	N/A	N/A	USD (7,165)	(10)	
NTSPL	NTSPL	NTC's direct subsidiary with 100% ownership	Sales	JPY 6,058,562	23	Net 10 days end of the month	N/A	N/A	USD 15,110	16	
NTSPL	NTCJ	NTC's direct subsidiary with 100% ownership	Purchases	USD 57,688	24	Net 10 days end of the month	N/A	N/A	USD (15,110)	(66)	
NTCJ	NTSH	NTC's direct subsidiary with 100% ownership	Sales	JPY 5,350,943	20	Net 15 days end of the month	N/A	N/A	-	-	

(Continued)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
NTSH	NTCJ	NTC's direct subsidiary with 100% ownership	Purchases	JPY 5,350,943	100	Net 15 days end of the month	N/A	N/A	\$ -	-	
	NTCJ	NTC's direct subsidiary with 100% ownership	Sales	RMB 92,709	20	Net 15 days end of the month	N/A	N/A	-	-	
NTCJ	NTSH	NTC's direct subsidiary with 100% ownership	Purchases	RMB 92,709	13	Net 15 days from invoice date	N/A	N/A	-	-	
	TPSCo.	Related party in substance	Purchases	JPY 7,616,477	51	Net 10 days from invoice date	N/A	N/A	JPY (2,852,129)	(39)	

(Concluded)

TABLE 7

WINBOND ELECTRONICS CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
WEC	WEHK WECJ	Direct subsidiary with 100% ownership Indirect subsidiary with 100% ownership	\$ 684,631 288,362	11.94	-	-	\$ 536,272	\$ -
				11.46	-	-	288,362	-
NTSPL	NTCJ	NTC's direct and indirect subsidiary	USD 7,165	12.63	-	-	USD 7,165	-
NTCJ	NTSPL	NTC's direct and indirect subsidiary	USD 15,110	12.23	-	-	USD 15,110	-
NTCJ	TPSCo.	Related party in substance	JPY1,009,617	(Note)	-	-	JPY1,009,617	-

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

TABLE 8

WINBOND ELECTRONICS CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
Winbond Electronics Corp.	Nuvoton Technology Corporation	Taiwan	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	\$ 4,436,920	\$ 2,994,644	214,954,635	55	\$ 6,349,803	\$ 532,785	\$ 328,442	
	Winbond International Corporation	British Virgin Islands	Investment holding	2,758,517	2,992,157	87,960,000	100	1,396,823	50,811	50,811	
	Winbond Electronics (HK) Limited	Hong Kong	Sales of semiconductor and investment holding	278,158	278,158	71,150,000	100	570,123	154,266	154,266	
	Landmark Group Holdings Ltd.	British Virgin Islands	Investment holding	168,755	168,755	5,343,000	100	377,539	(32,272)	(32,272)	
	Great Target Development Ltd.	Seychelles	Investment holding	155,663	155,367	4,470,000	100	138,284	(506)	(506)	
	Callisto Holding Limited	Hong Kong	Electronic commerce and investment holding	156,292	156,292	40,000,000	100	121,876	(14,625)	(14,625)	
	Winbond Technology Ltd.	Israel	Design and service of semiconductor	21,242	21,242	100,000	100	77,647	6,025	6,025	
	Winbond Electronics Germany GmbH	Germany	Sales and service of semiconductor	28,679	28,679	850,000	100	26,066	(3,628)	(3,628)	
	Pine Capital Investment Limited	Hong Kong	Investment holding	2,967	2,967	780,000	100	3,168	(311)	(311)	
	Chin Xin Investment Co., Ltd.	Taiwan	Investment holding	1,874,825	1,874,825	182,840,999	38	6,211,869	196,303	62,600	
Winbond International Corporation	Hwa Bao Botanic Conservation Corp.	Taiwan	Agriculture and forestry botanic conservation	30,000	750	3,000,000	15	29,920	(296)	(44)	
	Winbond Electronics Corporation America	United States of America	Design, sales and service of semiconductor	1,683,207	1,683,207	3,067	100	1,427,060	37,515	37,515	
	Landmark Group Holdings Ltd.	Yokohama, Japan	Research, development, sales and after-sales service of semiconductor	112,644	112,644	2,970	100	388,539	(33,463)	(33,463)	
	Peaceful River Corp.	British Virgin Islands	Investment holding	-	20,044	-	-	-	12,009	(160)	(Note 1)
	Callisto Holding Limited	Hong Kong	Electronic commerce and investment holding	30,895	30,895	1,000,000	100	28,539	(89)	(89)	
	Great Target Development Ltd.	India	Sales and service of semiconductor	135,415	135,415	27,998,400	99.99	108,487	USD (3)	USD (3)	
	Nuvoton Technology Corporation	Hong Kong	Sales of semiconductor	427,092	427,092	107,400,000	100	481,285	(273)	(273)	
	Marketplace Management Limited	British Virgin Islands	Investment holding	273,418	273,418	8,842,789	100	120,740	32,149	32,149	
	Nuvoton Investment Holding Ltd.	Taiwan	Investment holding	590,953	590,953	17,960,000	100	319,938	41,055	41,055	
	Song Yong Investment Corporation	Taiwan	Investment holding	38,500	38,500	3,850,000	100	99,346	44,067	44,067	
Nuvoton Technology Corporation	Nuvoton Technology India Private Limited	India	Design, sales and service of semiconductor	30,211	30,211	600,000	100	21,389	3,242	3,242	
	Nuvoton Technology Corp. America	United States of America	Design, sales and service of semiconductor	190,862	190,862	60,500	100	181,972	805	805	
	Nuvoton Technology Singapore Pte. Ltd.	Singapore	Design, sales and service of semiconductor	1,094,134	-	37,100,000	100	1,083,105	5,381	5,381	
	Nuvoton Technology Korea Limited	Korea	Design, sales and service of semiconductor	30,828	-	125,000	100	28,780	27,829	27,829	
	Nuvoton Technology Holding Japan	Japan	Investment holding	5,941,896	-	100	100	5,675,964	(3,828)	(3,828)	
	Goldbond LLC	United States of America	Investment holding	1,472,903	1,472,903	-	100	120,783	(214,674)	(441,519)	(Note 2)
	Nuvoton Technology Israel Ltd.	Israel	Design and service of semiconductor	46,905	46,905	1,000	100	321,118	41,402	41,402	
	Nuvoton Technology Corporation Japan	Japan	Design, sales and service of semiconductor	111,520	-	9,480	100	11,948,721	44,220	44,220	
	Miraxia Edge Technology Corporation	Japan	Design and service of semiconductor	55,760	-	4,000	100	313,282	(214,662)	(214,662)	
	Atfields Manufacturing Technology Corporation	Japan	Design and service of semiconductor	55,760	-	4,000	100	172,800	53,127	53,127	

Note 1: PRC completed the liquidation and legal procedures in November 2020.

Note 2: Share of profit (loss) includes downstream and upstream transactions and the amortization cost of the difference between the original investment amount and equity.

Note 3: Refer to Table 9 for information on investment in mainland China.

TABLE 9

WINBOND ELECTRONICS CORPORATION
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and USD Dollars)

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

Investor Company	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
						Outward	Inward					
WEC	Winbond Electronics (Suzhou) Limited	Design, development and marketing of VLSI integrated ICs	\$ 276,435 USD 9,000	Through investing in WEHK in the third area, which then invested in the investee in mainland China indirectly	\$ 276,435 USD 9,000	\$ -	\$ -	\$ 25,731	100	\$ 25,731	\$ 322,343	\$ 35,880
NTC	Nuvoton Electronics Technology (Shanghai) Limited	Provide project of sale in China and repairing, testing and consulting of software	68,036 USD 2,000	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	68,036 USD 2,000	-	-	42,980	55	23,785	68,505	-
	Winbond Electronics (Nanjing) Ltd.	Computer software service (except I.C. design)	16,429 USD 500	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	16,429 USD 500	-	-	(1,229)	55	(680)	(1,670) (Note 2)	-
Song Zhi Electronics Technology (Suzhou)	Nuvoton Electronics Technology (Shenzhen) Limited	Computer software service (except I.C. design), wholesale business for computer, supplement and software	197,670 USD 6,000	Through investing in NTHK in the third area, which then invested in the investee in mainland China indirectly	197,670 USD 6,000	-	-	7,700	55	4,261	120,902	-
	Song Zhi Electronics Technology (Suzhou)	Provide development, consult and equipment lease of semiconductor	(Note 3)	Through investing in NTHK in the third area, which then invested in the investee in mainland China indirectly	-	-	-	-	-	-	-	-

Note 1: Investment profit or loss for the year ended December 31, 2020 was recognized under the basis of the financial statements audited by the Company's auditor.

Note 2: WENJ has a negative net book value as of December 31, 2020, which is reclassified to other non-current liabilities.

Note 3: As of December 31, 2020, NTC has not injected the capital in Song Zhi Electronics Technology (Suzhou).

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

Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
WEC	\$ 276,435 (USD9,000)	\$ 276,435 (USD9,000)	\$ 39,269,471
NTC	282,135 (USD8,500)	282,135 (USD8,500)	6,912,821

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

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

TABLE 10**WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Walsin Lihwa Corporation	883,848,423	22.20
Chin Xin Investment Co., Ltd.	239,003,072	6.00

Note 1: Table 11 is based on the information on the last business day of the quarter provided by the Taiwan Depository & Clearing Corporation (TDCC). The TDCC calculate the total number of ordinary shares and preferred shares held by shareholders who retain more than 5% of the Company's share (including treasury shares) that have delivered without physical registration. The number of shares in the Company's financial report and the actual number of shares delivered without physical registration may differ due to the different calculation basis.

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

Financial Position, Financial Performance and Risk Analysis

I. Financial position

Unit: NT\$1,000

Item\Year	2020 consolidated financial statements	2019 consolidated financial statements	Increase (decrease) amount	Change (%)
Current assets	47,530,801	37,557,286	9,973,515	27
Property, plant and equipment	61,452,516	56,977,114	4,475,402	8
Intangible assets	891,380	407,722	483,658	119
Other assets	16,168,543	9,862,778	6,305,765	64
Total Assets	126,043,240	104,804,900	21,238,340	20
Current liabilities	25,475,006	17,515,468	7,959,538	45
Non-current liabilities	29,975,547	23,432,245	6,543,302	28
Total liabilities	55,450,553	40,947,713	14,502,840	35
Equity attributable to owners of parent	65,449,119	61,020,622	4,428,497	7
Capital	39,800,002	39,800,002	0	-
Capital surplus	7,770,865	7,536,396	234,469	3
Retained earnings	10,008,070	8,793,542	1,214,528	14
Other interests	7,870,182	4,890,682	2,979,500	61
Non-controlling interests	5,143,568	2,836,565	2,307,003	81
Total equity	70,592,687	63,857,187	6,735,500	11

Reasons for changes exceeding 20%:

1. Increase in current assets, intangible assets, other assets, current liabilities, non-current liabilities: Mainly due to the acquisition of semiconductor business of Panasonic Corp. from Japan closed on 2020/9/1.
2. Increase in other interests: Mainly due to increase in unrealized valuation gain on "financial assets at fair value through other comprehensive income" held by the Company and associates accounted for using equity method.
3. Increase in non-controlling interests: Mainly due to increase in equity ownership of the subsidiaries.

II. Financial performance

Unit: NT\$1,000

Item\Year	2020 consolidated financial statements	2019 consolidated financial statements	Increase (decrease) amount	Change (%)
Net revenue	60,683,171	48,771,434	11,911,737	24
Operating cost	43,643,035	35,857,582	7,785,453	22
Gross profit	17,040,136	12,913,852	4,126,284	32
Operating Expenses	15,412,845	11,658,643	3,754,202	32
Operating profits	1,627,291	1,255,209	372,082	30
Non-operating income and expenses	185,117	497,308	(312,191)	(63)
Net income (loss) before tax	1,812,408	1,752,517	59,891	3
Income tax expense	293,365	275,230	18,135	7
Current period net profit	1,519,043	1,477,287	41,756	3
Other comprehensive income for the current period	3,291,251	1,294,756	1,996,495	154
Total comprehensive income for the current period	4,810,294	2,772,043	2,038,251	74

Reasons for changes exceeding 20%:

1. Increase in net revenue, operating cost, gross profit, operating expenses and operating profit: Mainly due to the acquisition of semiconductor business of Panasonic Corp. from Japan closed on 2020/9/1.
2. Decrease in non-operating income and expenses: Mainly due to decrease in dividend income.
3. Increase in other interests for the current period: Mainly due to increase in unrealized valuation gain on "financial assets at fair value through other comprehensive income" held by the Company and associates accounted for using equity method.

Sales forecast for the coming year and main reasons for the forecast of growth in sales:

Based on current industry outlook, future market demands and the Company's capacity, we project that the outputs of 12-inch wafer (equivalent) could reach 680,000 pcs in 2021.

III. Cash flow

(I) Financial analysis of 2020 consolidated financial statements

Unit: NT\$1M

Cash balance at beginning of period (December 31, 2019)	Net cash flow from operating activities (2020)	Net cash flow from investing and financing activities (2020)	Cash surplus (December 31, 2020)	Remedial measures for cash deficit	
				Investment plan	Financial plan
11,468	11,118	(10,842)	11,744	-	-
1. Analysis on the cash flow changes in 2020 consolidated financial statements: (1) Operating activities: Operating activities produced a net cash inflow of NT\$11.1 billion. (2) Investing activities: Purchase of production equipment produced a cash outflow of NT\$7.7 billion; equity investment and others produced a cash outflow of NT\$6.9 billion and NT\$200 million. (3) Financing activities: Issue of corporate bonds produced a cash inflow of NT\$2 billion; loans produced an additional cash inflow of NT\$7.4 billion; loan repayment produced a cash outflow of NT\$6 billion; distribution of cash dividends produced a cash outflow of NT\$400 million and others produced a cash inflow of NT\$1.2 billion. 2. Remedial action for cash deficit and liquidity analysis: N/A.					

(II) Analysis on consolidated cash flow for the coming year

Net cash inflow from operating activities of the Company and subsidiaries for the coming year is estimated at NT\$16 billion, and net cash outflow due to investing and financing activities is estimated at NT\$13.7 billion, which will be used mainly on capital expenditure, equity investment and distribution of cash dividends.

IV. Effect of major capital expenditure on financial position and business in the past year

(I) Utilization of fund on major capital expenditure and sources of funds

Unit: NT\$1M

Project	Actual or expected source of funds	Actual or estimated completion date	Total funds needed	Actual or expected status of spending		
				2018	2019	2020
Expansion of fab facilities and capacity and process upgrade	Bank syndication loan, issuance of corporate bonds and operating profit	2020	37,759	16,714	13,160	7,885

(II) Anticipated benefit

Expansion of plant facilities and capacity, accelerated upgrade of process technology, and sustained market share.

V. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year

- Investment policy: The Company makes investment in the hope to boost business performance in principle.
- Investment profit or loss in recent years: The Company recognized NT\$551 million of gain on equity method investments in 2020 (NT\$63 million of gain on equity method investments in consolidated statements).
- Investment plan for the next year: The Company will formulate an investment plan in view of operating needs of the Company and invested enterprises.

VI. Risk management and evaluation

(I) Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures

1. Interest rate change

The Company's interest rate risk is associated mainly with long-term floating rate loans borrowed to meet the operational needs of process upgrade or capacity expansion. At the time of financing, the Company has negotiated better rates based on then market conditions to reduce the impact brought about by interest rate fluctuation. The Company pay a fixed rate on the NTD-denominated corporate bonds issued, which are accounted at amortized cost and therefore will not affect cash flows or fair value during interest rate fluctuation.

The consolidated interest expense in 2020 amounted to NT\$249,455,000, accounting for 0.41% of 2020 consolidated revenue. Rate changes are not expected to produce much impact on Company operations. In the future, the Company will watch closely of interest rate movement and the impact on cash flows.

2. Exchange rate change

The Company's exchange gain (loss) arises mainly from the foreign currency positions associated with its import/export business. The income/loss from foreign exchange transactions (including financial derivatives transactions) in 2020 amounted to NT\$20,339,000, representing 0.03% of 2020 consolidated revenue. The Company would hedge the exchange rate risk associated with the net position of its foreign-currency assets/liabilities in view of the exchange rate fluctuation. As of year-end 2020, the Company held USD 301,000,000 and RMB 54,000,000 of financial derivatives assets which are subject to exchange rate risk. The unrealized gain on those assets valued by fair value amounted to NT\$48,412,000, which is within controllable range. The Company will continue to adopt the following response actions for exchange rate risk:

- (1) Engage in financial derivatives transactions for the purpose of hedging exchange rate risks associated with business operations, and choose financial derivative products to primarily hedge the risks associated with the Company's business operations. In the selection of trading counterparty, give primary consideration to credit risk to avoid loss arising from counterparty's failure to perform its contractual obligation. In addition, financial institutions with low credit risk and good relationship with the Company, and having the capability to provide the Company with professional information will be chosen as trading counterparties.
- (2) The Company keeps abreast of financial market information, predicts market trends, gets familiar with financial products and related regulations and trading techniques, and provides full and timely information to the management and relevant departments for reference.
- (3) The Company sets the limit of unrealized loss on all financial derivatives contracts to 20% of the contract values or 3% of stockholders' equity, whichever is lower. The Company's finance unit evaluates the Company's position on financial derivatives twice every month and produces a report therefor, which is submitted to the head of finance and senior management authorized by the Board of Directors for review in the hope to predict the risk of each and every transaction and potential loss.

3. Inflation

The inflation problem has not been serious in recent years and hence has had limited impact on the Company's profit.

(II) Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures

1. The Company does not engage in any high-risk, high-leverage investment. The Company's derivatives trading policy aims to minimize the risk of fair value fluctuation for assets and liabilities actually owned by the Company under the objective of economic hedge. Under this principle, all derivatives trading undertaken by the Company correspond to the real positions held by the Company. Any gain or loss resulting from derivative transactions and hedged positions during the period arises from difference in time of disposing a real position and the time a gain

or loss on a derivative trading is realized. Such gain or loss is insignificant. Other than those derivatives transactions described above, the Company does not engage in other high-risk derivatives transactions and will continue to observe the principle of hedging only positions actually owned by the Company.

2. Loans to others, endorsements and guarantees:

The Company's lending, endorsements and guarantees operations are conducted in accordance with the Company's "Operating Procedure for Fund Lending" and "Rules for Endorsements and Guarantees", which also take into consideration associated risks and are carried out prudently.

(III) Future R&D projects and estimated R&D expenditure

Winbond and its subsidiaries including Nuvoton Technology are expected to spend NT\$14.9 billion on R&D in the following directions in 2021:

1. DRAM

Specialty DRAM:

We will continue to develop medium to low capacity specialty DRAM using D25s process for applications principally in computer, communications and consumer (3C) electronics, automotive electronics, and industrial electronics. We will also continue to develop more advancing process technology.

Mobile DRAM:

We will continue to develop medium-to-low density as well as low power consumption, high bandwidth and better data transmission rate mobile DRAM for applications principally in cell phones, tablets, low power consumption mobile devices, wearable devices, IoT, automotive and industrial electronics.

2. Code Storage Flash Memory

We will continue to follow the 4xnm process to produce safe, high performance, low power consumption code storage flash memory products with high added value for applications in PCs and peripherals, mobile handheld devices and peripheral modules, network communications products, IoT, consumer electronics, automotive and industrial electronics, household appliance modules, and information security, etc. We will also continue to develop more advancing process technology.

3. Logic

The R&D of logic ICs will continue to focus on low power, secure and high performance CPU core and special IP technology, while strengthening IC's quality and reliability that meet international standards. We will introduce advanced process platform to make headway into the fields of IoT, energy efficient consumer electronics, industrial control and automotive electronics. We will continue to expand our clientele base and applications and stay prepared for future changes in the industry. At the same time, we will continue to invest in the development of logic IC for use in cloud computing, smart handheld devices and PCs, and gear toward three directions - secure management, energy efficient and better user experience to expand the scope of products and applications on a solid existing basis.

(IV) Major changes in government policies and laws at home and abroad and the impact on Company finance and business

The Company's operation policies comply with all applicable laws and regulations and the Company watches closely the important shifts in policies and laws at home and abroad and consult related experts for their opinion when necessary to take appropriate response measures. In the last year and up to the date of report, the Company finance and business have not been affected by major changes in government policies and laws at home and abroad.

(V) Impact of recent technological and market changes on the Company's finance and business, and response measures

The Company watches closely for technological and market changes, and will, in view of the circumstances, assign staff or a project team to study and evaluate the impact of those changes on the Company's development, finance and business in the future as well as response measures. As of the date of report, there have not been significant technological changes that may produce material impact on the Company's finance and business.

(VI) Impact of corporate image change on risk management and response measures

Winbond believes in honesty and integrity in business practice. We emphasize honest dealing with customers and rigorously demand self-discipline and compliance with internal rules from employees. We are committed to information disclosure and financial transparency, and utilize all kinds of communication channels to help shareholders, institutional investors and the general public know more about Winbond and win their recognition and support for our management philosophy and directions. In addition, we have departments set up to take charge of investor relations, employee relationship, internal audit, risk management, quality management, and customer service. Those departments work closely with related business units to unite the resources and strength throughout the company. In case of any contingency, the Company's senior officer will act as the convenor and promptly set up a crisis response team to quickly address the crisis, and prepare readiness plans to prevent and control all kinds of latent risks. As of the date of report, the Company is free of corporate image change event that calls for prompt actions in crisis management.

(VII) Expected benefits and potential risks of merger and acquisition

The company's subsidiary Nuvoton Technology Corporation has acquired 100% equity of Panasonic Semiconductor Solutions., Ltd. (the semiconductor business of Panasonic), certain operating assets used in the semiconductor business, including equipment and inventories, of Panasonic Semiconductor (Suzhou) Co., Ltd, and assets, liabilities and contracts related to predefined specific business of Panasonic Industrial Devices Semiconductor Asia in an all-cash transaction. This transaction was closed in September 2020, and the required regulatory approvals and consents of relevant jurisdictions have been obtained. The deal is expected to increase our presence in the global semiconductor industry and our long-term competitiveness through the increasing scale of our company's semiconductor business, broadening our distribution channels and customers, and strengthening our technology platform via deeper R&D resources and a broader intellectual property portfolio.

(VIII) Expected benefits and potential risks of capacity expansion

All undertakings of expansion and construction of new-generation fab have had feasibility evaluation done by relevant professional teams before the project is proceeded. The purpose of fab expansion is to enhance the process technology and reduce production costs so as to fend off market competition and make headway into end-market applications. In light of the high market volatility of the memory industry, we will watch closely the market movement and supply-demand situation. We will take a prudent approach to capacity allocation, and opt for a diversity of optimal product mixes to keep our production plans flexible. We will also adopt advanced process to optimize the cost structure in the efforts to minimize the risk associated with market volatility. Financially, we will plan our future expansion and the necessary capital expenditure and funds in a prudent manner. We will also draw up sound business plans to lower the risk of incurring heavy debt. We believe we will have sufficient profit and cash flows to meet the additional investment needs and repayment obligations. Our technical team consists of wafer fabrication experts and IC design experts with dozens of years of experience in related fields. We also bring in advanced processes from abroad and embark on R&D with our own technology. The switch to high-end process is expected to improve our cost control capability and augment the possibility of product expansion. To sum up, Winbond will endeavor in fending off the risk of market volatility from the aspects of product, finance and technology, and in the process, maximize our profitability.

(IX) Risks associated with over-concentration in purchase or sale and response measures

Purchasing from a sole supplier carries the risk of over-concentration that the Company may not receive timely delivery when the supplier's plant has an accident or the supplier has financial or quality problems. The Company has multiple sources and qualified suppliers for all of its main materials to ensure supply stability.

Concentration in sales was a result of optimization of customer structure and long-term strategic cooperation. The Company has credit management and internal control and audit systems in place, and adopts computerized operations and management for marketing and sales, and hence does not run the risk of over-concentration in sales.

(X) Impact of mass transfer of equity by or change of directors or shareholders holding more than 10% interests on the Company, associated risks and response measures

In the last year and up to the date of report, the Company directors and Walsin Lihwa Corp., a shareholder holding more than 10% interests on the Company did not engage in major transfer of equity holding.

(XI) Impact of change of management rights on the Company, associated risk and response measures

The Company is free of the aforementioned situation in recent years up to the date of report.

(XII) Material litigious or non-litigious events

1. Concluded or pending litigious, non-litigious or administrative litigation event as of the date of report: None
2. The outcome of concluded or pending litigious, non-litigious, or administrative litigation events involving the director, president, de facto responsible person, major shareholders holding more than 10% of shares, or subsidiary of the Company that may have material impact on shareholders' equity or stock price:

- (1) With respect to pending litigious events as of the date of report, Winbond Director Wei-Hsin Ma has made a reply to the Company as follows:

The one pending lawsuit I am involved in as of the date of your company's annual report is described as follows:

- (a) Facts in issue: Claim for damages on ground of tortfeasance, including false financial statements
- (b) Claim amount: NT\$569,202,145.
- (c) Date of commencement of proceedings: November 11, 2020
- (d) Main parties involved: Directors, supervisors, managerial officers and CPA of Unity Opto Technology co., Ltd. during 2014 ~ 2019.
- (e) Current status: First instance pending in court with attorneys retained.

The aforementioned lawsuit does not have material impact on the operations of the Company.

- (2) Winbond subsidiary Nuvoton Technology and its U.S. subsidiary received a complaint filed with the Superior Court of California on June 29, 2020, in which the plaintiff accuses that the gas generator produced by HD Power Systems Inc. had an explosion while in use and caused damages to the plaintiff, and the plaintiff requests compensation from Nuvoton Technology and its U.S. subsidiary as well as other companies concerned. As the lawsuit is still in the preliminary stage, Nuvoton is unable to decide whether it will have any impact on its finance and business. Nuvoton will continue to evaluate the possible impact of this case on its business and finance, and will proceed with the case in accordance with court proceedings.

(XIII) Risk management of organization framework

The Company's risk management tasks are dispersed among different functions inside the Company. The Company has established sound internal management guidelines and operating procedures, and has developed comprehensive plans and processes for risk aversion, loss prevention and crisis management. In addition, the Company's management keeps continuous watch over changes in the macroeconomic environment that might affect the Company business and operations, and has assigned staff to make planning and formulate response actions against all kinds of contingencies to reduce operational uncertainties to the minimum.

(XIV) Other significant risks and response measures

1. Information security policy

The Company has established an "information security policy" and "instructions for Technology and Classified Information Management" to protect classified information of the Company, including business secrets and intellectual properties to make sure customer privacy is safeguarded. We sign a confidentiality agreement with all of our suppliers and customers to protect the classified information of both parties and prevent the inadvertent disclosure of sensitive information. In addition, we conduct annual internal audit in accordance with the internal control system for information security operation.

2. Information security management

In reference to the standards and best practices recommended by ISO/IEC 27001/27002, we have set up an information security organization that holds regularly information security management meetings to discuss all kinds of information security issues and events, and carry out improvement projects.

For important product data, we continue to strengthen access control and monitoring, implement information system access authority management and safekeep records to strictly control personnel entry and egress as well as data access. We impose disciplinary action and penalty against employees and vendors who breach data security rules to protect internal data against unauthorized access or alternation and prevent theft or leakage of trade secrets and intellectual properties.

In addition, the design & development, product, delivery and related operating environment of our secure memory products are Common Criteria EAL 5+ certified. It means Winbond's controls over the information security of products meet the requirements of Common Criteria, and Winbond manufactures trusted secure products that meet international standards and protect customer information and assets.

3. Assessment of information security and cybersecurity risks

We implemented personnel grouping, partition and working from home in 2020 due to the Covid-19 pandemic. In response to the new mode of working from home, the Company steps up remote connection, device management and authentication mechanisms to minimize information security risks associated with working from home.

Ransomware is another serious threat faced by businesses in 2020. Starting Q2 in the year, there have been news of energy companies and packaging and testing companies that suffer paralyzed computer systems and data destruction under the attack of ransomware. The Company steps up protection and plans response and recovery procedures for scenarios of major computer system and data destruction under ransomware attack, and conducts drills to make sure all employees follow the established procedures.

Regarding information security risk countermeasures, the Company continues to adopt a defense in depth structure on the matters of cyber attack and data breach. In addition, we strengthen authentication and detection of irregular login through the security mechanism of cloud service to reduce the risk of intrusion. Meanwhile, we perform annual system audits, backup and restore, offsite redundancy, and cyber security emergency response drills to become more familiar with all operating systems, and examine cyber security rules and procedures in order to ensure each information security mechanism is adequate and effective. All employees receive training every year to raise awareness of cyber security. Cyber security bulletins are also put in place to ensure all employees work together to safeguard the company's information assets.

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

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

4. The impact of major information security incidents and response measures

In 2020 and up to the date of report, the Company did not discover any information security incident that has caused or may produce materially adverse effect on Company business and operations.

VII. Other important events:

Industry-specific key performance indicator

Performance indicator	2020
Output of 12-inch wafer	663,047 pcs
Average in-line yield	99.45 %

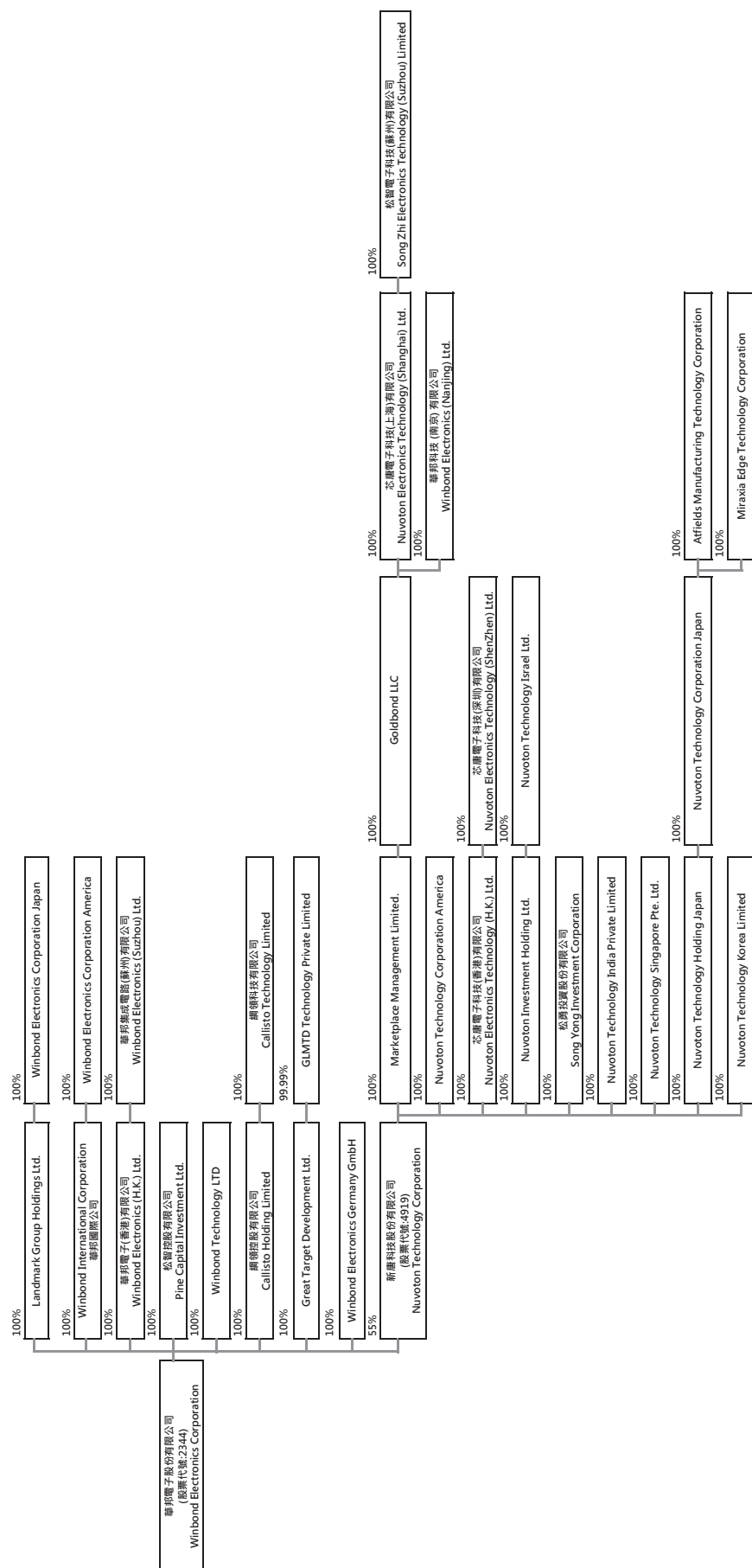
Important Notice

I. Profiles of affiliates and subsidiaries

(I) Consolidated Business Report

1. Corporate Affiliation Chart

December 31, 2020



2. Profile of individual Affiliates

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

Name of enterprise	Date of establishment	Address	Paid-in capital	Main business and products
Winbond Electronics Corporation	1987.09.29	No. 8, Keya 1st Rd., Dayu Dist., Taichung City 428, Taiwan, R.O.C.	TWD 39,800,002	Research, development, production, and sale of semiconductor parts and components used in integrated circuits and other system products
Landmark Group Holdings Ltd.	2005.07.25	Palm Grove House, P.O.Box 438, Road Town, Tortola, British Virgin Islands	USD 5,343	Investments
Winbond Electronics Corporation Japan	2001.01.05	Shin-Yokohama Square Bldg. 9F 2-3-12 Shin-Yokohama, Kouhoku-ku, Yokohama, Kanagawa, Japan 222-0033	JPY 148,500	Research, development, and sales of semiconductor parts and components, and after-sale service
Winbond International Corporation	1995.08.28	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	USD 87,960	Investments
Winbond Electronics Corporation America	1998.07.01	32 Loockerman Square, suite L-100, Dover, Kent 19904, Delaware	USD 58,917	Design, sales and service of semiconductor parts and components
Great Target Development Ltd	2017.05.30	No. 4, Franky Building, Providence Industrial Estate, Mahe, Seychelles.	USD 4,470	Investments
GLMTD Technology Private Limited	2017.08.07	A-4, Phase-II, Noida, Gautam Buddha Nagar, Uttar Pradesh 201305, India	INR 280,000	Sales and service of semiconductor parts and components
Winbond Electronics (H.K.) Ltd.	2008.06.13	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	HKD 71,150	Investment, Sales and service of semiconductor parts and components
Winbond Electronics (Suzhou) Ltd.	2011.06.21	Rm1206, 12th Floor, No.505, Guang Ming Rd., Huaqiao Town, Kunshan City, Jiangsu Province, China	USD 9,000	Research, design, development and sales of integrated circuits and equipment, and after-sale service
Pine Capital Investment Ltd.	2011.01.12	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	HKD 780	Investments
Winbond Technology Ltd	2013.07.31	1 Abba Eban Ave, Building B, First Floor Herzliya: 4672519, Israel	ILS 1	Design and service of semiconductor components
Winbond Electronics Germany GmbH	2019.11.29	Pacellstrasse 8, 80333 Munich, Germany	EUR 850	Sale and service of semiconductor components
Callisto Holding Limited	2018.05.04	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	HKD 40,000	E-commerce and Investment
Callisto Technology Limited	2018.10.23	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	USD1,000	E-commerce and Investment
Nuvoton Technology Corp.	2008.04.09	No.4, Yan Hsin 3rd Rd., Hsinchu Science and Industrial Park	TWD 3,883,936	Research, design, development, manufacturing and sales of logic IC, 6" fab production, testing, and OEM
Marketplace Management Limited	2000.07.28	P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD8,843	Investments
Goldbond LLC	2000.09.22	1912 Capitol Ave, Cheyenne, WY 82001	USD44,752	Investments
Nuvoton Electronics Technology (Shanghai) Ltd.	2001.03.30	Rm 2701, 27F, No.2299, Yen An W. Rd., Shanghai, China	RMB16,555	Provide solutions and repair and maintenance, testing and technology consultation service for products sold in Mainland China and related software as well as leasing of semiconductor equipment
Winbond Technology (Nanjing) Ltd.	2005.09.21	Suite 413-40, Gao Xing Technology Industrial Development Zone Office Building, Nanjing, China	RMB4,046	Computer software services (except for IC design)
Nuvoton Technology Corporation America	2008.05.01	251 Little Falls Drive, Wilmington, DE 19808, Delaware	USD6,050	Design, sales and service of semiconductor parts and components
Nuvoton Electronics Technology (H.K.) Ltd.	1989.04.04	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	HKD107,400	Sales and service of semiconductor parts and components
Nuvoton Electronics Technology (Shenzhen) Ltd.	2007.02.16	Rm801, 8F Microprofit Building, Gaoxinnan 6TH Rd., High-Tech Industrial Park, Nanshan Dist., Shenzhen, China	RMB46,434	Provides computer software services (excluding IC design), computer and peripheral equipment and software wholesale
Nuvoton Investment Holding Ltd.	2005.03.21	3rd Floor, Omar Hodge Building, Wickhams Cay I, P.O. Box 362, Road Town, Tortola, British Virgin Islands	USD17,960	Investments
Nuvoton Technology Israel Ltd.	2005.03.22	8 Hasadnaot Street, Herzliya B, 4672835 Israel	ILS1	Design and service of semiconductor components
Song Yong Investment Corporation	2014.04.09	3F., No.192, Jingye 1st Rd., Zhongshan Dist., Taipei City 104, Taiwan	TWD 38,500	Investments
Nuvoton Technology India Private Limited	2014.09.26	PS22-23, Bridge+, Unit No. 02-02 to 15, 2nd Floor, Ascendas Park Square Mall, Whitefield Road, ITPB, Bengaluru, 560066	INR60,000	Design, sales and service of semiconductor parts and components
Nuvoton Technology Singapore Pte. Ltd.	2020.03.25	3 Bedok South Road, Singapore, 469269	USD37,100	Design, sales and service of semiconductor parts and components

Name of enterprise	Date of establishment	Address	Paid-in capital	Main business and products
Nuvoton Technology Korea Ltd.	2020.06.05	2507 Room, Trade Tower, Yeongdong-daero 511, Gangnam-Gu, Seoul, Korea, 06164	KRW1,250,000	Design, sales and service of semiconductor parts and components
Nuvoton Technology Holdings Japan	2020.04.01	1 Kotari-yakemachi, Nagaokakyo City, Kyoto 617-8520, Japan	JPY5,000	Investments
Nuvoton Technology Corporation Japan	2014.03.10	1 Kotari-yakemachi, Nagaokakyo City, Kyoto 617-8520, Japan	JPY400,000	Design, sales and service of semiconductor parts and components
Atfields Manufacturing Technology Corporation	2000.03.01	800 Higashiyama, Uozu City, Toyama 937-8585, Japan	JPY200,000	Design and service of semiconductor components
Miraxia Edge Technology Corporation	1997.01.10	1 Kotari-yakemachi, Nagaokakyo City, Kyoto 617-8520, Japan	JPY200,000	Design and service of semiconductor components
Pine Capital Electronics Technology (Suzhou) Ltd.	2020.12.04	4F, Building 1, #379, Tayuan Road, Gao Xin District, Suzhou	Funds are not remitted yet	Semiconductor technology development and consulting services, and equipment leasing

3. Profiles on shareholders deemed to have dominant-subordinate relations: None

4. Profiles of Directors, Supervisors and Presidents of Affiliates and Subsidiaries

December 31, 2020; Unit: Shares				
Name of Enterprise	Title	Name or Representative	Shares held	
			Shares	%
Winbond Electronics Corporation	Chairman	Arthur Yu-Cheng Chiao	63,472,995	2%
	Vice Chairman	Tung-Yi Chan	838,000	0%
	Director	Yung Chin	11,778,797	0%
	Independent Director	Francis Tsai	-	-
	Independent Director	Allen Hsu	-	-
	Independent Director	Jerry Hsu	-	-
	Independent Director	Stephen T. Tso	-	-
	Director	Wei-Hsin Ma	-	-
	Director	Chih-Chen Lin	-	-
	Director	Walsin Lihwa Corporation Representative - Fred Pan	883,848,423 (Note 1)	22%
	Director	Chin Xin Investment Corp. Representative - Yuan-Mou Su	239,003,072 (Note 1)	6%
	President	Pei-Ming Chen	378,176	0%
Landmark Group Holdings Ltd.	Director	Winbond Electronics Corp. Representative - Arthur Yu-Cheng Chiao	5,343,000 (Note 1)	100%
	Director	Winbond Electronics Corp. Representative - Tung-Yi Chan		
	Director	Winbond Electronics Corp. Representative - Hsiang-Yun Fan		
Winbond Electronics Corporation Japan	Chairman	Landmark Group Holdings Ltd. Representative - Tung-Yi Chan	2,970 (Note 1)	100%
	Director	Landmark Group Holdings Ltd. Representative - Heiji Kobayashi		
	Director	Landmark Group Holdings Ltd. Representative - Wen-Chang Hung		
	Director	Landmark Group Holdings Ltd. Representative - Pei-Ming Chen		
	Director	Landmark Group Holdings Ltd. Representative - Hsiang-Yun Fan		
	Director	Landmark Group Holdings Ltd. Representative - Chih-Chung Chou		
	Supervisor	Landmark Group Holdings Ltd. Representative - Yung Chin		
	President	Heiji Kobayashi	-	-
Winbond International Corporation	Director	Winbond Electronics Corp. Representative - Arthur Yu-Cheng Chiao	87,960,000 (Note 1)	100%
	Director	Winbond Electronics Corp. Representative - Tung-Yi Chan		
	Director	Winbond Electronics Corp. Representative - Hsiang-Yun Fan		
Winbond Electronics Corporation America	Chairman	Winbond International Corporation Representative - Tung-Yi Chan	3,067 (Note 1)	100%
	Director	Winbond International Corporation Representative - Pei-Ming Chen		
	Director	Winbond International Corporation Representative - Arthur Yu-Cheng Chiao		
	Director	Winbond International Corporation Representative - Yung Chin		
	Director	Winbond International Corporation Representative - Hsiang-Yun Fan		
	Director	Winbond International Corporation Representative - Jessica Huang		
	Director	Winbond International Corporation Representative - Eung Joon Park		
	President	Eung Joon Park	-	-
Great Target Development Ltd	Director	Winbond Electronics Corp. Representative - Arthur Yu-Cheng Chiao	4,470,000	100%

Name of enterprise	Title	Name or Representative	Shares held	
			Shares	%
GLMTD Technology Private Limited	Chairman	Great Target Development Ltd. Representative - Hsi-Jung Tsai	27,998,400 (Note 1)	99.99%
	Director	Great Target Development Ltd. Representative - Chih-Chung Chou		
	Director	Great Target Development Ltd. Representative - Varun Manwani		
Winbond Electronics (H.K.) Ltd.	Chairman	Winbond Electronics Corp. Representative - Yung Chin	71,150,000 (Note 1)	100%
	Director	Winbond Electronics Corp. Representative - Pei-Ming Chen		
	Director	Winbond Electronics Corp. Representative - Jessica Huang		
	Director	Winbond Electronics Corp. Representative - Hsiang-Yun Fan		
	President	Wen-Chang Hung	-	-
Winbond Electronics (Suzhou) Ltd.	Chairman	Winbond Electronics (H.K.) Ltd. Representative - Tung-Yi Chan	(Note 2)	100%
	Director	Winbond Electronics (H.K.) Ltd. Representative - Pei-Ming Chen		
	Director	Winbond Electronics (H.K.) Ltd. Representative - Cheng-Kung Lin		
	Director	Winbond Electronics (H.K.) Ltd. Representative - Eddie Hung		
	Director	Winbond Electronics (H.K.) Ltd. Representative - Chin-Feng Yang		
	Supervisor	Winbond Electronics (H.K.) Ltd. Representative - Yung Chin		
	President	Yi-Chi Chang	-	-
Pine Capital Investment Ltd.	Chairman	Winbond Electronics Corp. Representative - Yung Chin	780,000 (Note 1)	100%
	Director	Winbond Electronics Corp. Representative - Tung-Yi Chan		
	Director	Winbond Electronics Corp. Representative - Cheng-Kung Lin		
	President	Jessica Huang	-	-
Winbond Technology Ltd	Chairman	Winbond Electronics Corp. Representative - Pei-Ming Chen	100,000 (Note 1)	100%
	Director	Winbond Electronics Corp. Representative - Tung-Yi Chan		
	Director	Winbond Electronics Corp. Representative - Jessica Huang		
	Director	Winbond Electronics Corp. Representative - Ilia Stolov		
	President	Ilia Stolov	-	-
Winbond Electronics Germany GmbH	Director	Winbond Electronics Corp. Representative - Hsiang-Yun Fan	850,000 (Note 1)	100%
	Director	Winbond Electronics Corp. Representative - Eddie Hung		
	Director	Winbond Electronics Corp. Representative - Chih-Chung Chou		
Callisto Holding Limited	Chairman	Winbond Electronics Corp. Representative - Cheng-Kung Lin	40,000,000 (Note 1)	100%
	Director	Winbond Electronics Corp. Representative - Hsiang-Yun Fan		
	Director	Winbond Electronics Corp. Representative - You-yi Zhu		
	Director	Winbond Electronics Corp. Representative - Ruo-Wei Fu		
	Director	Winbond Electronics Corp. Representative - Zi-Kai Chiao		
	President	Zi-Kai Chiao	-	-
Callisto Technology Limited	Director	Winbond Electronics Corp. Representative - Cheng-Kung Lin	1,000,000 (Note 1)	100%
	Director	Winbond Electronics Corp. Representative - Ruo-Wei Fu		
	Director	Winbond Electronics Corp. Representative - Zi-Kai Chiao		
	President	Zi-Kai Chiao	-	-
Nuvoton Technology Corp.	Chairman	Winbond Electronics Corp. Representative - Yuan-Mou Su	214,954,635	55.34%
	Director	Arthur Yu-Cheng Chiao	-	-
	Director	Chin Xin Investment Corp. Representative - Yung Chin	5,100,747	1.31%
	Director	Ken-Shew Lu	-	-
	Director	Chi-Lin Wea	-	-
	Independent	Yu-Chun Hong	-	-
	Independent	Allen Hsu	-	-
	Independent	David Shu-Chyuan Tu	-	-
	Independent	Jerry Hsu	-	-
	President	Sean Tai	170,000	0.04%
Marketplace Management Limited	Director	Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao	8,842,789 (Note 1)	100%
	Director	Nuvoton Technology Corp. Representative - Tung-Yi Chan		
	Director	Nuvoton Technology Corp. Ltd. Representative - Hung-Wen Huang		
Goldbond LLC	Manager	Marketplace Management Limited Representative - Arthur Yu-Cheng	(Note 2)	100%
	Manager	Marketplace Management Limited Representative - Jessica C. Huang		
	Manager	Marketplace Management Limited Representative - Hung-Wen Huang		

Name of enterprise	Title	Name or Representative	Shares held	
			Shares	%
Nuvoton Electronics Technology (Shanghai) Ltd.	Chairman	Goldbond LLC Representative - Sean Tai	(Note 2)	100%
	Director	Goldbond LLC Representative - Jen-Lieh Lin		
	Director	Goldbond LLC Representative - Hsiu-Fen Lai		
	Director	Goldbond LLC Representative - Patrick Wang		
	Director	Goldbond LLC Representative - Hung-Wen Huang		
	Supervisor	Goldbond LLC Representative - Yung Chin		
	President	Ruo-Wei Fu	-	-
Winbond Technology (Nanjing) Ltd.	Chairman	Goldbond LLC Representative - Jen-Lieh Lin	(Note 2)	100%
	Director	Goldbond LLC Representative - Sean Tai		
	Director	Goldbond LLC Representative - James Wen		
	President	Bosco Chi-Sing Law	-	-
Nuvoton Technology Corporation America	Chairman	Nuvoton Technology Corp. Representative - Wei-Chan Hsu	60,500 (Note 1)	100%
	Director	Nuvoton Technology Corp. Representative - Patrick Wang		
	Director	Nuvoton Technology Corp. Representative - Sean Tai		
	Director	Nuvoton Technology Corp. Representative - Jen-Lieh Lin		
	Director	Nuvoton Technology Corp. Representative - Vivian Yeh		
	Director	Nuvoton Technology Corp. Representative - Hung-Wen Huang		
	President	Aditya Raina	-	-
Nuvoton Electronics Technology (H.K.) Ltd.	Chairman	Nuvoton Technology Corp. Representative - Sean Tai	107,400,000 (Note 1)	100%
	Director	Nuvoton Technology Corp. Representative - Hsiu-Fen Lai		
	Director	Nuvoton Technology Corp. Representative - Yung Chin		
	Director	Nuvoton Technology Corp. Representative - Patrick Wang		
	Director	Nuvoton Technology Corp. Ltd. Representative - Hung-Wen Huang		
	President	Patrick Wang	-	-
Nuvoton Electronics Technology (Shenzhen) Ltd.	Chairman	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Sean Tai	(Note 2)	100%
	Director	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Patrick Wang		
	Director	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Hung-Wen		
	Supervisor	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Jen-Lieh Lin		
	President	Ruo-Wei Fu	-	-
Nuvoton Investment Holding Ltd.	Director	Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao	17,960,000 (Note 1)	100%
	Director	Nuvoton Technology Corp. Representative - Jessica Huang		
	Director	Nuvoton Technology Corp. Ltd. Representative - Hung-Wen Huang		
	Chairman	Nuvoton Investment Holding Ltd. Representative - Hsin-Lung Yang	1,000 (Note 1)	100%
Nuvoton Technology Israel Ltd.	Director	Nuvoton Investment Holding Ltd. Representative - Jen-Lieh Lin		
	Director	Nuvoton Investment Holding Ltd. Representative - Sean Tai		
	Director	Nuvoton Investment Holding Ltd. Representative - Pei-Ming Chen		
	Director	Nuvoton Investment Holding Ltd. Representative - Hung-Wen Huang		
	Director	Nuvoton Investment Holding Ltd. Representative - Biranit Levany		
	Director	Nuvoton Investment Holding Ltd. Representative - Erez Naory		
	President	Biranit Levany	-	-
Song Yong Investment Corporation	Chairman	Nuvoton Technology Corp. Representative - Hsiang-Yun Fan	3,850,000 (Note 1)	100%
	Director	Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao		
	Director	Nuvoton Technology Corp. Representative - Sean Tai		
	Supervisor	Nuvoton Technology Corp. Representative - Jen-Lieh Lin		
Nuvoton Technology India Private Limited	Chairman	Nuvoton Technology Corp. Representative - Hsi-Jung Tsai	600,000 (Note 1)	100%
	Director	Nuvoton Technology Corp. Representative - Jitendra Patil		
	Director	Nuvoton Technology Corp. Ltd. Representative - Hung-Wen Huang		
	President	Jitendra Patil	-	-
Nuvoton Technology Singapore Pte. Ltd.	Director	Nuvoton Technology Corp. Institutional Appointee - Yo-Song Cheng	37,100,000 (Note 1)	100%
	Director	Nuvoton Technology Corp. Institutional Appointee - Patrick Wang		
	Director	Nuvoton Technology Corp. Institutional Appointee - Yi-Tsai Hsu		
	President	Yi-Tsai Hsu	-	-
Nuvoton Technology Korea Ltd.	Representative	Nuvoton Technology Corp. Institutional Appointee - Patrick Wang	125,000 (Note 1)	100%
	Director	Nuvoton Technology Corp. Institutional Appointee - Hsin-Lung Yang		
	Director	Nuvoton Technology Corp. Institutional Appointee - Jen-Lieh Lin		
	President	Ahn Jung Mo	-	-

Name of enterprise	Title	Name or Representative	Shares held	
			Shares	%
Nuvoton Technology Holdings Japan	Representative	Nuvoton Technology Corp. Institutional Appointee - Arthur Yu-Cheng	100 (Note 1)	100%
	Director	Nuvoton Technology Corp. Institutional Appointee - Yuan-Mow Su		
	Director	Nuvoton Technology Corp. Institutional Appointee - Hsiu-Fen Lai		
	President	Yoshitaka Kinoshita		
Nuvoton Technology Corporation Japan	Chairman	Nuvoton Technology Holdings Japan Institutional Appointee - Yuan-Mow Su	9,480 (Note 1)	100%
	Director	Nuvoton Technology Holdings Japan Institutional Appointee - Kazuhiro Koyama		
	Director	Nuvoton Technology Holdings Japan Institutional Appointee - Susumu Sawai		
	Director	Nuvoton Technology Holdings Japan Institutional Appointee - Sean Tai		
	Director	Nuvoton Technology Holdings Japan Institutional Appointee - Hsiu-Fen Lai		
	Director	Nuvoton Technology Holdings Japan Institutional Appointee - Yoshitaka		
	Director	Sakae Suzuki		
	Supervisor	Nuvoton Technology Holdings Japan Institutional Appointee - Akihiko Nishida		
	Supervisor	Hiroshi Yasuda		
	President	Kazuhiro Koyama		
Atfields Manufacturing Technology Corporation	Director	Nuvoton Technology Corporation Japan Institutional Appointee - Daihei Kajiwara	4,000 (Note 1)	100%
	Director	Nuvoton Technology Corporation Japan Institutional Appointee - Kazuhiro		
	Director	Nuvoton Technology Corporation Japan Institutional Appointee - Sadaharu		
	Director	Nuvoton Technology Corporation Japan Institutional Appointee - Hiromasa		
	Supervisor	Nuvoton Technology Corporation Japan Institutional Appointee - Akio Nakagawa		
	President	Daihei Kajiwara		
Miraxia Edge Technology Corporation	Director	Nuvoton Technology Corporation Japan Institutional Appointee - Shogo Nakazawa	4,000 (Note 1)	100%
	Director	Nuvoton Technology Corporation Japan Institutional Appointee - Kazuhiro Koyama		
	Director	Nuvoton Technology Corporation Japan Institutional Appointee - Sadaharu Tanaka		
	Director	Nuvoton Technology Corporation Japan Institutional Appointee - Hiroyuki Tsujikawa		
	Supervisor	Nuvoton Technology Corporation Japan Institutional Appointee - Akio Nakagawa		
	President	Shogo Nakazawa		
Pine Capital Electronics Technology (Suzhou) Ltd.	Chairman	Nuvoton Electronics Technology. (Shanghai) Ltd. Representative - Sean Tai	(Note 2)	100%
	Director	Nuvoton Electronics Technology (Shanghai) Ltd. Representative - Yu-Sung Cheng		
	Director	Nuvoton Electronics Technology (Shanghai) Ltd. Representative - John Yu		
	Supervisor	Nuvoton Electronics Tech. (Shanghai) Ltd. Representative - Hung-Wen Huang		
	President	Ruo-Wei Fu		

Note 1: Shares held by Institutional shareholder.

Note 2: Winbond Electronics (Suzhou) Ltd., Goldbond LLC, Nuvoton Technology (Shanghai) Ltd, Winbond Technology (Nanjing) Ltd., Nuvoton Technology (Shenzhen) Ltd. And Pine Capital Electronics Technology (Suzhou) Ltd. are not companies limited by shares.

Note 3: Goldbond LLC adopts the professional management system

5. Businesses covered by the affiliates' operations

Business activities covered by affiliates' operations are primarily the research, design, development, production, sale and service of integrated circuits, semiconductor parts and components and other system products. A few affiliates engage in investment business only. Overall, the affiliates support each other through technology, marketing and services to turn Winbond into a highly competitive company with its own product lines.

6. Business overview of affiliates

December 31, 2020; Unit: NT\$1,000; Earning (loss) per share (NT\$)

Name of enterprise	Capital	Total Assets	Total Liabilities	Net Worth	Operating revenue	Operating profit (loss)	Net Income (loss)	Net earnings (loss) per share (NTD)
Winbond Electronics Corporation	39,800,002	100,053,300	34,604,181	65,449,119	39,649,875	1,090,583	1,304,019	0.33
Landmark Group Holdings Ltd.	152,169	389,948	12,409	377,539	1,792	-32,272	-32,272	-6.04
Winbond Electronics Corporation Japan	41,031	780,631	392,091	388,540	4,666,011	-26,108	-33,463	-11,266.92
Winbond International Corporation	2,505,101	1,428,574	31,751	1,396,823	51,091	50,811	50,811	0.58
Winbond Electronics Corporation America	1,677,962	1,511,286	84,226	1,427,060	1,227,330	40,174	37,515	12,231.91
Great Target Development Ltd	127,306	108,718	80	108,638	0	-506	-506	-0.11

Name of enterprise	Capital	Total Assets	Total Liabilities	Net Worth	Operating revenue	Operating profit (loss)	Net Income (loss)	Net earnings (loss) per share (NTD)
GLMTD Technology Private Limited	109,172	109,072	586	108,486	0	-1,060	-273	-0.01
Winbond Electronics (H.K.) Ltd.	261,334	1,294,865	724,758	570,107	10,148,538	133,218	154,272	2.17
Winbond Electronics (Suzhou) Ltd.	256,320	391,778	79,301	312,477	1,603,747	32,406	25,731	(Note 1)
Pine Capital Investment Ltd.	2,865	3,294	126	3,168	63	-311	-311	-0.40
Winbond Technology Ltd	9	166,197	88,550	77,647	272,158	12,960	6,025	60.25
Winbond Electronics Germany GmbH	29,767	26,858	793	26,065	1,332	-3,625	-3,628	-4.27
Callisto Holding Limited	146,920	123,920	2,044	121,876	802	-8,769	-14,625	-0.37
Callisto Technology Limited	28,480	28,714	174	28,540	0	-212	-89	-0.09
Nuvoton Technology Corp.	3,883,936	18,372,303	6,850,935	11,521,368	11,433,163	647,574	532,785	1.81
Marketplace Management Limited	251,843	120,977	237	120,740	41,402	41,055	41,055	4.64
Goldbond LLC	1,274,532	124,229	3,446	120,783	41,750	41,402	41,402	(Note 1)
Nuvoton Electronics Technology (Shanghai) Ltd.	72,460	2,123,302	2,043,914	79,388	1,946,663	-5,356	42,980	(Note 1)
Winbond Technology (Nanjing) Ltd.	17,707	47	3,064	-3,017	0	-1,229	-1,229	(Note 1)
Nuvoton Technology Corporation America	172,304	234,095	52,123	181,972	410,127	16,197	5,381	88.94
Nuvoton Electronics Technology (H.K.) Ltd.	394,480	545,248	61,106	484,142	4,287,695	29,001	32,149	0.30
Nuvoton Electronics Technology (Shenzhen) Ltd.	203,242	267,174	45,848	221,326	118,976	2,086	7,700	(Note 1)
Nuvoton Investment Holding Ltd.	511,501	322,018	2,080	319,938	44,221	44,067	44,067	2.45
Nuvoton Technology Israel Ltd.	9	616,506	295,388	321,118	853,658	57,956	44,220	44,220
Song Yong Investment Corporation	38,500	99,520	174	99,346	3,543	3,242	3,242	0.84
Nuvoton Technology India Private Limited	23,394	21,484	95	21,389	3,772	180	805	1.34
Nuvoton Technology Singapore Pte. Ltd.	1,056,608	2,114,856	1,031,751	1,083,105	2,723,211	26,611	27,829	0.75
Nuvoton Technology Korea Ltd.	32,750	33,024	4,244	28,780	0	-3,801	-3,828	-30.62
Nuvoton Technology Holdings Japan	1,382	5,675,964	0	5,675,964	0	-214,665	-214,674	-2,146,740
Nuvoton Technology Corporation Japan	110,520	18,442,972	6,494,251	11,948,721	7,349,070	-404,326	-214,662	-22,643.67
Atfields Manufacturing Technology Corporation	55,260	341,933	169,133	172,800	397,252	96,295	66,853	16,713.25
Miraxia Edge Technology Corporation	55,260	680,731	367,449	313,282	793,597	75,758	53,127	13,281.75

Note 1: Winbond Electronics (Suzhou) Ltd., Goldbond LLC, Nuvoton Technology (Shanghai) Ltd., Winbond Technology (Nanjing) Ltd. and Nuvoton Technology (Shenzhen) Ltd. are not companies limited by shares and thus are not applicable.

Note 2: Exchange rates used for assets and liabilities items:

1 USD= 28.48 NTD; 1JPY= 0.2763 NTD; 1RMB= 4.377 NTD; 1 ILS= 8.8712 NTD; 1EUR= 35.02 NTD; 1INR= 0.3899 NTD

Note 3: Exchange rates used for profit and loss items:

1 USD= 29.55 NTD; 1JPY= 0.2731 NTD; 1RMB= 4.2816 NTD; 1 ILS= 8.5895 NTD; 1INR= 0.3988 NTD

(II) Consolidated financial statements for Affiliates: Please see pp. 80 ~ 163

(III) Affiliation report: Not applicable (the Company is not a subsidiary of another company.)

II. Private placement activities: None

III. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report: None

- IV. Other necessary supplemental information: None
- V. Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the past year and up to the date of report: None



www.winbond.com

Headquarters - Taiwan

CTSP Site: No. 8, Keya 1st Rd., Daya Dist., Central Taiwan Science Park, Taichung City 42881, Taiwan

Tel: 886-4-2521-8168

Zhubei Building: No.539, Sec. 2, Wenxing Rd., Zhubei City, Hsinchu County 30274, Taiwan

Tel: 886-3-5678168

Taipei Office: 2F., No.192, Jingye 1st Rd., Zhongshan Dist., Taipei City 10462, Taiwan

26F, No.1, SongZhi Rd., Xinyi Dist., Taipei City 11047, Taiwan

Tel: 886-2-8177-7168

Winbond Electronics Corporation America

2727 North First Street, San Jose, CA 95134, U.S.A.

Tel: 1-408-943-6666

Winbond Electronics (H.K.) Limited

Unit 9-11, 22F, Millennium City 2, 378 Kwun Tong Road, Kowloon, Hong Kong

Tel: 852-2751-3126

Winbond Electronics (Suzhou) Limited

Room 1206, kingboard Plaza (Building B, 12 floor), No.505, Guangming Road, Huaqiao Town, Kunshan City, Jiangsu Province, China.

Tel: 86-512-8163-8168

Winbond Electronics Corporation Japan

Shin-Yokohama Square Bldg. 9F, 2-3-12 Shin-Yokohama, Kouhoku-ku, Yokohama, Kanagawa 222-0033, Japan

Tel: 81-45-478-1881

Winbond Technology LTD

1 Abba Eban Ave., Building B, First Floor, Herzliya 4672519, Israel

Tel: 972-9-866-0700

Winbond Electronics Germany GmbH

Pacellistraße 8, 80333 Munich, Germany

Tel: 49-1590-2999-993

