

TSE: 2344

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Winbond Electronics Corp.

2021 Annual Report

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## Letter to Shareholders

Dear Shareholders,

Over the past two years, the COVID-19 pandemic has drastically changed people's lifestyle and the way to work. In addition, there were geopolitical conflicts and climate change as well as incidents such as port congestion and broken supply chains, causing imbalances in industrial supply and demand and unprecedented market changes.

For Winbond, 2021 was a bountiful year. Despite the unstable environment, Winbond was able to fully support our strategic partners with flexible allocation of capacity with high quality and diverse offerings. In addition, after a subsidiary, Nuvoton Technology Corp, acquired Nuvoton Technology Corporation Japan in 2020, the synergies of this acquisition resulted in a record high year in terms of consolidated revenue in 2021.

### Financial Performance

In 2021, our consolidated revenue amounted to NT\$99.57 billion, an increase of 64.08% in comparison with 2020. This was mainly attributed to the memory business benefiting from market conditions, as well as the revenue from Nuvoton Technology Corporation Japan. Memory and logic ICs made up 59% and 41% of consolidated revenue respectively. The gross margin was 42% and the operating margin was 18%. The Company recorded NT\$15 billion in net earnings after tax (NT\$13.6 billion were attributed to the parent company) while earnings per share were NT\$3.42.

### Market and Product Applications

Winbond's memory business has been focusing on the design, manufacture, and marketing in the areas of code storage flash and specialty DRAM. In 2021, the revenue of our code storage flash and specialty DRAM products accounted for 55% and 45% of memory revenue, respectively. The revenue and shipment of code storage flash products also hit record highs. Furthermore, the logic IC business was also strengthened after merging Nuvoton Technology Corporation Japan in 2020. The current logic IC business mainly includes applications of microcontrollers, smart homes, cloud security, image sensors, battery monitoring, applications of IoT, semi-conductor components, and foundry services. We will continue to provide our customers with solutions that are more comprehensive and diverse (Please refer to the annual report and the website of Nuvoton Technology Corp. for further details).

In terms of applications of memory products, our products are evenly distributed among the four major areas of electronics. The weight of our communications products as a percentage of memory revenue maintained at 32% in 2021, thanks to the work-from-home and online education driven by COVID-19 pandemic. While consumer products decreased slightly to 24% of total revenue, the revenue of computer and upgrades of peripheral products on the other hand accounted for 22%. In car and industrial products, which require high specification and quality, the demand for industrial products kept growing. Furthermore, driven by the significant recovery of car market and applications of electric vehicles, the car and industrial products as a percentage of memory revenue was increased to 22% of total memory revenue.

### Capacity Planning

In the past two years, Winbond has been dedicated to digital transformation, achieving significant results in the improvement of yield rates, production efficiency, and quality control in the 12-inch fab. AI and sensor technology were also combined to build a low quantity but diversified smart production model, optimizing manufacturing and service processes, and continue to refine smart production.

The Kaohsiung Fab is expected to be operational in 2022 and will contribute to the revenue in 2023. In the beginning phase, the capacity will be about 10,000 wafers per month. The latest DRAM 20nm technology will be used in this fab to provide customers with high quality niche-type DRAM and satisfy the requirements of the Internet of Things, smart systems, and Metaverse applications.

The CTSP Fab in Central Taiwan Science Park continues to optimize its existing capacity and productivity, flexibly adjusting the allocation of various products and manufacturing processes to meet the demands of code storage flash and specialty DRAM product lines at the same time. We will gradually increase the capacity of code storage flash at the CTSP Fab based on the progress of the Kaohsiung Fab, thus maintaining our leading position in code storage flash in the market.

### Product Innovation and Technology Development

Winbond is active in many different markets and emerging applications, which helps us to develop new products and fulfill customers with different needs. With the rise of new application markets and the expansion of existing markets, Winbond

provides a wide variety of flash, DRAM, and logic ICs in the industry that feature high density, high efficiency, high reliability, high quality, high safety, and low power consumption.

With the growing awareness towards information security, Winbond has also developed security products in different product lines that match the needs of the market. For instance, W77Q Flash Memory of the TrustME® product line which is certified by the CC EAL2, ISO 26262 ASIL-C Ready, and FIPS CAVP is compatible with the standard NOR Flash, providing secured boot code storage and identity authentication, secured firmware updates and remote authentication. This means that even when the platform firmware is compromised, the system may be restored to a trusted firmware version, maintaining the system's integrity and allowing it to repel attacks, thereby enhancing the protection capacity of the system. In the product line of logic ICs, we have introduced a new inverter MCU for homes, featuring high performance and security. The baseboard management controller will meet the demands of cloud safety for corporations and cloud Internet users. The development of the new high-performance BMC will also continue as scheduled.

With the steady trend towards developing electric vehicles, aside from the fact that Winbond is already a stable supplier of flash and DRAM products to tier 1 vehicle manufacturers around the world. The battery monitoring IC product of the logic business will also be introduced to the lithium batteries of many famous vehicle manufacturers. We will continue to develop new customers and extend our technologies to markets such as electric bicycles and electric motorcycles.

In terms of the development of technology, Winbond has enhanced the contributions of its DRAM 25nm to operations in 2021, and the effects were significantly reflected in the company's growing revenue. The development of DRAM 20nm was a success and will be introduced to the Kaohsiung Fab for mass production in 2023, thereby creating a strong developmental foundation and growth driver for Winbond. As to the production process of flash, in responding to the demand for high density in the market, Winbond will not only continue the development of NOR Flash 45nm but also start working on the optimization of the existing standards and performance of NOR Flash 58nm. We hope to achieve a win-win situation by continuously advancing the technological competitiveness of both Winbond and clients through our existing core technology and value-added products.

### **Corporate Sustainable Development**

For many years, Winbond has been continuously developing measurable performances and index to generate sustainable competitiveness for our products. In 2021, Winbond introduced the Task Force on Climate-related Financial Disclosure (TCFD) framework to make the business operations more resilient and forward-looking. Winbond has also responded to the "SEMICON ESG Sustainability Initiative" so that through the collaboration of industry, government, and academia, we can all contribute to the sustainability of our environment.

Recognized by third-party certification authorities for its contributing efforts on ESG, Winbond has been awarded at the "2021 Taiwan Corporate Sustainability Award" hosted by the Taiwan Institute for Sustainable Energy. Winbond once again was awarded the "Corporate Sustainability Comprehensive Performance-Taiwan Top 50 Sustainable Corporations", the "Platinum Prize for the Corporate Sustainability Report", the "Sustainability Single Performance-Talent Development Leadership", and "Sustainability Single Performance-Innovation Growth Leadership". These awards represent Winbond's response to the implementation of "Corporate Governance 3.0-Sustainable Development Blueprint" of the Financial Supervisory Commission as well as the expectations of stakeholders on ESG.

In 2021, Winbond has been selected by FTSE4Good Emerging Index, FTSE4Good TIP Taiwan ESG Index, and TWSE Corporate Governance 100 Index, and has been in the top 6% to 20% of corporations in the TWSE Corporate Governance Evaluation for many years in a row.

### **Honors and Awards**

In 2021, Winbond received multiple awards for product innovation. The W77Q Secure Flash Memory, applies to IoT solutions, supports secure booting and secure storage, detects intrusion and protects against attacks, has won the "2021 Central Taiwan Science Park Innovative Product Awards" and the "2021 China IoT Innovation Awards".

The HyperRAM and the NuMicro M2354 series of microcontrollers has respectively won "Best Memory IC of the Year" and "The Promising Product of the Year" in the first "EE Awards Asia". The high bandwidth, ultra low power consumption, simple interface and small foot print characteristics of HyperRAM matched the required standards of AI and IoT applications in the future. The NuMicro M2354 series are equipped with chip-level security as per the requirements of international IoT information security. Moreover, EE Times has also presented the "Best Manager" award to Chairman Arthur Yu-Cheng Chiao, thus demonstrating the leading position of Winbond in the industry.

## Future Outlook

In recent years, globalization has taken new aspects. Major economic organizations have been increasing their influence on semiconductor industry and emerging technologies. Facing these new challenges and opportunities, Winbond responds with localization of product innovation, marketing, sales, delivery and customer service, providing customers complete services and supplies that are flexible and stable to grasp business opportunities in different regions of the world.

Going forward, most enterprises are still facing challenges such as obstructed supply chains, inflation, global warming, technology leaps, information security threats and the COVID-19 pandemic. Winbond will continue to innovate and strengthen the core competitiveness of products, implement digital transformation to optimize operation, strengthen information security structures to address Internet risks, integrate various resources to maximize operational efficiency for long-term growth, and march toward the goal of becoming "a hidden champion in providing sustainable semiconductors technology to enrich human life", enhancing the competitiveness corporate sustainable operation.

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



Arthur Yu-Cheng Chiao  
Chairman and CEO

## 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 has established 12-inch fabs, which are factories with high levels of smart technology and automation, in Taichung Science Park and Southern Taiwan Science Park, with the company headquarters located in Central Taiwan Science Park (the Southern Taiwan Science Park is expected to start operations in 2022).

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 clients 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 an unseen yet essential champion in providing sustainable semiconductors technology to enrich human life.

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

1. With improved production efficiency, the 12-inch wafer fabrication plant at Central Taiwan Science Park (CTSP) plans to increase its output of 12-inch wafers from 57,000 per month to 60,000 per month by the end of 2022.
2. The DRAM 25nm production scale continued to expand in 2021. The latest DRAM 25nm production process has been developed and implemented in the Taichung plant for trial production. In the future, the process will be fully transferred to the Kaohsiung plant for production in 2022 and the scale of mass production will continue to be expanded.
3. We embarked on the Kaohsiung fab construction project in October 2018, and completed construction in 2021. The machinery will be installed in 2022 and the capacity will be gradually expanded to 10,000 wafers by Q4 2022. Furthermore, in February 2022, the Board of Directors approved the capital expenditures required to expand the capacity of the Kaohsiung plant to 20,000 wafers per month. The management team will implement the related capacity expansion plans according to market conditions and customer needs.

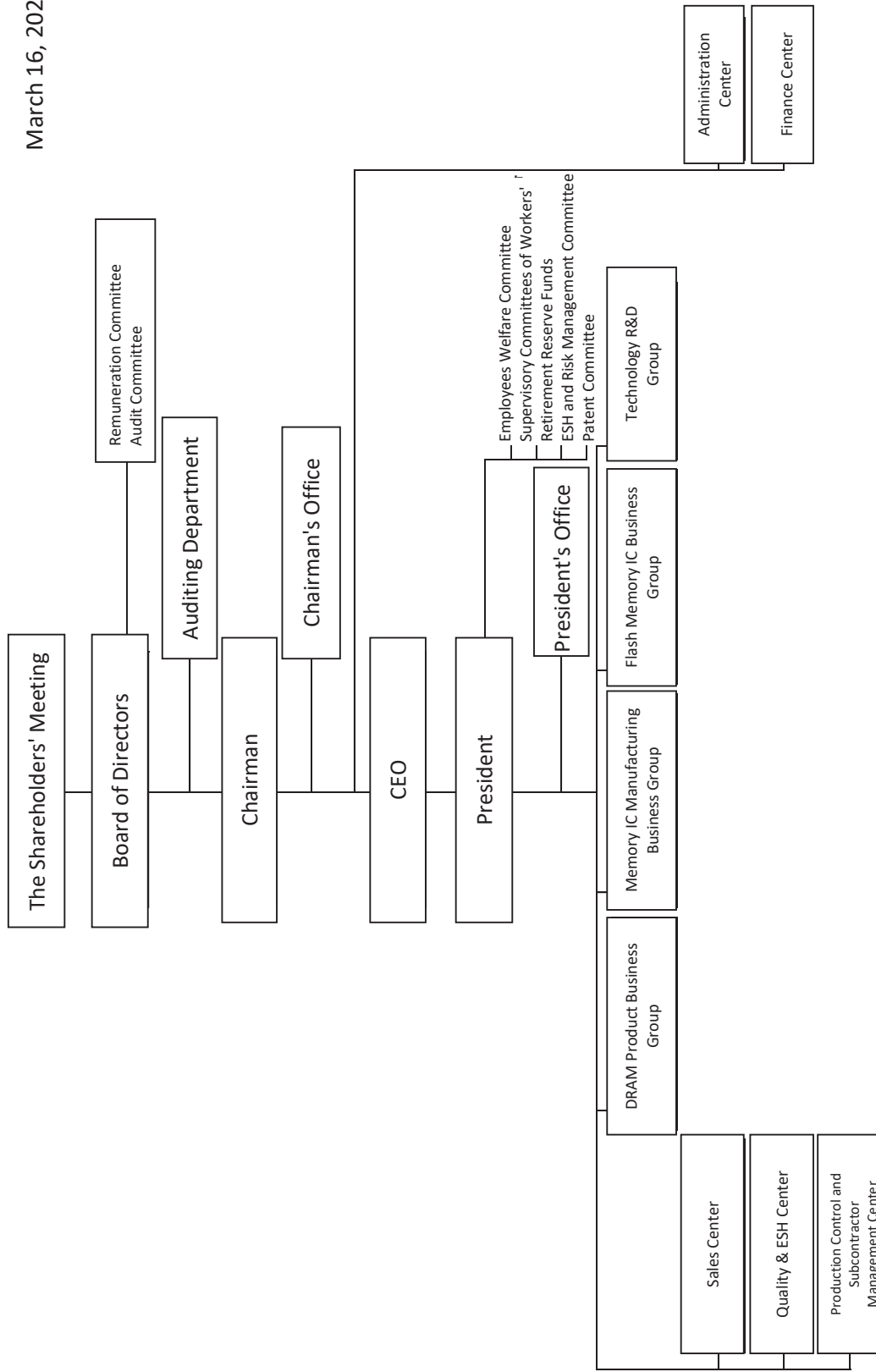
### (III) Investment in affiliates in the past year and up to the date of report

For investments in affiliated enterprises, please see page 245~252 of this report.



# Corporate Governance Report

- (I) Organization
1. Organizational structure



## 2. Major business units and their key businesses

Unit	Function
Auditing Department	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	Office environment management, information system and information security management, legal affairs and intellectual property management
Finance Center	Accounting and tax management, operational analysis, corporate financial management, and investor relations and stock affairs operations
Sales Center	I. In charge of 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	I. Maintaining the quality management system to ensure product quality and reliability II. Elevating the quality and professional knowhow of employees and continuously improving the quality of products by improving the quality management system and employee training. III. Responding to customer quality issues to provide solutions. IV. Promotion and management reviews of ESG sustainability operations. V. Implementing effective ESH plans and risk management measures and establishing a work environment in compliance with environmental regulations and international standards.
Production Control and Subcontractor Management Center	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. VII. Implementation of various procurement operations VIII. Implementation of import/export and bond operations IX. Raw material inventory management
DRAM Product Business Group	DRAM product business and operation management
Memory IC Manufacturing Business Group	I. Responsible for the manufacturing of DRAM/flash, maintaining high quality and low costs. II. Servicing foundry customers and providing competitive products. III. Continue to reduce the carbon emissions of wafer fabrication (energy conservation and carbon reduction).
Flash Memory IC Business Group	I. Design and development of flash memory IC products. II. Improving the designs and quality of flash memory IC products. III. Planning, marketing, and technical services for new flash memory products. IV. Stipulating the sales targets and production plan of flash memory products. V. Improving the competitiveness and profitability of flash memory products.
Technology R&D Group	Developing memory (DRAM and flash) production technologies and improving product quality.

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

1. Directors (1)

March 16, 2022

Title	Nationality or place of registration	Name	Gender Age	Date appointed	Term	Date first elected	Shares held when elected (Note 1)		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	
Chairman	ROC	Arthur Yu-Cheng Chiao	M 60 to 70 years old	2020.06.12	3	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 Univ. Chairman of Walsin Lihsa Corp. Chairman of Nuvoton Technology Co. CEO of Winbond (Incumbent)	Note 3	Director and Chief Administrative Officer Director	Yung Chin	Spouse	Note 15
Vice Chairman	ROC	Tung-Yi Chan	M 60 to 70 years old	2020.06.12	3	2009.06.19 Note 4	901,000	0.02%	551,000	0.01%	-	-	-	-	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 60 to 70 years old	2020.06.12	3	1996.04.09	11,778,797	0.30%	11,778,797	0.30%	63,472,995	1.59%	-	-	Master in Applied Mathematics, Washington NTU Bachelor of Mathematics Chief Administrative Officer of Winbond; (Incumbent)	Note 5	Chairman and CEO Director	Arthur Yu-Cheng Chiao Wei-Hsin Ma	Spouse Relative by marriage	None
Independent Director	ROC	Allen Hsu	M 60 to 70 years old	2020.06.12	3	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 70 to 80 years old	2020.06.12	3	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	Frans Tsai	M 70 to 80 years old	2020.06.12	3	2014.06.17	-	-	-	-	-	-	-	-	Computer & Control Engineering Department, National Chiao Tung University, Taiwan Chairman and CEO of Wafer Technology Corp. (Incumbent)	Note 8	None	None	None	None
Independent Director	ROC	Jerry Hsu	M 40 to 50 years old	2020.06.12	3	2014.06.17	-	-	-	-	-	-	-	-	MBA, Waseda Business School Chairperson and President of AcBel Polytech (Incumbent)	Note 9	None	None	None	None
Director	Corporation	Walsin Lihsa Corp.	-	2020.06.12	3	1987.09.04	883,848,423	22.20%	883,848,423	22.20%	-	-	-	-	-	-	-	-	-	-

Title	Nationality or place of registration	Name	Gender Age	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	
Representative	ROC	Fred Pan	M 60 to 70 years old	2020.06.12	3	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	ROC	Chin Xin Investment Corp.	-	2020.06.12	3	2014.06.17 Note 11	221,003,072	5.55%	240,003,072	6.03%	-	-	-	-	-	-	-	-	-	-
Representative	ROC	Yuan-Mow Su	M 60 to 70 years old	2020.06.12	3	2017.06.13	-	-	709,279	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	Chih-Chen Lin	M 40 to 50 years old	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 50 to 60 years old	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 Director	Arthur Yu-Cheng Chiao Yung Chin	Relative by marriage 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 16, 2022.

Note 3: Serving concurrently as Chairman of Chin Xin Investment Corp. and Cheng He Investment Corp. Serving concurrently as representative director of NuvoTon Technology Holdings Japan. Serving concurrently as Director of NuvoTon Technology Co., Walsin Lihwa Corp., Walsin Technology Corporation, MITAC Holdings Corporation, United Industrial Gases Co., Ltd., Kolin Cons. & Development Co., Ltd., Landmark Group Holdings Ltd., Winbond International Corporation, Winbond Electronics Corporation America, Great Target Development Ltd., Marketplace Management Limited, NuvoTon Investment Holding Ltd., and Song Yong Investment Corporation. management of Goldbond LLC; Independent Director and Convener of the Remuneration Committee of Symex Technology International.

Note 4: Vice Chairman Tung-Yi Chan served as the director of Winbond and concurrently the Chairman of Winbond Electronics Corporation America and Winbond Electronics (Suzhou) Ltd. from June 19, 2009 to June 12, 2017. Serving concurrently as Director of Walton Advanced Engineering, Inc., Winbond Electronics Corporation Japan, Landmark Group Holdings Ltd., Winbond International Corporation, Pine Capital Investment Ltd., Winbond Technology Ltd., and Marketplace Management Limited.

Note 5: Serving concurrently as Chairman of Pine Capital Investment Ltd., Winbond Electronics (HK) Ltd. and Hwa Bao Botanic Conservation Corp. Serving concurrently as Director of NuvoTon Technology Corp., Winbond Electronics Corp. America, and NuvoTon Electronics Technology (H.K.) Ltd. Serving concurrently as Supervisor of Qing An Investment Limited, Yau Cheung Investment Limited, Cheng He Investment Corp, Winbond Electronics Corporation Japan, NuvoTon Electronics Technology (Shanghai) Ltd. and Winbond Electronics (Suzhou) Ltd.

Note 6: Serving concurrently as Chairman of Yizhong Technology Inc., You Yuan Investment Ltd., Fortune Star Investment Ltd., and Efficient International Technology Co., Ltd. Serving concurrently as Independent Director of NuvoTon 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 NAFECO. Vice Chairman of Getac Holdings Corporation.

Note 9: Serving concurrently as the Chairman of AcBel Polytex Inc., AcBel Polytex (Dongguan), AcBel Polytex (Wuhan), AcBel (USA) Polytex Inc., AcBel Polytex (Philippines) Inc., and Huhua Hardware Electron (Wujiang) Co., Ltd. Serving concurrently as an Executive Director of Huhua Hardware Electron Co., Ltd. in Tongliang District, Chongqing City, and Chongqing Kanghua Metal Products Inc. Serving concurrently as vice chairman of Cal-Comp Electronics (Thailand) Ltd.; Serving concurrently as a Director of Kinpo Electronics, Inc., Lippo Big Data, Esilite Life, AcBel Polytex(SAMOA)Investment Inc., AcBel Polytex (Singapore) Pte Ltd., AcBel Polytex (UK) Limited, AcBel Polytex Japan Inc., Power Station Holdings Ltd., Compal Electronics Inc., Castle Net Technology Inc., Acbel Polytex Holdings Inc., Acbel Polytex (Ireland) Limited, AcBel Polytex International Inc., Kang De Energy Inc., CK Holdings Inc., LIZ Electronics (Nantong) Ltd., Reber Biomedical Ltd., Ray-Kwong Medical Management Consulting Co., CSA Holdings Inc., Qbit Semiconductor Holding LTD., Target Gain Corporation, Melvita Taiwan Co., Ltd., ARCE Therapeutics Inc., Cal-Comp Electronics & Communications Co., Ltd., Kangan Power Co., Ltd., Qbit Semiconductor Ltd., New Era AI Robotic Inc., NKG Advanced Intelligence & Technology Development (Yueyang) Co., Ltd., Cal-Comp Precision(Malaysia)SDN.BHD., Cal-Comp Electronics(USA)Co., Ltd., Cal-Comp USA(San Diego), Inc., Cal-Comp Holding(Brasil)S.A., Cal-Comp Industria de Semicondutores S.A., Kinpo & Compal Group Assets Development Corporation, and

VesCir Ltd. Serving concurrently as Independent Director of Nuvocon Technology Co. Serving concurrently as Supervisor of Teleport Access Services Inc., Fu Bao Investment Inc., and Kinpo Group Management Service Company. Serving concurrently as President of AcBel Polytech Inc., AcBel Polytech (Dongguan) Inc., AcBel (USA) Polytech Inc., AcBel Polytech (Philippines) Inc. AcBel Polytech (Wuhan) Inc., and Kinpo & Compal Group Assets Development Corporation. Serving concurrently as Chief Strategy Officer of Cal-Comp Electronics & Communications Co., Ltd. Serving concurrently as deputy chairman of Taiwan Electrical and Electronic Manufacturers' Association (TEEMA), director of the Importers & Exporters Association of Taipei, and member of The Third Wednesday Club-Young Entrepreneur Group.

Note 10: Serving as vice chairman of Walsin (Nanjing) Development Ltd., serving concurrently as director of Nanjing Walsin Property Management 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 Nuvocon Technology Corporation America and Nuvocon Technology Corporation Japan. Serving concurrently as director of Nuvocon Technology Holdings Japan and Nuvocon Technology Israel Ltd.

Note 13: Serving concurrently as chairman of AppWorks Ventures, AppWorks Fund I Co., Ltd., AppWorks Fund II Co., Ltd., AppWorks Fund III Co., Ltd., Chen Fong Investment Co., Ltd., Chen Yun Investment Co., Ltd., Chen Men Investment Co., Ltd., AppWorks School Co., Ltd., Taiwan Teleservices & Technologies Co., Ltd., Taiwan MyVideo Co., Ltd., Taiwan Digital Service Co., Ltd., Fu Shu Lin Media Technologies Co., Ltd., Win Tien Hsia Media Technologies Co., Ltd., Win TV Broadcasting Co., Ltd., Taiwan Kuro Times Co., Ltd., Yeong Jia Leh Cable TV Co., Ltd., Phoenix Cable TV Co., Ltd., Union Cable TV Co., Ltd., and GlobalView Cable TV Co., Ltd. Serving concurrently as director of AppWorks Ventures III Limited, 91APP, Inc., Dcard Holdings Ltd., EZTable, Ltd., VIV3 Inc., LINE Bank Taiwan Ltd., Taiwan Cellular Co., Ltd., Taipei New Horizon Co., Ltd., Tai Shin Property Insurance Co., Ltd., TFN Media Co., Ltd., Da Fu Media Technology Co., Ltd., and Fubon Multimedia Technology Co., Ltd. Serving concurrently as president of Taiwan Mobile Co., Ltd., Da Fu Media Technology Co., Ltd., Taiwan Mobile Venture Co., Ltd., Taiwan Cellular Co., Ltd., Taiwan Fixed Network Co., Ltd., Tai Shin Joint Investment Co., Ltd., TFN Media Co., Ltd., Fu Shu Lin Media Technology Co., Ltd., Fu Tien Hsia Media Technology Co., Ltd., Taiwan Internet Investment Co., Ltd., and TFN Venture Capital Co., Ltd. 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 Chairman of Jipingyuo Investment Corp. and Yin Wang Investment Co., Ltd. serving concurrently as Director of HannStar Display Corporation, Walsin Lihwa Corp., United Integrated Services Co., Ltd., and Glorystones Inc.

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 16, 2022	
Name of institutional shareholder	Major shareholders of institutional shareholders
Walsin Lihwa Corporation	The Standard Chartered Bank Banking Department is entrusted with the custody of the investment account of LGT Bank (Singapore) Investment Fund (7.33%), Winbond Electronics Corporation (6.47%), Chin Xin Investment Corp. (6.41%), TECO 5.98%), Rong Chiang International Ltd. (4.31%), Oriental Consortium investment Limited (2.91%), Yu-Hui Chiao (2.72%), Pictet Bank Investment Fund under the custody of HSBC (1.80%), Yu-Heng Chiao (1.78%), Norges Bank Investment Account under the trust of Citibank (Taiwan) (1.52%)
Chin Xin Investment Corp.	Winbond Electronics Corporation (37.69%), Walsin Lihwa Corp. (36.99%), Oriental Consortium investment Limited (4.43%), Yu-Cheng Chiao (3.14%), Yu-Lon Chiao (3.14%), Yu-Chi Chiao (3.14%), Walsin Technology Corporation (1.86%), HannStar Board Corporation (1.34%), Prosperity Dielectrics Co., Ltd. (0.72%)

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

March 16, 2022	
Name of institutional shareholder	Major shareholders of institutional shareholders
Winbond Electronics Corporation	Walsin Lihwa Corp. (22.21%), Chin Xin Investment Corp. (6.03%), LGT Bank (Singapore) Investment Fund under the custody of Standard Chartered Bank (1.65%), Yu-Cheng Chiao (1.59%), the Polaris investment account 2008 1st discretionary investment mandate for the New Labor Pension Fund (1.28%), Vanguard Emerging Markets Stock Index Fund under custody of JP Morgan Chase Bank N.A. Taipei Branch (1.03%), Pai-Yung Hong (0.97%), Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds under the custody of JPMorgan Chase Bank N.A. Taipei Branch (0.94%), Standard Chartered in custody for iShares MSCI Taiwan Index ETF Investment Account( 0.83%), Yu-Heng Chiao (0.75%)
Chin Xin Investment Corp.	Same as Note 16
TECO	PI Asset Management Co., Ltd. (17.45%), Walsin Lihwa Corporation (10.77%), Land Union Investment Limited (6.34%), Creative Sensor Inc. (3.62%), He Yuan Investment Co., Ltd. (2.14%), Silchester International Investors International Value Equity Trust Fund under the custody of HSBC (2.11%), WGI Emerging Market Small-Sized Company Fund under the custody of HSBC (Taiwan) (1.44%), Tung Kuang Investment Co., Ltd. (1.50%), Norges Bank Investment Account under the trust of Citibank (Taiwan) (1.35%), and Guang Yuan Enterprise Co., Ltd. (1.25%)
Rong Chiang International Ltd.	Tian Jiang Co., Ltd. (69.67%), Wonderful Assets Co. Ltd. (30.33%)
Oriental Consortium Investment Limited	HannStar Display Corporation (100%)
Walsin Lihwa Corp.	Same as Note 16
Walsin Technology Corporation	Walsin Lihwa Corp. (18.30%), HannStar Board Corporation (7.55%), Global Brands Manufacture Ltd. (3.21%), Walton Advanced Engineering, Inc. (2.74%), Citi Hosting Maybank King Eng Securities Customer Account (2.74%), Yu-Heng Chiao (2.65%), Winbond Electronics Corporation (1.77%), Fubon Life Insurance Co., Ltd. (1.64%), JPMorgan Chase Bank N.A. in custody for Vanguard Emerging Markets Fund Investment Account (1.45%), Giga Investment Co. (1.37%)
HannStar Board Corporation	Walsin Technology Corporation (20.32%), Walsin Lihwa Corp. (12.06%), Career Technology(Mfg.) Co., Ltd. (5.43%), Chin Xin investment Corp. (3.54%), Yu-Heng Chiao (2.18%), Pai-Yung Hong (1.86%), NP Paribas Wealth Management Bank Singapore Branch Account under the trust of HSBC Bank (1.49%), Prosperity Dielectrics Co., Ltd. (1.07%), HannStar Color Co. Ltd. (0.95%), Yu Yue Corp. (0.89%)
Prosperity Dielectrics Co., Ltd.	Walsin Technology Corporation (43.13%), Walton Advanced Engineering, Inc. (0.75%), Yu-Heng Chiao (0.62%), Ta-Ho Maritime Corporation. (0.55%), ABC Taiwan Electronics Corp. (0.47%), Wen-Je Shen (0.44%), Chiao-Fang Hsu (0.33%), Mercer QIF Mercer Investment First Fund entrusted to the external manager Fiduciary Investment Management Co., Ltd. Investment Fund Account under the custody of Standard Chartered Bank (0.30%), Zong-Yuan Huang (0.28%), UBS Europe SE investment Account under the trust of Citibank (Taiwan) (0.25%)

## Profile of Directors (2)

### Professional qualifications of Directors and independence information disclosure of Independent Directors:

Criteria Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent director
Chairman Arthur Yu-Cheng Chiao	Mr. Yu-Cheng Chiao has acted as chairman of the Company since 1987, and currently serves as its CEO. Before this, he has served in different positions in various industry and public organizations and associations. From 2008 to 2019, Mr. Chiao served as chairman of Nuvoton Technology Corporation; from 1986 to 1994, he served as chairman of Walsin Lihwa Corporation. Mr. Chiao served as chairman of Taiwan Electrical and Electronic Manufacturers' Association (TEEMA) from 2007 to 2013. In addition, he won the ERSO Award and was elected as one of the eighth ITRI Laureates of the Industrial Technology Research Institute in 2019.	1. Chairman Chiao and Director Yung Chin are married. Related through lineal affinity with Director Wei-Hsin Ma. 2. The Company searched through search engines: Does not contain matters related to all paragraphs of Article 30 of the Company Act.	1
Vice Chairman Tung-Yi Chan	Mr. Tung-Yi Chan was promoted to the Company's vice CEO in March 2020, and prior to that, served as president of the Company. Chan has served as senior engineer at Intel, technical manager at Cypress, technical manager at Siliconix, vice president of the Sales Center of the Company, and CEO of BCD Semiconductor. He has more than 33 years of professional experience in the technical and management fields.	The Company searched through search engines: Does not contain matters related to all paragraphs of Article 30 of the Company Act.	-
Director Ms. Yung Chin	Ms. Yung Chin serves as the Company's Chief Administrative Officer; she also serves as the chairman of Hwa Bao Botanic Conservation Corp. and as a director at Nuvoton Technology Corp. Chin has served in various positions in the Company, including vice president of the knowledge and information management unit from 2002 to 2006; chief auditor in 2001; and vice president of the Finance Center from 1998 to 2000. In the year that Chin had served as vice president of the Finance Center, she was elected as best financial officer of the year. Prior to joining the Company, Chin served as Chief Auditor at Walsin Lihwa Corporation. She has more than 30 years of professional experience in the field.	1. Director Chin and Chairman Chiao are married. Related through lineal affinity with Director Wei-Hsin Ma. 2. The Company searched through search engines: Does not contain matters related to all paragraphs of Article 30 of the Company Act.	-
Independent Director Allen Hsu	Mr. Allen Hsu acts as the convenor of the Company's Audit Committee and chairman of Efficient International Technology Co., Ltd. and Yizhong Technology Inc. Mr. Hsu also serves as independent director of Nuvoton Technology Corp. and director of Innodisk Corporation, Pilot Electronics Corporation, and ACME Electronics Corporation. Mr. Hsu has been a member of the Yulon Finance Corporation since September 1989. He has served as special advisor to the chairman, vice CEO of Yulon Motor Co., Ltd, and vice CEO of the management office. He has also been responsible for outward investment of the group. These positions were held up to his retirement in 2012. During his tenure, Hsu also served as chairman of joint venture TWSE/GTSM listed companies, such as Yulon Finance Corporation, Taiwan Mask Corporation, Altek Corporation, Myson Century Inc., and Lisheng Semiconductor. Prior to taking office in the Yulon Group, Hsu was active in the financial field. From 1978 to 1989, he served as the manager of credit investigation, corporate finance, or investment banking at Chase Bank and Bankers Trust in the US. Hsu has also served as deputy chairman of the Taiwan Venture Capital Association. Mr. Hsu had the honor of being recognized as an outstanding alumnus of Chiao Tung University, as an outstanding financial host, and with the Lu Feng-Zhang Memorial Medal for Management.	Independent Director Hsu has signed the Independent Director (during his tenure) Statement in December 2021, and has been found to comply with the independence criteria during his tenure. The explanation is as follows: I. Credit information the Company requested from Taiwan Clearing House in December 2021 and searched in search engines: Does not contain matters related to all paragraphs of Article 30 of the Company Act. II.1: Verified with the human resources of the Company that the person is not an employee of the company or any of its affiliates. 2: Verify with the Company's Accounting Department and the Company's Shareholders' Meeting Annual Report disclosures that the person is only serving concurrently as an independent director of the Company's subsidiary, Nuvoton Technology Corporation, and not a director or supervisor of the Company or its affiliated enterprises.	1



Criteria Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent director
		<p>3: Verified with the Company's internal persons information and book closure shareholder list that the person is 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.</p> <p>4: Verified with the human resources unit of the Company that the person is not a manager listed in II. (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 II. (2) or (3) (no employed relatives).</p> <p>5: Verified with the Company's registration information that the person is not director, supervisor or legal shareholder who directly holds more than 5% of the total issued shares of the Company, in the top five for shareholdings, or appointed a representative as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act.</p> <p>6: The Company is not controlled by a person who holds a seat on the Board of Directors or over half of the voting shares of another company.</p> <p>7: Verified with the Company's registration information that the person is not a director, supervisor, or employee of the company or other companies or institutions that is the same person or spouse as the chairman, president or equivalent positions of the Company</p> <p>8: Verified with the Company's registration information that the person is not a director, supervisor, manager, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;</p> <p>9: Verified the payment voucher and related registration information with the Company's Accounting Division. None of the situations below were found: A professional individual who, or an owner, partner, director, supervisor, or president of a sole proprietorship, partnership, company, or institution that, provides auditing and commercial, legal, financial, accounting services or consultation that does not exceed NT\$500,000 in remuneration over the last two years to</p>	

Criteria Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent director
		the Company or to any affiliate of the Company, or a spouse thereof. III. Does not serve as an independent director in more than 3 other public companies	
Independent Director Stephen T. Tso	Dr. Stephen T. Tso serves as the convenor of the Company's Remuneration Committee. Dr. Tso served as the senior vice president and chief information officer of information technology/materials and risk management at Taiwan Semiconductor Manufacturing Company (TSMC) from 2004 up to his retirement in 2018; he has held various managerial positions in operational organizations and subsidiaries: he served as the chairman and CEO of TSMC Solid State Lighting Co., Ltd. and TSMC Solar Co., Ltd. from 2014 to 2015; as the general manager of Wafertech LLC. from 2001 to 2005; as senior vice president of operations at TSMC from 1998 to 2001; as senior vice president of TSMC's global marketing business from 1997 to 1998; and vice president of R&D/technology development at TSMC from 1996 to 1997. Before joining TSMC, Tso served as president of two divisions, the Metal CVD Division and CVD II-Advanced Technology Division, at the world's largest semiconductor supplier, Applied Materials, Inc. Dr. Tso was plant manager and vice president at SGS-Thomson Microelectronics from 1989 to 1994; before that, Tso served at Texas Instruments.	Independent Director Tso has signed the Independent Director (during his tenure) Statement, and has been found to comply with the independence criteria during his tenure. The explanation is as follows: I, II. 1, 3 to 9, and III meet the independence criteria, same as Independent Director Allen Hsu. II. 2: Verify with the Company's Accounting Department and the Company's Shareholders' Meeting Annual Report disclosures that the person is not a director or supervisor of the Company or its affiliated enterprises.	1
Independent Director Francis Tsai	Mr. Francis Tsai is chairman of Waffer Technology Corp., chairman of NAFCO, and vice chairman of Getac Technology Corporation. Mr. Tsai has held various positions in the Getac Group, which is among the world's three biggest notebook manufacturers. Mr. Tsai has acted as chairman for a long time and over several important junctures: in 2007, the merger MiTAC Precision Technology Corp.; in 2009, the expansion of business to Taiwan's third largest magnesium aluminum alloy company, Waffer Technology Corp.; and in 2011, Getac's merger with aerospace engine fastener manufacturer, NAFCO. Previously, Mr. Tsai was engaged in the promotion and sales of Intel microprocessors and minicomputers in the 1981, assisting Taiwanese industries in computerization. After 1993, he served at MiTAC Computing Technology Corp. and led the establishment of OEM electronics manufacturing bases in China. He gradually expanded production to include structural and plastic components. He was promoted to president of MiTAC in 1999, and chairman of Getac Technology Corporation, Tyan Computer Corporation, and MiTAC Precision Technology Corp.	Independent Director Tsai has signed the Independent Director (during his tenure) Statement, and has been found to comply with the independence criteria during his tenure. The explanation is as follows: I, II. 1, 3 to 9, and III meet the independence criteria, same as Independent Director Allen Hsu. II. 2: Verify with the Company's Accounting Department and the Company's Shareholders' Meeting Annual Report disclosures that the person is not a director or supervisor of the Company or its affiliated enterprises. III. Does not serve as an independent director in other public companies	-
Independent Director Jerry Hsu	Mr. Jerry Hsu serves as Chairman and President of AcBel Polytech. Mr. Hsu also serves as director of the Kinpo Group, deputy chairman of Taiwan Electrical and Electronic Manufacturers' Association (TEEMA), and director of the Importers & Exporters Association of Taipei. Hsu is well-versed in the production and sales of electronics manufacturing, private equity investment management, and the operation of corporate boards.	Independent Director Hsu has signed the Independent Director (during his tenure) Statement, and has been found to comply with the independence criteria during his tenure. The explanation is as follows: I, II, and III meet the independence criteria, same as Independent Director Allen Hsu.	1
Walsin Lihwa Corp. (Representative: Fred Pan)	Mr. Fred Pan was appointed as the President of Walsin Lihwa Corp. in 2019 to help the Chairman plan and execute the company's operating strategies. Before joining Walsin Lihwa Corp., Mr. Pan served as the CFO of Philips Semiconductors Asia Pacific, CFO of the sales and marketing division of Philips Semiconductors Taiwan	1. Director Pan holds the position of director as a representative of a legal person. 2. The Company searched through search engines: Does not contain matters related to all paragraphs of Article 30 of the Company Act.	-

Criteria Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent director
Chin Xin Investment Corp. (Representative: Yuan-Mow Su)	Mr. Yuan-Mou Su has served as Chairman and CEO of Nuvoton Technology Corp. since February 2020. Before this, Mr. Su served as Vice Chairman and Deputy CEO of Winbond. From 2000 to 2014, he served as Vice President of the Sales Center, vice president of the DRAM Product Business Group, and assistant vice president of the DRAM Product Marketing Center of the Company. Before joining Winbond, Mr. Su served in such companies as AMD, Digital Equipment Corp., Integrated Devices Technology, and Winbic Semiconductor Inc., in the United States. He has more than 30 years of professional experience in the technical and management fields.	1. Director Su holds the position of director as a representative of a legal person. 2. The Company searched through search engines: Does not contain matters related to all paragraphs of Article 30 of the Company Act.	-
Director Chih-Chen Lin	Mr. Chih-Chen Lin serves as president of Taiwan Mobile, chairman and partner of AppWorks, and director of Momo Co., Ltd. Lin is committed to the startup industry. From 2009, he has published articles in the MR JAMIE online magazine, where he has been an inspiration for millions of interested readers worldwide. In the same year, Lin founded AppWorks, one of the leading startup accelerators and one of the most active venture capital institutions in the greater Southeast Asia region. Previously, Lin co-founded the e-commerce startup company Haku.com, AI enterprise software startup Intumit, travel community startup Sosauce.com, and 3D game production startup Muse Games. In addition, Mr. Lin has actively contributed to society; he has served as the executive director of the 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.	The Company searched through search engines: Does not contain matters related to all paragraphs of Article 30 of the Company Act.	-
Director Wei-Hsin Ma	Ms. Wei-Hsin Ma serves as chairman and CEO of HannsTouch Solution Inc., and chairman of Jinpingguo Investment Corp. and Yin Wang Investment Co., Ltd. She also serves as director of HannStar Display Corp., Walsin Lihwa Corp., United Integrated Services Co., Ltd., and Glorystones Inc. Dr. Ma served as chairman of HannStar from March 2012 to March 2015, and chairman of Yuanta Securities Investment Trust Co., Ltd. from August 1998 to July 2011.	1. Director Ma and Chairman Chiao are related through lineal affinity. 2. The Company searched through search engines: Does not contain matters related to all paragraphs of Article 30 of the Company Act.	-

### Profile of Directors (3)

#### Diversity of the Board of Directors:

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.

Management goal for the Company's 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. The management goal for the Company's 12th-term board diversity policy is to raise the number of seats for institutional directors 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 years)	M	✓	✓	✓	✓							
Independent Director	Stephen T. Tso (Term: 2 year)	M	✓	✓	✓		✓						
Independent Director	Francis Tsai (Term: 7 years)	M	✓	✓	✓	✓	✓						
Independent Director	Jerry Hsu (Term: 7 years)	M	✓	✓	✓	✓							
Director	Walsin Lihwa Corporation (Representative: Fred Pan)	M	✓	✓	✓	✓							
Director	Chin Xin Investment Corp. (Representative: Yuan-Mow Su)	M	✓	✓	✓	✓	✓						
Director	Chih-Chen Lin	M	✓	✓	✓	✓	✓						
Director	Wei-Hsin Ma	F	✓	✓	✓	✓	✓						

Independence of the Board of Directors: 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. Directors who are spouses or within second degree of kinship total 3 directors, which is less than half of the Board of Directors, which is compliant with Article 26-3 of the Securities and Exchange Act. 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, and the largest shareholder and a director since Company's inception. According to the evaluation results above, the Company's Board of Directors is independent.

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

March 16, 2022

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)			Title	Name	Relationship
CEO	ROC	Arthur Yu-Cheng Chiao	M	2005.08.01	63,472,995	1.59%	11,778,797	0.30%	-	-	Master in Electrical Engineering and Researcher of Management College of Washington Univ. Chairman of Walsin Lihwa Corp.	Note 3	None	None	Other manager who is the spouse or a relative within second degree
Deputy CEO	ROC	Tung-Yi Chan	M	2020.03.01	551,000	0.01%	-	-	-	-	Ph.D. in Electrical Engineering, U.C. Berkeley and Master in Management Science, Stanford University President of Winbond Electronics Corp. (Incumbent) BCD Semiconductor CEO	Note 5	None	None	None
President	ROC	Pei-Ming Chen	M	2020.03.01	395,044	0.01%	-	-	-	-	M.S.E.E., University of Detroit, USA Chairman of NuvoTon Technology Co. Vice President of DRAM Product Business Group of Winbond Electronics Corp.	Chairman of Winbond Technology Ltd. Director of Winbond Electronics (Suzhou) Ltd. Director of Winbond Electronics Corporation Japan Director of Winbond Electronics Corporation America Director of Winbond Electronics (HK) Ltd.	None	None	None
Chief Information Officer	ROC	Cheng-Kung Lin	M	2006.11.01	1,684,607	0.04%	175,978	0.00%	-	-	MS in Engineering Technology of National Taiwan University of Science and Technology Division Director, Assistant Vice President and Vice President of Winbond Electronics Corporation	Chairman of Callisto Holding Limited Director of Callisto Technology Limited Director of Winbond Electronics (Suzhou) Ltd. Director of Pine Capital Investment Ltd. Director of Hwa Bao Botanic Conservation Corp. Chairman of Miraxia Edge Technology Corporation	None	None	None
Chief Financial Officer and Head of Finance Division	ROC	Jessica Huang	F	2015.04.01	456,290	0.01%	-	-	-	-	MBA, Indiana University Chief Auditor and Vice President of Winbond Electronics Corp. Vice President, Citibank	Note 6	None	None	None
Vice President	ROC	Chin-Fen Tsai	M	2011.11.01	137,000	0.00%	-	-	-	-	PhD. in Material Science and Engineering of University of Utah Vice President of Winbond Electronics Sales & Marketing Vice President of Eversol Corp. Deputy Divisional Director, UMC	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	None			
															None	None	None
Vice President	ROC	Pei-Lin Pai	M	2014.10.01	41,608	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	Independent director of Green River Holding Co., Ltd. Director of Intellectual Property Innovation Corporation	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		
Vice President	ROC	Wen-Hua Lu	M	2019.11.01	12,501	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		
Vice President	ROC	Wen-Chang Hung	M	2020.07.01	16,448	0.00%	7,000	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		
Chief Business Officer	USA	Eunglooon Park	M	2008.08.04	-	-	-	-	-	-	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		
Corporate Governance Officer	ROC	Kun-Lung Chen	M	2020.06.17	5,352	0.00%	-	-	-	-	Master of Business Administration, National Taipei University Auditing Department Head and Division Director of Winbond Electronics Corporation	Corporate Governance Officer of Nuvoton Technology Corporation	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	None	None	None	None
Assistant Vice President	ROC	Shi-Yuan Wang (Note 7)	M	2005.08.01	817,200	0.02%	202,689	0.01%	-	-	M.S. in Electric Engineering, National Tsing Hua University Junior Engineer, Industrial Technology and Research Institute	None	None	None	None		
Assistant Vice President	ROC	Mao-Hsiang Yen	M	2012.07.01	353,481	0.01%	10,893	0.00%	-	-	MS in Electric Engineering, National Cheng Kung University	None	None	None	None		
Assistant Vice President	ROC	Hsiu-Han Liao	M	2014.10.01	269,213	0.01%	-	-	-	-	M.S., Institute of Electronics, National Chiao Tung University Division Director of Winbond Electronics Corporation Project Division Director of Epsil Technologies Inc. Senior Division Director of Brilliance Semiconductor Corporation	None	None	None	None		
Deputy Division Head and Accounting Officer	ROC	Chin-Feng Yang	F	2020.03.01	61,239	0.00%	-	-	-	-	M.A. in accounting, National Chengchi University Manager, Senior Manager, and Supervisor of Winbond Electronics Corp.	Director of Winbond Electronics (Suzhou) Ltd. Supervisor of Miraxia Edge Technology Corporation	None	None	None		

Note 1: Management is defined the same as the interpretation provided in the Ministry of Finance letter Tai-Cai-Zheng-San-Zi-0920001301, including president, vice president, assistant vice president, chief financial officer and chief accounting officer.

Note 2: "Shareholding percentage" was based on then issued and outstanding common shares of 3,980,000,193 shares as of March 16, 2022.

Note 3: Refer to Note 3 under Profile of Directors (1).

Note 4: Refer to Note 15 under Profile of Directors (1).

Note 5: Refer to Note 4 under Profile of Directors (1).

Note 6: Ms. Jessica Huang serves concurrently as Director of Winbond Electronics (Hong Kong) Corporation, Winbond Electronics Corporation America, and NuvoTon Investment Holding Ltd.; President of Pine Capital Investment Ltd.; Chairman of Pine Electronics (Suzhou) Co., Ltd; Supervisor of Search Marketing Co., and Chin Xin Investment Corp. management of Goldbond LLC;

Note 7: Mr. Shi-Yuan Wang was an assistant vice president at Winbond from August 1, 2005 to March 31, 2021. The above table discloses his information up to the date his service as a manager of the Company ends.

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

#### 1. Remuneration to directors and independent directors

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

Title	Name	Director's remuneration				Ratio of total (A), (B), (C), and (D) to after-tax 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)	All companies in consolidated statements (Note 6)	Winbond	All companies in consolidated statements (Note 6)	Winbond	Salary, bonus and special allowance (E) (Note 5)	Pension (F) (Note 2)	Employee compensation (G) (Note 3)		
				All companies in consolidated statements (Note 6)	Winbond								All companies in consolidated statements (Note 6)		Winbond
Chairman	Arthur Yu-Cheng Chiao														78,954
	Tung-Yi Chan														
Vice Chairman	Yung Chin														
	Walsin Lihwa Corporation														
Director	Representative														
	Fred Pan														
Director	Chin Xin Investment Corp.														
	Yuan-Mow Su														
Director	Chih-Chen Lin														
	Wei-Hsin Ma														
Independent Director	Allen Hsu														
	De-Chuan Zuo														
Independent Director	Francis Tsai														
	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. In addition to the table above, in the most recent fiscal year, compensation for services provided by directors of the company (including as a non-employee advisor for all companies/investees under the parent company/in the Financial Report) is as follows: 0															

Note 3: For 2021, the Board of Directors has approved a 1% of earnings as remuneration to directors, which amounts to NT\$165,369 thousand 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 the director who is 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 IFRS 2, 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: The total pay to the director from all companies in the consolidated statements (including the Company).

Note 7: Calculated based on the Company's after-tax income from the 2021 stand-alone financial statements of NT\$13,594,643 thousand.

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.

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	Walsin Lihwa Corporation (representative: Fred Pan), Chin Xin Investment Co., Ltd. (representative: Yuan-Mow Su)	Walsin Lihwa Corporation (representative: Fred Pan), Chin Xin Investment Co., Ltd. (representative: Yuan-Mow Su)	Walsin Lihwa Corporation (representative: Fred Pan), Chin Xin Investment Co., Ltd. (representative: Yuan-Mow Su)	Walsin Lihwa Corporation (representative: Fred Pan), Chin Xin Investment Co., Ltd. (representative: Yuan-Mow Su)
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)				
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)				
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Tung-Yi Chan, Yung Chin, Allen Hsu, Stephen T. Tso, Francis Tsai, Jerry Hsu, Wei-Hsin Ma, Jamie Lin, Walsin Lihwa Corporation, Chin Xin Investment	Tung-Yi Chan, Yung Chin, Stephen T. Tso, Francis Tsai, Wei-Hsin Ma, Jamie Lin, Walsin Lihwa Corporation	Allen Hsu, Stephen T. Tso, Francis Tsai, Jerry Hsu, Wei-Hsin Ma, Jamie Lin, Walsin Lihwa Corporation, Chin Xin Investment	Stephen T. Tso, Francis Tsai, Wei-Hsin Ma, Jamie Lin, Walsin Lihwa Corporation
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Arthur Yu-Cheng Chiao	Allen Hsu, Jerry Hsu, Chin Xin Investment Co., Ltd.	Allen Hsu, Jerry Hsu, Chin Xin Investment Co., Ltd.	Allen Hsu, Jerry Hsu, Chin Xin Investment Co., Ltd.
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)		Arthur Yu-Cheng Chiao	Tung-Yi Chan, Yung Chin	Tung-Yi Chan, Yung Chin
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)			Arthur Yu-Cheng Chiao	Arthur Yu-Cheng Chiao
Greater than NT\$ 100,000,000				
Total	13 people	13 people	13 people	13 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, 2021; 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)	Cash	Stock	Winbond	All companies in consolidated statements (Note 5)	
CEO	Arthur Yu- Cheng Chiao													
Deputy CEO	Tung-Yi Chan													
President	Pei-Ming Chen													
Chief Information Officer	Cheng-Kung Lin													
Chief Financial Officer	Jessica Huang	56,908	56,908	648	648	85,938	85,938	4,933	0	4,933	0	Total value: 1,148,427 Percentage: 1.09%	Total value: 1,148,427 Percentage: 1.09%	5,344
Vice President	Chin-Fen Tsai													
Vice President	Pei-Lin Pai													
Vice President	Hsiang-Yun Fan													
Vice President	Wen-Hua Lu													
Vice President	Wen-Chang Hung													

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

Note 2: Pension includes:

a. 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.

b. 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.

c. 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 IFRS 2, 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 2021 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 2021 stand-alone financial statements of NT\$13,594,643 thousand.

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.

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)		
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)		
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Chin-Fen Tsai, Pei-Lin Pai, Wen-Hua Lu, Hsiang-Yun Fan, Wen-Chang Hong, Cheng-Kung Lin, Jessica Huang	Chin-Fen Tsai, Pei-Lin Pai, Wen-Hua Lu, Hsiang-Yun Fan, Wen-Chang Hong, Cheng-Kung Lin, Jessica Huang
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Yu-Cheng Chiao, Tung-Yi Chan, Pei-Ming Chen	Yu-Cheng Chiao, Tung-Yi Chan, Pei-Ming Chen
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	10 people	10 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, 2021; Unit: NT\$1,000

	Title	Name	Stock	Cash	Total	Total after-tax income as a percentage of earnings (%) (Note 2)
Manager	CEO	Arthur Yu-Cheng Chiao	-	7,204	7,204	0.05%
	Deputy CEO	Tung-Yi Chan				
	President	Pei-Ming Chen				
	Chief Information Officer	Cheng-Kung Lin				
	Chief Financial Officer and Head of Finance Division	Jessica Huang				
	Vice President	Chin-Fen Tsai				
	Vice President	Pei-Lin Pai				
	Vice President	Hsiang-Yun Fan				
	Vice President	Wen-Hua Lu				
	Vice President	Wen-Chang Hung				
	Corporate Governance Officer	Kun-Lung Chen				
	Chief Business Officer	Eungjoon Park				
	Assistant Vice President	Mao-Hsiang Yen				
	Assistant Vice President	Hsiu-Han Liao				
	Accounting Officer	Chin-Feng Yang				

Note 1: The Company's Board of Directors has passed the 2021 compensation plan for employees. Figures in the table above are estimates.

Note 2: Calculated based on the Company's after-tax income from the 2021 stand-alone financial statements of NT\$13,594,643 thousand.

### 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 earnings (%)			
	2021		2020	
	Winbond	All companies in consolidated statements	Winbond	All companies in consolidated statements
Director	1.78%	1.90%	4.49%	5.11%
President and Vice Presidents	1.09%	1.09%	8.24%	8.31%

#### (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 President

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 12th term Board of Directors held a total of 7 (A) meetings in 2021. The attendance was as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Notes
Chairman	Arthur Yu-Cheng Chiao	7	0	100%	None
Vice Chairman	Tung-Yi Chan	7	0	100%	None
Director	Yung Chin	7	0	100%	None
Independent Director	Allen Hsu	7	0	100%	None
Independent Director	Da-Chuan Zuo	7	0	100%	None
Independent Director	Francis Tsai	7	0	100%	None
Independent Director	Jerry Hsu	7	0	100%	None
Director	Walsin Lihwa Corporation (Representative: Fred Pan)	7	0	100%	None
Director	Chin Xin Investment Corp. (Representative: Yuan-Mow Su)	7	0	100%	None
Director	Chih-Chen Lin	7	0	100%	None
Director	Wei-Hsin Ma	7	0	100%	None

(2) Resolutions adopted by the Board of Directors pursuant to Article 14-3 of the Securities and Exchange Act:

Date/Term	Agenda item	Opinions of independent director	Company's action with regard to the opinion of independent director
2021.02.18 6th meeting of 12th-term Board	Passed the 2020 business report and financial report.	None	None
	2020 business report, consolidated financial statements and affiliation report covering affiliated enterprises.	None	None
	2020 Statement on Internal Control System.	None	None
	Proposal of the 2021 capital expenditure budget.	None	None
	Proposal for annual remuneration paid to Deloitte & Touche accounting firm.	None	None
	Removal of non-compete clause for directors.	None	None
2021.03.16 7th meeting of 12th-term Board	2020 earnings distribution plan.	None	None
	Increase the budget for capital expenditure.	None	None
	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.	None	None
2021.05.06 8th meeting of 12th-term Board	Increase the budget for capital expenditure.	None	None
	Proposal to change signing accountants in Q2 2021.	None	None
	Amendment of Company's Procedures for Making Endorsements and Guarantees.	None	None
	Amendment of the Internal Control System for Shareholder Service Unit.	None	None



Date/Term	Agenda item	Opinions of independent director	Company's action with regard to the opinion of independent director
2021.08.05 10th meeting of 12th-term Board	Proposal not to distribute earnings for the first half of the 2021 fiscal year.	None	None
	Increase the budget for capital expenditure.	None	None
	Proposal to remove non-compete clause for managers of the Company.	None	None
2021.09.23 11th meeting of 12th-term Board	Proposal to acquire material assets.	None	None
2021.11.04 12th meeting of 12th-term Board	Increase the budget for capital expenditure.	None	None
	Proposal to acquire two apartments in the "Xu Shang Jing" construction project in Lingya District, Kaohsiung City.	None	None
	Finalization of the 2022 audit plan.	None	None

(3) 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.

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

Name of director	Agenda item	Reason for recusal	Voting on the agenda item	Notes
Yu-Cheng Chiao, Tung-Yi Chan, Yung Chin, Jerry Hsu, Representative Yuan-Mow Su of the institutional director Chin Xin Investment, Wei-Hsin Ma	Removal of non-compete clause for directors.	The director has an interest in the matter	Did not participate in voting	6th meeting of 12th-term Board
Representative Yuan-Mow Su of the institutional director Chin Xin Investment	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.	The director has an interest in the matter	Did not participate in voting	7th meeting of 12th-term Board
Tung-Yi Chan	Distribution of the 2020 Q3 and Q4 performance bonus and 2020 retention bonus and special bonus for managerial officers.	The director has an interest in the matter	Did not participate in voting	7th meeting of 12th-term Board
Tung-Yi Chan	Proposal of 2020 employee compensation distribution plan and remuneration for managerial officers	The director has an interest in the matter	Did not participate in voting	7th meeting of 12th-term Board
Tung-Yi Chan	Proposal of 2021 remuneration plan for individual managers.	The director has an interest in the matter	Did not participate in voting	7th meeting of 12th-term Board
Arthur Yu-Cheng Chiao, Yung Chin Representative Yuan-Mow Su of Chin Xin Investment	The remuneration for the manager of the Company, Yu-Cheng Chiao.	The director has an interest in the matter	Did not participate in voting	7th meeting of 12th-term Board
Yu-Cheng Chiao, Tung-Yi Chan, Yung Chin, Representative Yuan-Mow Su of the insitutional director Chin Xin Investment	Proposal to remove non-compete clause for managers of the Company.	The director has an interest in the matter	Did not participate in voting	10th meeting of 12th-term Board
Yu-Cheng Chiao, Yung Chin, Representative Yuan-Mow Su of the institutional director Chin Xin	Proposal to acquire material assets.	The director has an interest in the matter	Did not participate in voting	11th meeting of 12th-term Board

Name of director	Agenda item	Reason for recusal	Voting on the agenda item	Notes
Investment, Allen Hsu, Jerry Hsu				
Tung-Yi Chan	Distribution of the 2021 Q1 and Q2 performance bonus for individual managerial officers.	The director has an interest in the matter	Did not participate in voting	11th meeting of 12th-term Board
Yu-Cheng Chiao, Yung Chin, and Representative Yuan-Mow Su of the insitutional director Chin Xin Investment	Distribution of the 2017 Q1 and Q2 performance bonus for the manager of the Company, Yu-Cheng Chiao.	The director has an interest in the matter	Did not participate in voting	11th meeting of 12th-term Board

(5) 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, 2021 to December 31, 2021	Board of Directors Director Functional committee	Member self-assessment	<p>(1) Board of Directors:</p> <p>A. Participation in Company operations.</p> <p>B. Improvement of the quality of the Board of Directors' decision making.</p> <p>C. Composition and structure of the Board of Directors.</p> <p>D. Election and continuing education of the Directors.</p> <p>E. Internal control.</p> <p>(2) Individual director:</p> <p>A. Familiarity with the goals and missions of the Company.</p> <p>B. Recognition of duties as Directors.</p> <p>C. Participation in Company operations.</p> <p>D. Management of internal relations and communication.</p> <p>E. Directors' professionalism and continuing education.</p> <p>F. Internal control.</p> <p>(3) Functional committee:</p> <p>A. Participation in Company operations.</p> <p>B. Understanding the responsibilities of functional committees.</p> <p>C. Improvement of quality of functional committee's decision making.</p>	<p>(1) Board of Directors' evaluation results:</p> <p>The scores of the 5 major dimensions of the Board of Directors improved compared to 2020.</p> <p>Areas to be improved:</p> <p>(a) Arrange external assessments of the Board of Directors to improve operational performance with the suggestions and directions of experts</p> <p>(b) Continue to provide multi-disciplinary courses to enhance directors' decision making ability.</p> <p>(2) Individual director's evaluation results:</p> <p>A. 4.97</p> <p>B. 5.00</p> <p>C. 4.92</p> <p>D. 4.91</p> <p>E. 4.91</p> <p>F. 4.88</p> <p>(3) Functional committee:</p> <p>A. 5.00</p> <p>B. 5.00</p> <p>C. 5.00</p> <p>D. 5.00</p> <p>E. 5.00</p> <p>Note 1: Grade: Score 1: Very poor (strongly disagree); Score 2: Poor (disagree);</p>

Frequency	Period	Scope	Method	Description	Result
				D. Composition and selection (election) of members of functional committees. E. Internal control.	Score 3: Medium (fair); Score 4: Good (agree); Score 5: Excellent (strongly agree)  Note 2: The evaluation results have been submitted to the March Remuneration Committee and the Board of Directors.

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

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. Responsibilities and operating status of the Audit Committee

A total of 6 (A) meetings of the Audit Committee were held in 2021. The attendance was as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)
Convenor of Audit Committee	Allen Hsu	6	0	100
Audit committee member	Stephen T. Tso	6	0	100
Audit committee member	Francis Tsai	6	0	100
Audit committee member	Jerry Hsu	6	0	100

Note: Term of office of the 2nd Audit Committee: Starting on June 12, 2020 and ending on 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:

1. If one of the situations below occurs during Audit Committee operations, the Audit Committee meeting date, period, proposal content, content of objections, reserved comments or major suggestions made by independent directors, results of the Audit Committee resolution, and the Company's handling of the Audit Committee members' opinions should be described:

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

Audit Committee Date/Term	Agenda item	Content of objections, reserved comments or major suggestions made by independent directors	Audit Committee Resolution	Company's action with regard to the opinion of audit committee
2021.02.18 4th meeting of the 2nd-term Committee	Passed the 2020 business report and financial report.	None	Passed by all committee members present	None
	2020 business report, consolidated financial statements and affiliation report covering affiliated enterprises.	None	Same as above	None
	2020 Statement on Internal Control System.	None	Same as above	None
	Proposal of the 2021 capital expenditure budget.	None	Same as above	None
	Proposal for annual remuneration paid to Deloitte & Touche accounting firm.	None	Same as above	None
	Removal of non-compete clause for directors.	None	Same as above	None
2021.03.16 5th meeting of 2nd-term Committee	2020 earnings distribution plan.	None	Same as above	None
	Increase the budget for capital expenditure.	None	Same as above	None
	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.	None	Same as above	None
2021.05.06 6th meeting of 2nd-term Committee	Increase the budget for capital expenditure.	None	Same as above	None
	Proposal to change the certifying CPAs of the Company in Q2 2021.	None	Same as above	None
	Amendment of Company's Procedures for Making Endorsements and Guarantees.	None	Same as above	None
	Amendment of the Internal Control System for Shareholder Service Unit.	None	Same as above	None
2021.08.05 7th meeting of 2nd-term Committee	Proposal not to distribute earnings for the first half of the 2021 fiscal year.	None	Same as above	None
	Increase the budget for capital expenditure.	None	Same as above	None
	Proposal to remove non-compete clause for managers of the Company.	None	Same as above	None
2021.09.23 8th meeting of the 2nd-term Committee	Proposal to acquire material assets.	None	Same as above	None
2021.11.04 9th meeting of the 2nd-term Committee	Increase the budget for capital expenditure.	None	Same as above	None
	Proposal to acquire two apartments in the "Xu Shang Jing" construction project in Lingya District, Kaohsiung City.	None	Same as above	None
	Finalization of the 2022 audit plan.	None	Same as above	None

(2) In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: 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
Jerry Hsu	Removal of non-compete clause for directors.	The director has an interest in the matter	Did not participate in voting	4th meeting of the 2nd-term Committee
Allen Hsu and Jerry Hsu	Proposal to acquire material assets.	The director has an interest in the matter	Did not participate in voting	8th meeting of the 2nd-term 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) Principles for communication:

- Independent directors and internal audit supervisors shall conduct individual meetings to communicate matters related to the audit operations. 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. The convener's review comments shall be used to improve the key audit matters and the audit report shall be submitted 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:

Audit Committee date	Gist of communication	Suggestions and actions taken by the Company
2021.02.18 (4th meeting of 2nd-term Audit Committee)	<ul style="list-style-type: none"> <li>2020 Q4 audit report</li> <li>2020 Q4 follow-up of improvement actions taken for deficiencies found in the previous period.</li> <li>2020 Q4 audit plan and audit findings.</li> <li>Report on cybersecurity issues.</li> <li>2020 self-evaluation of internal control system</li> <li>2020 Statement on Internal Control System.</li> </ul>	<ul style="list-style-type: none"> <li>None of the independent directors expressed dissent.</li> <li>None of the independent directors expressed dissent.</li> <li>The Committee gave consent to the 2020 Statement on Internal Control System, which will be submitted to the Board of Director for approval.</li> </ul>
2021.05.06 (6th meeting of 2nd-term Audit Committee)	<ul style="list-style-type: none"> <li>2021 Q1 internal audit report</li> <li>2021 Q1 follow-up of improvement actions taken for deficiencies found in the previous period.</li> <li>Audit findings of 2021 Q1 audit plan.</li> <li>Report on cybersecurity issues.</li> </ul>	<ul style="list-style-type: none"> <li>None of the independent directors expressed dissent.</li> </ul>
2021.08.05 (7th meeting of 2nd-term Audit Committee)	<ul style="list-style-type: none"> <li>2021 Q2 audit report</li> <li>2021 Q2 follow-up of improvement actions taken for deficiencies found in the previous period.</li> <li>2021 Q2 audit plan and audit findings.</li> <li>Report on cybersecurity issues.</li> </ul>	<ul style="list-style-type: none"> <li>None of the independent directors expressed dissent.</li> </ul>
2021.11.04 (9th meeting of 2nd-term Audit Committee)	<ul style="list-style-type: none"> <li>2021 Q3 audit report</li> <li>2021 Q3 follow-up of improvement actions taken for deficiencies found in the previous period.</li> <li>2021 Q3 audit plan and audit findings.</li> <li>Report on cybersecurity issues.</li> <li>2022 audit plan.</li> </ul>	<ul style="list-style-type: none"> <li>None of the independent directors expressed dissent.</li> <li>The Committee gave consent to the 2022 audit plan, which will be submitted to the Board of Directors for approval.</li> </ul>

(2) Communication between independent directors and CPA:

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
2021.02.18 (4th meeting of 2nd-term Audit Committee)	<ul style="list-style-type: none"> <li>CPA and independent directors discussed 2020 audit findings on key audit matters (KAM).</li> <li>CPA and independent directors discussed the reasonableness of allowance to inventory write-downs and inventory turnover and receivables turnover.</li> </ul>	<ul style="list-style-type: none"> <li>None of the independent directors expressed dissent.</li> </ul>
2021.08.05 (7th meeting of 2nd-term Audit Committee)	<ul style="list-style-type: none"> <li>CPA and independent directors discussed the reasonableness of allowance to inventory write-downs and inventory turnover and receivables turnover.</li> <li>Rules related to the discussion of earnings distribution between CPAs and Independent Directors</li> </ul>	<ul style="list-style-type: none"> <li>None of the independent directors expressed dissent.</li> </ul>

### 3. Composition, duties, and operation of the Remuneration Committee:

#### (1) Information on members of the Remuneration Committee:

March 16, 2022

Status	Criteria Name	Professional qualifications and experience	Independence	Number of other public companies in which the member also serves as a member of their Remuneration Committee
Convener/ Independent Director	Da-Chuan Zuo	Refer to (2) Professional qualifications of Directors and independence information disclosure of Independent Directors on page 10 to 13 of the director information	Refer to (2) Professional qualifications of Directors and independence information disclosure of Independent Directors on page 10 to 13 of the director information	1
Committee member/ Independent Director	Allen Hsu	Refer to (2) Professional qualifications of Directors and independence information disclosure of Independent Directors on page 10 to 13 of the director information	Refer to (2) Professional qualifications of Directors and independence information disclosure of Independent Directors on page 10 to 13 of the director information	1
Committee member/ Independent Director	Francis Tsai	Refer to (2) Professional qualifications of Directors and independence information disclosure of Independent Directors on page 10 to 13 of the director information	Refer to (2) Professional qualifications of Directors and independence information disclosure of Independent Directors on page 10 to 13 of the director information	-
Committee member/ Independent Director	Jerry Hsu	Refer to (2) Professional qualifications of Directors and independence information disclosure of Independent Directors on page 10 to 13 of the director information	Refer to (2) Professional qualifications of Directors and independence information disclosure of Independent Directors on page 10 to 13 of the director information	1

#### (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 Remuneration Committee's responsibilities

- Periodically review Remuneration Committee rules and offer suggestions for amendment.
- Set and review the annual performance targets for directors and managers as well as salary and remuneration policy, system, standards and structure.
- 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.

4.1 Remuneration Committee is comprised of 4 individuals including all Independent Directors.

4.2 Current term of office: Between June 12, 2020 to June 11, 2023, the Remuneration Committee held a total of 3(A) meetings in 2021.



Attendance is as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Notes
Convener	Stephen T. Tso	3	0	100	
Member	Allen Hsu	3	0	100	
Member	Francis Tsai	3	0	100	
Member	Jerry Hsu	3	0	100	

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 response 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
2021.03.16 3rd meeting of 4th-term committee	The amendment of the Rules for Remuneration of Directors and Performance Evaluation of the Board of Directors	Passed by all committee members present	None
	Proposal for the 2020 remuneration for individual directors on the 11th-term and 12th-term Boards.	Same as above	None
	Proposal for the 2021 remuneration for individual directors on the 12th-term Board.	Same as above	None
	Distribution of the 2020 Q3 and Q4 performance bonus and 2020 retention bonus and special bonus for managerial officers.	Same as above	None
	Proposal for the 2020 employee remuneration distribution plan and remuneration for individual managers.	Same as above	None
	Proposal for the pension of managerial officer Shi-Yuan Wang upon his retirement.	Same as above	None
	Proposal for the adjustment of standard allowance for managerial officers.	Same as above	None
	Proposal of the 2021 remuneration plan for managerial officers.	Same as above	None
	The remuneration for the manager of the Company, Yu-Cheng Chiao.	Same as above	None
2021.09.23 4th meeting of 4th-term committee	Distribution of the 2021 Q1 and Q2 performance bonus for individual managerial officers.	Same as above	None
	Distribution of the 2017 Q1 and Q2 performance bonus for the manager of the Company, Yu-Cheng Chiao.	Same as above	None
2021.11.04 5th meeting of 4th-term committee	2021 director compensation distribution plan.	Same as above	None
	2021 employee compensation distribution plan.	Same as above	None
	Review of the Organizational Rules for Remuneration Committee for compliance. No correction was needed given no change was required by any change of the law.	N/A.	N/A.

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 adjusted the standards of the Supervisor Allowance for the managers of the Company. 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 securities with undisclosed information?	V		(IV) The Company has established the Insider Trading Prevention Procedure, publicizes the procedure among employees regularly every month, and discloses the procedure on Company website.
III. Composition and responsibilities of the Board of Directors			
(I) Have diversification policies and specific management goals been formulated and implemented by the Board of Directors?	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 have met the aforementioned targets. For details on the specific management targets and their implementation of the 12th-term Board of Directors, please refer to p. 13 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.Collected and summarized agenda items from the departments, and prepared sufficient meeting materials to be sent along with the meeting notices. Notified relevant parties to attend meetings as needed. (7 meeting in 2021)</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. (1 meeting in 2021)</p> <p>4.Organized training courses suitable for the company's business characteristics and the needs of directors. (12 training hours in 2021)</p> <p>5.The 7th meeting of the 12th-term Board of Directors approved an amendment of the Rules for Remuneration of Directors and Performance Evaluation of the Board of Directors and conducted member self-assessments in December according to the aforementioned rules.</p> <p>Training for governance officers:</p> <table><tr><th>Date</th><th>Organizer</th><th>Course</th><th>Hours</th></tr><tr><td>2021/04/15</td><td>Taiwan Corporate Governance Association</td><td>Outlook of domestic and foreign economies and the impact of and response to material events. Pricing Strategy&amp;Value Selling</td><td>3</td></tr><tr><td>2021/04/15</td><td>Taiwan Corporate</td><td>Machine Learning-Hardware Design : Impact of new policies of the Biden administration and rising US bond interest rates</td><td>3</td></tr></table>	Date	Organizer	Course	Hours	2021/04/15	Taiwan Corporate Governance Association	Outlook of domestic and foreign economies and the impact of and response to material events. Pricing Strategy&Value Selling	3	2021/04/15	Taiwan Corporate	Machine Learning-Hardware Design : Impact of new policies of the Biden administration and rising US bond interest rates	3	None
Date	Organizer	Course	Hours													
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2021/04/15	Taiwan Corporate	Machine Learning-Hardware Design : Impact of new policies of the Biden administration and rising US bond interest rates	3													

Assessed items	Implementation status				Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons																
	Yes	No	Summary																		
				<table><tr><td></td><td>Governance Association</td><td></td><td></td></tr><tr><td>2021/09/01</td><td>Financial Supervisory Commission</td><td>13th Taipei Corporate Governance Forum</td><td>6</td></tr><tr><td>2021/10/28</td><td>Taiwan Corporate Governance Association</td><td>Next generation communications with the new generation. Looking at opportunities in Taiwan for the competitiveness of AI+5G+AIOT+Chromebook through international trends.</td><td>3</td></tr><tr><td>2021/10/28</td><td>Taiwan Corporate Governance Association</td><td>Semiconductor innovations The history, future trends, challenges, opportunities, and strategies of semiconductor innovations. The impact of the US-China trade war and COVID-19 pandemic on cross-strait trade and the Taiwanese economy.</td><td>3</td></tr></table>		Governance Association			2021/09/01	Financial Supervisory Commission	13th Taipei Corporate Governance Forum	6	2021/10/28	Taiwan Corporate Governance Association	Next generation communications with the new generation. Looking at opportunities in Taiwan for the competitiveness of AI+5G+AIOT+Chromebook through international trends.	3	2021/10/28	Taiwan Corporate Governance Association	Semiconductor innovations The history, future trends, challenges, opportunities, and strategies of semiconductor innovations. The impact of the US-China trade war and COVID-19 pandemic on cross-strait trade and the Taiwanese economy.	3	
	Governance Association																				
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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 website posts information in traditional Chinese, simplified Chinese, English and Japanese.		None																
(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		(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.		None																

Assessed items	Implementation status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
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 corporate governance/green manufacturing/stakeholder sections and related operating rules have been disclosed under corporate sustainability on the Company's website. The URL is as follows: <a href="https://www.winbond.com/hq/about-winbond/csr-new/policy/">https://www.winbond.com/hq/about-winbond/csr-new/policy/</a></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 page 23 of the annual 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>	None
<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 20% in the corporate governance assessments of TWSE-listed companies in the past years and will continue to improve its corporate governance.</p>			

## 5. Promotion status of sustainable development and discrepancy with industry standards in sustainable development practices and reasons

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:

Promoted items	Implementation status		Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	
I. Does the Company have a governance structure for promoting sustainable developments and exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing sustainable development, and let the Board of Directors entrust the high-ranking management with the implementation and supervise the status?	V		<p>The Company established the "Winbond CSR Promotion Committee" in 2015, in order to promote the core governance of sustainable developments. The Committee includes the Quality and ESH team, Product Sales Team, Human Resources Team, Ethics Team, and Administration and Production Contracting Team.</p> <p>The Quality &amp; ESH Center is responsible for promoting the Company's operations related to corporate sustainability. The team compiles the sustainability issues related to the environment, economy, and society. Management review meetings are convened every quarter to report sustainability issues to the senior management. The content includes, but is not limited to:</p> <ol style="list-style-type: none"> <li>1. Identify the sustainability issues that require attention and formulate the response policies and action plans of the Company.</li> <li>2. Supervise the implementation of sustainable management, evaluate the implementation status, and amend the plans.</li> <li>3. Implementation results of the Company's sustainable management system and suggested matters for improvement.</li> </ol> <p>Furthermore, in order to implement the supervision of the Board of Directors, the Company president reports related matters to the Board of Directors in Q4 of every year (the latest meeting was held on 4 November, 2021). The aim of the meeting is to understand the implementation status in each part of the Company, review the stipulation and progress of the strategies, and reorganize the management team when necessary.</p>
II. 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		<p>The Company performed assessments of risks in environmental, social, or corporate governance issues relevant to the business activities of the head offices in Taiwan through the comprehensive Corporate Social Responsibilities Policy and Corporate Social Responsibility Best Practice Principles, and devised related strategies, systems, management approaches, and specific promotion plans. The documents have been disclosed in the Corporate Sustainability Report and on the company website. The Company continues to focus on the various issues related to ESG, in order to understand the risks and opportunities of corporate sustainability. ESG issues are considered during the planning, operation management, and decision-making procedures. We aim to implement corporate social responsibility to achieve corporate sustainable development.</p>
III. Environmental issues			None
(I) Does the company have in place a suitable environmental management system based on the characteristics of the industry?	V		<p>(I) The Company has received certification of ISO 14001 environmental management system, and undertakes internal audit every 6 months according to the internal regulation B0000-2511 ESH Management System Internal Audit Procedures, and external audit every year by an international certification body to ensure normal system operations. (Verifying institution: DQS Inc., effective period: 8/12/2019 to 8/11/2022. Scope: CTSP plant - No. 8, Keya 1st Rd, Daya District, Taichung City).</p>
(II) Does the Company endeavor to improve energy usage efficiency and use renewable materials which have a low impact on the environment?	V		<p>(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</p>

Promoted items	Implementation status		Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	
<p>(III) Does the Company evaluate potential risks and opportunities brought by climate change, and take response measures?</p>	V	<p>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 2021, the water usage per unit product was 131 liters/layer (layer - wafer mask). Water recycling in all plants reached 83%. We reached our targets of not exceeding 150 liters/layer for water usage per unit product and a water recycling rate of no less than 80% in all plants. 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 2021, carbon reduction measures adopted by the Company helped reduce 223,787 tons of carbon dioxide equivalent emissions, which amounts to the annual carbon sequestration of 580 Da-an Forest Park (note: calculated by the standard of 386 tons of carbon dioxide absorbed by Da-an Forest Park every year) In 2021, greenhouse gas emissions per unit product was 12.6 kg CO<sub>2</sub>e/layer (layer - wafer mask), which satisfied the goal of not exceeding the emissions per unit product in 2020 (13.3 kg CO<sub>2</sub>e/layer). 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 waste through better waste collection and sorting. In 2021, the Company achieved 93% waste recycling, surpassing the self-set target of 90% or higher.</p>	None
		<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 corporate sustainability section of the Company's website.</p> <p>Regarding the climate change related risks and opportunities faced by Winbond, the Company identified 3 climate change related risk factors and 2 opportunity factors according to the TCFD framework, combined internal and external study reports, and the latest observations of market developments. We stipulated</p>	

Promoted items	Implementation status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
(IV) Does the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on greenhouse gas reduction, water reduction, or waste management?	V		<p>effective response strategies through our comprehensive risk management mechanisms, in order to strengthen the management and implementation of climate change incidents.</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 for the CTSP plant (No. 8, Keya 1st Rd, Daya District, Taichung City). There are also key performance indicators (KPI), such as greenhouse gas emission, water recycling, and waste recycling per unit product, in place. Among which, the greenhouse gas emissions are verified according to third party standards (ISO 14064-1) every year. Water usage and waste output are calculated with the Company's data. In 2021, total greenhouse gas emission was 316,089 tons CO<sub>2</sub>e (direct emissions accounted for 38,805 tons CO<sub>2</sub>e and indirect emissions accounted for 277,284 tons CO<sub>2</sub>e), water usage was 3,292,825 m<sup>3</sup>, and total waste was 7,727 tons (3,509 tons of hazardous waste and 4,218 tons of non-hazardous waste). In 2020, total greenhouse gas emission was 327,493 tons CO<sub>2</sub>e (direct emissions accounted for 53,271 tons CO<sub>2</sub>e and indirect emissions accounted for 274,222 tons CO<sub>2</sub>e), water usage was 3,633,012 m<sup>3</sup>, and total waste was 6,570 tons (2,506 tons of hazardous waste and 4,064 tons of non-hazardous waste).</p> <ul style="list-style-type: none"> <li>● In 2021, greenhouse gas emissions per unit product was 12.6 kg CO<sub>2</sub>e/layer (layer - wafer mask), which satisfied the goal of not exceeding the emissions per unit product in 2020 (13.3 kg CO<sub>2</sub>e/layer). The greenhouse gas emissions were calculated by the Company and are pending third party verification and the announcement of the power coefficient.</li> <li>● In 2021, the water usage per unit product was 131 liters/layer (layer - wafer mask). Water recycling in all plants reached 83%. We reached our targets of not exceeding 150 liters/layer for water usage per unit product and a water recycling rate of no less than 80% in all plants. Water usage was calculated using the water meters within the Company. The recycling rate was calculated using the water balance graph required by the CTSC Administration.</li> <li>● In 2021, the Company achieved 93% waste recycling, surpassing the self-set target of 90% or higher. Waste output was reported according to the Waste Disposal Act. The amount recycled was calculated according to the waste disposal method classifications.</li> </ul>	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 complies with the Universal Declaration of Human Rights and Code of Conduct - Responsible Business Alliance, and has established CSR policies approved by the Board of Directors that comply with the highest ethical standards to protect and support human rights. The Company prohibits any form of discrimination and respects the employee's freedom of association. The human rights policy has been disclosed on the Company's website. The Company clearly defines award and disciplinary items in the work rules for observation by all employees.</p> <p>In order to strengthen the implementation of labor and human rights, environmental protection, health and safety, and ethical standard training and promotion, the Company ensures compliance with corporate ethics</p>	None



Promoted items	Implementation status		Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	
(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	and government laws and regulations. We have improved our ethical management and organized online and physical "Ethical Standard Promotion for Current Employees" courses. (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.	None
(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. (Verifying institution: DQS Inc., effective period: 8/12/2019 to 8/11/2022. Scope: CTSP plant - No. 8, Keya 1st Rd, Daya District, Taichung City). The Company undergoes internal audits every 6 months and external audits 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. No occupational accidents occurred in 2021.	None
(IV) Does the company have in place effective tools to help employees with career planning and development?	V	(IV) The Company has established a comprehensive learning environment through the "Education and Training Management Procedures". We provide training resources for managers and employees at different levels through the diverse learning methods and resources. (1) Our management training programs are planned in accordance with our management functions blueprint for our managerial employees. 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 on various topics given by experts from industry, government and academia, that are designed to enhance the management capabilities of managerial officers at all levels. (2) In order to improve the professional skills of our employees, 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. Internal employees and external experts are invited to share their knowledge and experience. (3) In order to help new employees quickly adjust to the new environment, the Company provides related training, which covers topics such as work systems and rules, corporate culture, and work adaptation. Courses related to CSR (Corporate Social Responsibility), workplace safety, and illegal infringements of the workplace are also provided to maintain the health and safety of employees, as well as the good work environment. For the training of direct personnel, we conduct basic training assessments for new employees, as well as continuing advanced professional skills assessments.	None
(V) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling	V	(V) The Company adheres strictly to the EU's General Data Protection Regulations, 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	None

Promoted items	Implementation status		Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	
<p>of products and services, and has it established relevant consumer or customer protection policies and grievance procedures?</p> <p>(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.</p>	V	<p>Trade Act, and follows the anti-trust code of conduct, the Commodity Labeling Act, the Consumer Protection 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.</p> <p>(VI) In order to establish a more robust and sustainable supply chain, the Company is actively promoting corporate social responsibility. Apart from the company itself, we have expanded the scope to our entire supply chain. We hope to establish sustainable partnerships with our suppliers and contractors. We want to set the same high standards for corporate social responsibility as we have done for quality, delivery dates, price, and production capabilities, thereby implementing corporate sustainability. We require all our suppliers to comply with or sign related sustainability codes of conduct, ethical standards for the industry, international human rights declarations, and the International Labour Organization third party principles. The suppliers must meet the requirements of environmental policies for green products, Hazardous Substance Free, and the Responsible Business Alliance (RBA).</p> <p>In order to effectively manage and maintain existing, qualified suppliers, we conduct regular supplier evaluations and annual supplier audits. We aim to ensure the management of supply chain risks. The audits include quality management, green reviews, and social responsibility reviews. The Company places great importance on our partnerships with suppliers. We hope to improve our sustainable competitiveness and results with our suppliers. The Company views this as our social responsibility. Therefore, the Company organizes supplier conferences regularly and helps suppliers improve their economic, social, and environmental performance through sustainability review standards. The audit and evaluation results in 2021 comply with the Company's requirements.</p>	None
<p>V. Does the Company adopt internationally widely recognized standards or guidelines when producing sustainability reports and reports disclosing the Company's non-financial information? Does the company obtain third party assurance or certification for the reports above?</p>	V	<p>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 AA 1000 Assurance Standard Type I.</p> <p>CSR information is disclosed on:  Company website: <a href="https://www.winbond.com/hq/about-winbond/csr-new/policy/?_locale=zh_TW">https://www.winbond.com/hq/about-winbond/csr-new/policy/?_locale=zh_TW</a>  Downloading the Sustainability Report: <a href="https://www.winbond.com/hq/about-winbond/csr-new/downloads/?_locale=zh_TW">https://www.winbond.com/hq/about-winbond/csr-new/downloads/?_locale=zh_TW</a>  Market Observation Post System: <a href="http://mops.twse.com.tw">http://mops.twse.com.tw</a></p>	None
<p>VI. If the Company has established sustainable development principles based on Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the principles and their implementation:  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.</p>			
<p>VII. Other key information useful for explaining the status of sustainable development implementation:  Climate change has become a major international issue. In the face of increasing complex risks on a daily basis, the Company upholds the corporate sustainability principle of "becoming the champion of enriching people's lives through green semiconductor technologies". We continue to be committed to our responsibilities and assets related to the environment, society, and governance (ESG). In 2021, Winbond introduced the Task Force on Climate-related Financial Disclosure (TCFD) framework to the company's operations as a more accurate assessment basis for climate related risks and opportunities, in order to</p>			

Promoted items	Implementation status		Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	
<p>make the operations of Winbond more resilient and forward-looking. Winbond has also responded to the "SEMI ESG Sustainability Initiative" so that through the collaboration of industry, government, and academia, we can all contribute to the sustainability of our environment.</p> <p>Green sustainability has become an important issue for Taiwanese companies to maintain their international competitiveness. There is no time to lose in the implementation of carbon reducing transformations. The Company will continue to develop quantifiable performances and implement management to create sustainable competitiveness for our end products or services. Recognized by third-party certification authorities for its contributions towards the environment, society, and governance (ESG), Winbond has been recognized in four categories at the "2021 Taiwan Corporate Sustainability Award" hosted by the Taiwan Institute for Sustainable Energy; Winbond has also once again won the "Corporate Sustainability Comprehensive Performance-Taiwan Top 50 Sustainable Corporations" and the "Platinum Prize for the Corporate Sustainability Report", and won the "Sustainability Single Performance-Talent Development Leadership" and "Sustainability Single Performance-Innovation Growth Leadership" for the first time.</p> <p>"Care for the Disadvantaged, Care about Environmental Sustainability, Fulfill Corporate Social Responsibility" are the Company'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><b>A. Promoting public interests</b> During the height of the pandemic, Winbond donated positive pressure testing booths to Ten Chen General Hospital and Yi Ren General Hospital, allowing frontline medical personnel to fulfill their duties in a more comprehensive testing environment. We hope to improve outdoor testing environments and contribute to the epidemic prevention efforts of society, fulfilling our social responsibilities.</p> <p><b>B. Assisting disadvantaged groups</b> <u>Orphanage home service:</u> Working with social welfare groups, Winbond employees joined volunteer services to help clean orphanage homes and contributed to the replacement of damaged facilities. Starting in September 2015, employees joined the after-school tutoring service, providing tutoring on a long-term basis for children at Taichung Guang Ying Orphanage Home and Nantou Home of Charity. As of the end of 2020, 1,840 Winbond volunteers have provided 3,671.5 hours of service to help alleviate manpower shortages in orphanage homes. Due to the COVID-19 pandemic, the orphanage cleaning and afterschool tutoring volunteer services were suspended in 2021.</p> <p>Grants for children of low-income families: 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 2021, 952 employees donated more than NT\$3.216 million to support 804 children for the whole school year.</p> <p><b>C. Caring for youth and children</b> <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 2021, the Company continued the donation of NT\$50,000 to the 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><b>D. Emergency aid</b> <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 drive:</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 2021, 138 employees participated in 2 blood drives and donated altogether 234 bags of blood.</p> <p><b>E. Academic sponsorship</b>  <ul style="list-style-type: none"> <li>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.</li> </ul> </p>			

Promoted items	Implementation status		Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	
<ul style="list-style-type: none"> <li>The Pan Wen Yuan Foundation is dedicated to the implementation of developments in the electronics industry. In 2021, Winbond donated NT\$1 million to the Foundation to support their promotion of semiconductor, IT, and communications related talent, and to reward excellent tech professionals of Chinese descent.</li> </ul>			
VIII. 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 AA 1000 Assurance Standard Type I.			

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
	Yes	No	
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.	None
(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? 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?	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 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.	None
(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	(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.	None
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.	None
(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	None

Assessed areas:	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(III) Does the company have a conflict of interest management policy in place, provides adequate reporting channels, and enforce the rules accordingly?	V		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) 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.	None
(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. 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.	None
(V) Does the company hold internal and external educational trainings on operational integrity regularly?	V		(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 2021, the Company offered related courses which totaled 1,350 person-hours and 3,377 person-times of training and all directors and employees have attended the courses on "Ethical Corporate Management" and "Corporate Social Responsibility".	None
III. Operation of whistleblowing system (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?	V		(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.	None
				None

Assessed areas:	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(II) Does the company have in place standard operating procedures for investigating reports and taking followup actions and the necessary confidentiality measures?	V		(II) The Company has operating procedures and confidentiality measures in place as basis for handling reported cases.	None
(III) Does the company take measures to protect whistleblowers from inappropriate treatment or retaliation?	V		(III) The Company always tries its best to keep confidential and protect the identity of the whistleblowers to shield them from threats.	
IV. Enhancing information disclosure Does the company disclose the Ethical Corporate Management Best Practice Principles and its results on the company website and the Market Observation Post System?	V		The Company has disclosed its Ethical Corporate Management Principles on its website to make it known internally/ externally. <a href="https://www.winbond.com/hq/about-winbond/investor/compliance/">https://www.winbond.com/hq/about-winbond/investor/compliance/</a>	
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: The Company has established "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and internal rules, and related implementation does not deviate from the established principles.				
VI. Other important information to facilitate a better understanding of the company's corporate social responsibility practices: The Company constantly watches the development of ethical management related rules and regulations at home and abroad, and based on which, reviews and improves its own policies to enhance performance management.				

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

8. Other significant information which may improve the understanding of corporate governance and operation: Please visit 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 11, 2022

The Company states the following with regard to its internal control system during fiscal year 2021, based on the findings of a self-evaluation:

1. 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.
2. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, 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.
3. 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.
4. The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of December 31, 2021, its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of reporting, and compliance with applicable laws and regulations, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
6. This statement 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.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on February 11, 2022, 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 2021 General Shareholders' Meeting

1. Motion: Ratify 2020 business report and financial report  
Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)  
Implementation status: Per resolution adopted.
2. Motion: Acknowledge the 2020 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 cash dividend was NT\$0.2 per share, and the Company's ex-dividend date was July 19, 2021 and distribution date was July 30, 2021.
3. Motion: Discuss amendments of company regulations.
  - (1) Rules Governing the Conduct of Shareholders' Meeting
  - (2) Rules Governing the Election of Directors
  - (3) Procedures for 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 the Market Observation Post System and related operations now follow the amended procedures.
4. 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 2021 and up to March 16, 2022:

Meeting date	Summary of resolutions
February 18, 2021	1. Passed the 2020 business report and financial report. 2. Passed the 2020 consolidated 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 proposal for annual remuneration paid to Deloitte & Touche accounting firm. 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.
March 16, 2021	1. Passed the 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.
May 6, 2021	1. Passed the increase in budget for capital expenditure.

Meeting date	Summary of resolutions
	<ol style="list-style-type: none"> <li>2. Passed the proposal to change signing accountants in 2021 Q2.</li> <li>3. Passed the amended Procedures for Making Endorsements and Guarantees.</li> <li>4. Passed reason for convening the 2021 general shareholders' meeting.</li> <li>5. Passed the amended Internal Control System for Shareholder Service Unit.</li> <li>6. Passed the Company's financial derivative transactions.</li> <li>7. Approved the syndicated loan/credit limit for financial derivatives transactions granted by banks.</li> </ol>
July 21, 2021	<ol style="list-style-type: none"> <li>1. Passed the restipulation of the date, location, and method of the 2021 Annual Shareholders' Meeting.</li> <li>2. Passed the Company's financial derivative transactions.</li> </ol>
August 5, 2021	<ol style="list-style-type: none"> <li>1. Passed the proposal not to distribute earnings for the first half of the 2021 fiscal year.</li> <li>2. Passed the increase in budget for capital expenditure.</li> <li>3. Passed the removal of the non-compete clause for managers of the Company.</li> <li>4. Passed the Company's financial derivative transactions.</li> <li>5. Passed the short-term syndicated loan/credit limit for financial derivatives transactions granted by banks.</li> </ol>
September 23, 2021	<ol style="list-style-type: none"> <li>1. Passed the Company's acquisition of material assets.</li> <li>2. Passed the Company's financial derivative transactions.</li> <li>3. Passed the 2021 Q1 and Q2 bonus for managerial officers.</li> <li>4. Passed the distribution of the 2021 Q1 and Q2 performance bonus for the manager of the Company, Yu-Cheng Chiao.</li> </ol>
November 4, 2021	<ol style="list-style-type: none"> <li>1. Passed the increase in budget for capital expenditure.</li> <li>2. Passed the Company's proposal to acquire two apartments in the "Xu Shang Jing" construction project in Lingya District, Kaohsiung City.</li> <li>3. Passed the 2022 audit plan.</li> <li>4. Passed the amended rules.</li> <li>5. Passed the Company's financial derivative transactions.</li> <li>6. Approved the short-term syndicated loan/credit limit for financial derivatives transactions granted by banks.</li> <li>7. Passed the 2021 directors compensation distribution plan.</li> <li>8. Passed the 2021 employees compensation distribution plan.</li> </ol>
February 11, 2022	<ol style="list-style-type: none"> <li>1. Passed the 2021 business report and financial report.</li> <li>2. Passed the 2021 consolidated business report, consolidated financial statements and affiliation report covering affiliated enterprises.</li> <li>3. Passed the 2021 Statement on Internal Control.</li> <li>4. Passed the 2022 business plan and budget.</li> <li>5. Passed the increase in budget for capital expenditure.</li> <li>6. Passed the annual remuneration paid to accounting firm Deloitte &amp; Touche.</li> <li>7. Passed the purchase of liability insurance for directors, supervisors and other key persons.</li> <li>8. Passed the Company's financial derivative transactions.</li> <li>9. Passed the short-term lines of credit obtained from financial institutions and signing of related documents.</li> </ol>
March 15, 2022	<ol style="list-style-type: none"> <li>1. Passed the 2021 earnings distribution plan.</li> <li>2. Passed the Company's proposal to acquire three apartments in the "Lang Jing" construction project in Lingya District, Kaohsiung City.</li> <li>3. Passed the amended Articles of Incorporation.</li> <li>4. Passed the amended Procedure for Acquisition and Disposal of Assets.</li> <li>5. Passed the proposed removal of non-compete clause for directors.</li> <li>6. Passed the proposed calling of 2022 general shareholders' meeting.</li> <li>7. Passed the amended Organizational Rules for Audit Committee.</li> <li>8. Passed the amended company regulations.</li> <li>9. Passed the Company's financial derivative transactions.</li> <li>10. Passed the 2021 compensation for individual directors on the 12th-term board.</li> <li>11. Passed the 2022 remuneration for individual directors on the 12th-term board.</li> <li>12. Passed the 2021 Q3 and Q4 performance bonus for managerial officers and the 2021 retention bonus.</li> <li>13. Passed the 2021 employee compensation distribution plan and remuneration for managerial officers.</li> <li>14. Passed the 2022 remuneration plan for managerial officers.</li> <li>15. Passed the remuneration for managerial officer Arthur Yu-Cheng Chiao.</li> </ol>

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: None

#### 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 CPA fees:

1. Fees paid to certifying accountants and accounting firm in 2021 are as follows, where non-audit fee is less than one fourth of audit fee.

Unit: NT\$1,000

Name of accounting firm	CPA Name	Duration of Audit	Audit Fee	Non-Audit Fee	Total	Notes
Deloitte & Touche	Wen-Yea Shyu and Hung-Bin Yu	2021.01.01-2021.03.31	7,851	1,825	9,676	Internal adjustment of the certifying CPA firm. The service content of non-audit fees: Provided transfer pricing report, tax consultation, subsidiary closing and reporting service fee, non-managerial remuneration reporting and review, foreign fund transfer to investment project service fee, ISO guidance and certification fee services.
	Kenny Hung and Wen-Yea Shyu	2021.04.01-2021.12.31				

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 2021.
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:  
The audit fees in 2021 were not reduced by more than 15% compared to the previous year.

#### (VI) Information on change of accountants:

Due to internal changes in the CPA firm, the Company's CPAs Wen-Yea Shyu and Hung-Bin Yu have been changed to CPAs Kenny Hung and Wen-Yea Shyu since Q2 2021.

##### 1. Regarding previous CPA

Regarding previous CPA			
Date of change	May 6, 2021		
Reasons for change and remark	Internal adjustment of the certifying CPA firm		
Termination initiated by client or accountant declined to accept the appointment	Contracting parties	CPA	Client
	Scenario		
	Termination initiated by client		
CPA declined to accept (continue) the appointment	N/A.		
Audit opinions other than unqualified opinions issued in the past two years and reasons	None		
Opinions different from those of issuer	None		
Other disclosures	None		

##### 2. Regarding succeeding CPA

Name of firm	Deloitte & Touche
CPA Name	CPAs Kenny Hung and Wen-Yea Shyu
Date of appointment	May 6, 2021
Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible	None

opinion issued on financial report prior to appointment and results	
Succeeding CPAs' written opinions that are different from those of the previous CPAs	None

3. The former CPA's reply to matters under Items 1 and 2-3, Subparagraph 6, Article 10 of the Regulations Governing Information to be published in Annual Reports of Public Companies: None

(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	2021		2022 up to March 16	
		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	(287,000)	-	-	-
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	-	-	-	-
Director	Corporation	1,000,000	-	-	-
	Representative	(51,000)	-	(5,000)	-
Director	Jamie Lin	-	-	-	-
Director	Wei-Hsin Ma	-	-	-	-
President	Pei-Ming Chen	16,868	-	-	-
Chief Information Officer	Cheng-Kung Lin	-	-	-	-
Chief Financial Officer and Head of Finance Division	Jessica Huang	-	-	-	-
Vice President	Chin-Fen Tsai	(144,000)	-	(27,000)	-
Vice President	Pei-Lin Pai	(112,000)	-	-	-
Vice President	Hsiang-Yun Fan	-	-	-	-
Vice President	Wen-Hua Lu	12,050	-	-	-
Vice President	Eddy Hung	12,458	-	(17,000)	-
Chief Business Officer	Eungjoon Park	(250,000)	-	-	-
Corporate Governance Officer	Kun-Lung Chen	2,520	-	-	-
Assistant Vice President	Shi-Yuan Wang (Note 3)	-	-	-	-
Assistant Vice President	Mao-Hsiang Yen	10,167	-	-	-
Assistant Vice President	Hsiu-Han Liao	(40,000)	-	-	-
Accounting Officer	Chin-Feng Yang	3,428	-	-	-

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

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

Note 3: Mr. Shi-Yuan Wang served as an assistant vice president of the Company up to March 31, 2021. The above table discloses his information up to the date his service as an assistant vice president of the Company ends.

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

March 16, 2022; 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 Corp.	883,848,423	22.21%	-	-	-	-	Chin Xin Investment Corp. Arthur Yu-Cheng Chiao  Pai-Yung Hong  Yu-Lon Chiao Yu-Heng 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 A relative within second degree of kinship with the chairman of the institutional shareholder	-
Walsin Lihwa Corp. Representative: Yu-Lon Chiao	28,494,984	0.72%	2,531,771	0.06%	-	-	Arthur Yu-Cheng Chiao Pai-Yung Hong Chin Xin Investment Corp. Yu-Heng Chiao	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 The two have second degree of kinship	-
Chin Xin Investment Corp.	240,003,072	6.03%	-	-	-	-	Walsin Lihwa Corporation Arthur Yu-Cheng Chiao Pai-Yung Hong  Yu-Lon Chiao  Yu-Heng 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 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 Yu-Heng 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 The two have second degree of kinship	-

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	
The Standard Chartered Bank Banking Department is entrusted with the custody of the investment account of LGT Bank (Singapore) Investment Fund	65,778,278	1.65%	-	-	-	-	-	-	NOTE 2
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. Yu-Heng 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 Chairman of the institutional shareholder  The two have second degree of kinship	-
Polaris investment account 2008 1st discretionary investment mandate for the New Labor Pension Fund	50,828,736	1.28%	-	-	-	-	-	-	NOTE 2
Vanguard Emerging Markets Stock Index Fund managed by Vanguard Group under the custody of JPMorgan Chase Bank N.A. Taipei Branch	41,049,452	1.03%	-	-	-	-	-	-	NOTE 2
Pai-Yung Hong	38,433,771	0.97%	-	-	-	-	Walsin Lihwa Corporation Arthur Yu-Cheng Chiao Yu-Lon Chiao Chin Xin Investment Corp. Yu-Heng Chiao	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 The two persons have first degree of kinship	-
Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds under the custody of JPMorgan Chase Bank N.A. Taipei Branch	37,253,469	0.94%	-	-	-	-	-	-	NOTE 2
Standard Chartered in custody for iShares MSCI Taiwan Index ETF Investment Account	33,107,000	0.83%	-	-	-	-	-	-	NOTE 2
Yu-Heng Chiao	29,988,748	0.75%	1,653,567	0.04%	-	-	Walsin Lihwa Corporation Arthur Yu-Cheng Chiao Pai-Yung Hong Chin Xin Investment Corp.	A relative within second degree of kinship with the chairman of the institutional shareholder The two have second degree of kinship The two persons have first degree of kinship	-

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	
							Yu-Lon Chiao	A relative within second degree of kinship with the chairman of the institutional shareholder The two have second degree of kinship	

Note 1: Shareholding percentage was based on then issued and outstanding common shares of 3,980,000,193 shares as of March 16, 2022.

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) The shareholding of the Company, Director, manager and an enterprise that is directly or indirectly controlled by the Company in the invested company

December 31, 2021; 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
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
Miraxia Edge Technology Corporation	4,000	100	-	-	4,000	100
Nuvoton Technology Co.	214,954,635	51	5,963,265	1	220,917,900	52
Chin Xin Investment Corp.	182,840,999	38	194,710,785	40	377,551,784	78
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.

## Capital Raising Overview

### I. Capital and shareholding

#### (I) Sources of capital

March 16, 2022; 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-1030003799 dated 2014/2/19/2014
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-1030011345 dated 2014/5/14/2014
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-1030021668 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-1030026773 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-1040028089 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-1061000748 dated 2017/12/26

March 16, 2022; 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 16, 2022

Quantity\shareholder structure	Government agencies	Financial institutions	Other corporations	Individual investors	Foreign institutions and foreigners	Chinese investors (Note)	Total
Number of people	6	113	352	284,016	791	5	285,283
Shares held	85,047,669	114,515,346	1,158,477,247	1,730,574,550	891,377,005	8,376	3,980,000,193
Percentage (%)	2.14%	2.87%	29.11%	43.48%	22.40%	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 16, 2022; Par value of NT\$10 per share

Shares	Number of shareholders	Shares held	Percentage (%)
1 ~ 999	65,366	16,763,159	0.42
1,000 ~ 5,000	170,153	358,680,131	9.01
5,001 ~ 10,000	26,666	215,199,186	5.41
10,001 ~ 15,000	7,441	94,760,034	2.38
15,001 ~ 20,000	5,140	96,530,803	2.43
20,001 ~ 30,000	3,889	100,209,944	2.52
30,001 ~ 40,000	1,726	62,154,902	1.56
40,001 ~ 50,000	1,189	56,005,481	1.41



Shares	Number of shareholders	Shares held	Percentage (%)
50,001 ~ 100,000	1,990	144,993,439	3.64
100,001 ~ 200,000	849	119,190,086	2.99
200,001 ~ 400,000	376	107,822,388	2.71
400,001 ~ 600,000	134	66,450,520	1.67
600,001 ~ 800,000	58	39,755,688	1.00
800,001 ~ 1,000,000	52	47,007,553	1.18
>1,000,001	254	2,454,476,879	61.67
Total	285,283	3,980,000,193	100

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 16, 2022

Name\shareholding of major shareholder	Shares held	Percentage (%)
Walsin Lihwa Corporation	883,848,423 shares	22.21%
Chin Xin Investment Corp.	240,003,072 shares	6.03%

2. For names, shares and percentage of shareholding of top ten shareholders please see pp. 40-41.

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

Unit: NT\$

Item\Year		2020	2021	2022 up to March 16
Stock price (Note 1)	High	31.15	38.9	36.45
	Low	9.8	23.75	29
	Average	15.51	30.46	33.03
Net worth per share (Note 2)	Before distribution	16.44	20.71	-
	After distribution	16.24	19.71	-
Earnings per share	Weighted average shares (1,000 shares)	3,980,000	3,980,000	-
	Earnings per share	0.33	3.42	-
Dividends per share (Note 6)	Cash dividend	0.20	1	-
	Stock dividends	From retained earnings	-	-
		From capital surplus	-	-
	Accumulated unpaid dividend		-	-
Return analysis	Price-earnings ratio(Note 3)	47.00	8.91	-
	Price-dividend ratio(Note 4)	77.55	30.46	-
	Cash dividend yield(Note 5)	1.29%	3.28%	-

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 2021 earnings distribution plan was resolved in Board Meeting dated March 15, 2022.

#### (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 (however, when the dividend per share is less than 1 cent NTD, it shall not be distributed) 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. Pursuant to Article 240 of the Company Act and the Winbond Articles of Incorporation, the board of directors passed a resolution on March 15, 2022 to distribute NT\$3,980,000,193 in cash dividends, or NT\$1 per common share, for 2021. 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. The 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. (Note: There were no interim earnings distributions during 2021)

(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 2021 CPA-audited earnings in the amount of NT\$165,368,523 will be appropriated as remuneration to directors, and 2% in the amount of NT\$330,737,046 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: 2021				Unit: 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
330,737,046	-	-	330,737,046	165,368,523	-	N/A	N/A.

Note: There is no difference between the aforementioned compensation of employees and directors and the amount recognized in the 2021 consolidated financial statements.

- (2) Amount of employee compensation distributed in the form of stock and as a percentage of the after-tax profit provided in this year's standalone 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: 2020				Unit: 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.

### (IX) Stock buyback: None

## II. Issuance of corporate bonds

March 16, 2022; 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	N/A
	Issuance and conversion (exchange or subscription) features	N/A

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 16, 2022; 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
	June 1, 2001 - 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)	0 Unit (January 11, 2022)		
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\$)	2021 (Note 1)	High	13.80
		Low	8.55
		Average	10.887
	2022 up to March 16	High	(Note 2)
		Low	(Note 2)
		Average	(Note 2)

Note 1: The source is the Bloomberg system.

Note 2: The DRs has been removed from the Luxembourg Stock Exchange on December 21, 2021, and the related operations have been completed in January 2022.

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 capital allocation plan: The Company has approved the issuance of new shares for capital increase by cash through Board of Directors' resolution on September 7, 2017. The related capital utilization plans have been completed in full in Q1 2020. As of the publication of the Annual Report, the Company does not have any incomplete capital utilization plans, or any plans that were completed in the most recent 3 years which have not yet yielded significant results.

## Business Overview

### I. Business Activities

#### (I) 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.

2021 revenue breakdown by product (as percentages of consolidated revenue):

Unit: NT\$1,000

Key products	Operating revenue	%
DRAM product income	26,386,578	27
Flash memory product income	31,895,039	32
Logic IC revenue	41,086,910	41
Other income	201,397	-
Sales revenue - Consolidated financial statements	99,569,924	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 are suitable for a wide range of applications. Nuvoton 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 high-density specialty DRAM products using DRAM 25nm process in computing, communication and consumer electronics as well as automotive and industrial electronics. We will also continue to develop next generation processing technology.
- Mobile DRAM: We will continue to develop low power consumption, high bandwidth and better data transmission rate mobile DRAM of various capacities 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 32nm and 4xnm processes 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 microcontroller products is based on high performance, high security and encryption, low power consumption, and analogue technologies. Together with the developments in smart IoT and smart homes, we continue to strengthen our product lines to satisfy market needs. Furthermore, the Company continues to plan and implement high-end MCU for machine learning and inference. For example, when applied to a smart IoT system, MCU can identify the shape and color of an object or implement simple voice searches of keywords.

## (II) Industry overview

### 1. Industry's current trends and future outlook

#### 1.1. DRAM

In 2021, global demands for electronic devices have greatly increased due to the revitalization of the economy after the pandemic. As supply continues to be unable to meet demand in the overall industry, the prices of memory products continue to increase, which is greatly improving the profitability of memory suppliers in 2021. Furthermore, competition has been more stable for DRAM in recent years. The normalization of AI, 5G, and IoT products, the increase in demand for PC/NB due to remote learning and remote working ideas, and the application of terminal sensors and edge computing in different devices have increased the demand for memory and are driving the steady growth of the memory industry.

#### 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 and MPU continues to climb. The 32-bit Arm® Cortex®-M core MCU and 64-bit Arm® Cortex®-A core MPU are the current mainstream architectures in the market and demand is increasing rapidly as the products offer low power consumption and high performance. The demand for voice interfaces that allow for handsfree interaction with the internet using natural languages continues to rise. Due to the pandemic, the demand for working from home, learning from home, and remote meetings continues to increase. Even with the improvement of the pandemic, changes to work and education models have become an irreversible trend. In the next few years, the demand for notebooks will remain high, which in turn will drive the continued growth of demand for cloud computing for remote collaborations and data storage in the cloud. At the same time, greater importance is being placed on personal information protection and device security.

### 2. Relationship between up-, mid-, and down-stream 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 are responsible for producing 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 global semiconductor memory industry continues to experience this 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. Mass production is expected to start in 2022. Winbond is Taiwan's only manufacturer that has successfully developed in-house 25nm process technology. The development of DRAM 25nm has been completed and the products will enter mass production. We will continue to invest in the development of next generation processes.

### 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 and MPU products must feature low power consumption as well as high performance and secure encryption functions. Different application demand cannot be satisfied by a single product. Therefore, the MCU and MPU platform products with highly secure designs and software/hardware reference solutions were developed. Machine learning was introduced and operating systems, network connection modules, and cloud connection software development platforms suitable for the IoT environment were launched in order to satisfy the rapid development needs of diverse market applications and IoT equipment. We are focused on specialized fields to provide customers with the best solutions. Future developments of audio products will continue to focus on ultra-low power audio microcontrollers (Audio MCU/DSP) and audio encoders. Smart class-D audio amplifiers (smart amp), audio amplifiers, audio enhancement, and DSP are the core audio processing algorithms. They provide better cost effective solutions for smart homes, mobile phones, consumer electronics, and personal computers. We will continue to introduce audio control chips based on Emd-Flash for the audio product lines, in order to effectively shorten the development cycle of voice products and overall solutions that address the inventory problems.

### (III) 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	2021	2022 up to March 16
R&D Expenses	15,379,855	3,152,676

2. Successfully developed technologies and products

#### 2.1. DRAM

Winbond is the first supplier in Taiwan to successfully develop DRAM processing technology. After our 25nm DRAM entered mass production, its yield and output have been rising steadily. Our newest DRAM 25nm production technology has also entered mass production and we continue to develop next generation processes, in order to meet customers' requirements of high quality, high reliability, and special process specifications.

#### 2.2. Code Storage Flash Memory

Winbond continues to use the 32nm and 4xnm processes 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 introduced the M23 core based M254/M256/M258 series MCUs and ML54/56 series 8051 MCUs.
- The MCUs have a wide range of operating voltages, from 1.75V to 5.5V, and are applied to local area control networks with flexible data transmission rates. The NuMicro M253 series can be used to satisfy the high bandwidth and flexible data transmission requirements of networked vehicles and industrial automation.
- We introduced the first M2354 secure smart IoT development board in the world. It is based on the Armv8-M TrustZone architecture and can support Mbed OS 6.

### (IV) Short- and long-term business plans

1. Short-term business development plans

#### 1.1. DRAM

- We will apply DRAM 25nm production technologies to mass production 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 NOR 45nm 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 ecosystem 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. Due to the increased demand for remote learning caused by the pandemic, we, along with our partners, have developed chips suitable for Chromebooks and are actively ensuring steady supplies, in order to fulfill our social responsibilities.

## 2. Long-term business development plans

### 2.1. DRAM

- We will continue the development of advanced processes to increase core competitiveness.
- The company develops mobile DRAM with new specifications and explores 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

### (I) Market analysis

1. Winbond's consolidated sales revenue (including that of the subsidiary Nuvoton Technology) by region of product sales for year 2021:

Unit: NT\$1,000

Region	Sales	%
Asia	92,987,128	93%
Americas	3,779,368	4%
Europe	2,545,900	3%
Other	257,528	-
Total	99,569,924	100%

2. Market share and growth potential

### 2.1. DRAM

In 2021, Winbond held more than 1% of the overall DRAM market. In 2022, as the COVID-19 pandemic continues, remote working and learning has become the norm. With the changes to consumer habits and the continuing growth in demand for televisions, personal and commercial computers, notebooks, and other consumer products, international companies have successfully begun mass production and commercialization of next generation

DDR5/LPDDR5 products. The growth in the DRAM industry is expected to continue. In the long run, AI and 5G will 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 drive the demand for embedded memory chips and content per box. All these developments will contribute to the steady growth of the DRAM sector.

## 2.2. Code Storage Flash Memory

Winbond is a leader in code storage flash memory in the world. In 2021, Winbond held more than one third of the global market for serial flash. 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 2021. Our major clients include well-known computer brands and OEM service providers.

## 3. Competitive edge, favorable and adverse factors for long-term growth and response 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, most of the other DRAM suppliers in Taiwan receive process technology from large foreign DRAM manufacturers by technology licensing. Winbond is one of the few Taiwanese DRAM suppliers 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, logic products, and logic wafers may prompt other suppliers to reallocate 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).
- 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. We continue to focus on the development of high-density products for military, industrial electronics, 5G, and server applications.
- 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 of the Company 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 industry leading TPM IC supplier that is FIPS (Federal Information Processing Standards) 140-2 level 2, 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. 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, and to seize business opportunities. Furthermore, we plan to establish applications sales teams for key customers, introduce vertically integrated application solutions and replicate our successful solutions in other emerging cities and markets.

## (II) Major uses of chief products and production processes

### 1. Major applications of core products

#### 1. DRAM

- DR/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.

#### 2. Code Storage Flash Memory

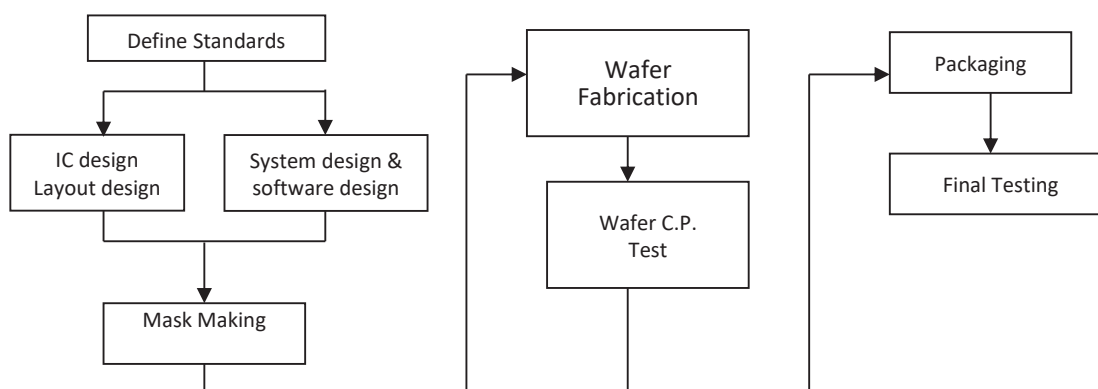
Used in PCs and their peripherals, mobile handheld devices and their peripheral modules, network communications products, IoT, consumer electronics, automotive and industrial electronics, and household appliance modules, etc.

#### 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):



### (III) State of supply of chief 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.

### (IV) Names of suppliers who accounted for more than 10% of the purchase by the Company in the last two years, and the amount of purchase to total purchase

Unit: NT\$1,000

	2021				2020			
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	6,264,279	29.0%	None	Supplier K	2,101,947	15.0%	None
	Other	15,323,746	71.0%		Other	11,893,789	85.0%	
	Net purchase	21,588,025	100.0%		Net purchase	13,995,736	100.0%	

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

Unit: NT\$1,000

	2021				2020			
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	13,524,520	13.6%	None	Customer Y	5,842,435	9.6%	None
	Other	86,045,404	86.4%		Other	54,840,736	90.4%	
	Net Sale	99,569,924	100.0%		Net Sale	60,683,171	100.0%	

(IV) 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	2021				2020			
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	1.0	1,629,598	15,656,297	12-inch wafers	1.3	1,355,099	15,215,191
Flash	678	0.1	3,972,766	17,024,491	666	0.7	3,659,131	13,969,860
Logic IC	6-inch wafers 692	493	6,852,788	29,272,811	6-inch wafers 692	463	2,994,672	13,687,210
Total		494.1	12,455,152	61,953,599		465	8,008,902	42,872,261

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.

(VII) 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	2021						2020					
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	-	400,588	7,430,258	1	1,211,571	18,956,320	-	375,587	4,202,406	1	1,024,157	13,255,708
Flash	-	1,056,615	6,806,733	-	2,736,546	25,088,306	-	923,288	4,397,365	-	2,838,024	18,350,291
Logic IC	199	396,482	5,658,721	287	7,054,971	35,428,189	185	386,210	4,586,241	272	2,534,703	15,890,929
Other	-	-	930	-	-	200,467	-	-	229	-	-	2
Total	199	1,853,685	19,896,642	288	11,003,088	79,673,282	185	1,685,085	13,186,241	273	6,396,884	47,496,930

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		2020	2021	2022 up to March 16
Number of employees	Technical personnel (engineers)	4,655	4,814	4,902
	Administration and sales staff	1,631	1,788	1,770
	Assistant to technicians	771	826	875
	Total	7,057	7,428	7,547
Average age		40.76	42.34	42.2
Average years of service		10.66	12.82	12.66
Education background (%)	Ph.D	1.22	1.37	1.32
	Master's	42.02	41.37	41.41
	University/College	45.44	46.4	46.72
	Senior High School	10.84	10.16	10.01
	Senior High School and below	0.48	0.7	0.53

### 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 ISO 45001 and CNS 45001, 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. The Company's employee benefit measures, continuing education, training, retirement system, and actual state of implementation

#### 1. Employee benefit measures

- (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\$6,000 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 continuing 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. Moreover, we utilize external resources to train our employees, while we continue to train in-house lecturers to enhance employee competencies and promote the corporate culture of "passion for learning." 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 the plans. Employees may sign up to participate in these classes according to their needs. 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 various 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, Act of Gender Equality in Employment and sexual harassment prevention, 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. Internal employees and external experts are invited to share their knowledge and experience.
  - D. New employee training courses are geared towards getting newcomers up to speed

quickly, and include courses on the work system and rules, working environment, corporate culture, and work adaptation. Courses related to CSR (Corporate Social Responsibility), workplace safety, and illegal infringements of the workplace are also provided to maintain the health and safety of employees, as well as the good work environment.

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 platform provides information on various online classes to encourage learning. Employees can learn anytime, anywhere, and they can select suitable courses according to their needs. The diverse range of courses include the following topics: Classes on the company environment and management system, etc.; classes on laws, regulations, and rules of conduct; Classes on production process development and quality; data science, languages, 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 transparency of financial information:

The obtainment of certification by the employees of the Company and its subsidiaries, including Nuvoton Technology, is as follows:

Certification	Number of People
International Certified Internal Auditor (CIA)	5
International Certification in Control Self-Assessor (CCSA)	2
International Certification in Risk Management Assurance (CRMA)	1
International Certified Information Systems Auditor (CISA)	4
CPA of ROC (CPA)	7
CPA of U.S.A. (US CPA)	3

### c. Employer-employee relations and employee rights maintenance measures

1. This company has drafted "labor-management conference implementation regulations," and regularly holds labor-management conference to discuss and negotiate issues of importance to essential. Items in conference resolutions must be dealt with fully by relevant units within a limited time.
2. This 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: None

e. Estimated losses due to current and possible future employer-employee 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

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. Meanwhile, improvement guidance and measures will be provided to employees with lower scores.

(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.

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 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.

(7) 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. Information security management

### (I) 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.

### (II) Information security management

The Company has obtained ISO/IEC 27001/27002 Information Security Management certification in 2021. 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, in accordance with the standards.

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.

### (III) Risk management framework and specific management solutions

Due the pandemic, segregated work groups, work locations, and work from home models were adopted in 2021. In response to the new work from home model, remote connection, device management, identity verification, and multi-factor authentication were improved to reduce the information security risks of working offsite.

Phishing email attacks and major system vulnerabilities are two serious threats to security in 2021. In order to strengthen the information security awareness of employees, the Company conducts social engineering education and training every quarter. Those who do not complete the training are prohibited from using the internet. Systems that provide external services are scanned in real time using the cloud monitoring tools. When major risks are found, updates will be scheduled immediately and implemented in the shortest time possible. For the internal systems, vulnerability scanning tools and the major risk notifications provided by Microsoft are implemented and monthly updates are scheduled to repair the vulnerabilities.

### (IV) Resources invested in information security management

The Company has established the Information Security and Communications Department to strengthen the defense framework against cyberattacks and data leaks. Furthermore, identity verification and abnormal login detection were improved through cloud service security mechanisms, in order to reduce the risk of infiltration. We use the SIEM system created by the Company, external SOC services, and cloud monitoring services to strengthen the monitoring and reporting of suspicious behavior. Additionally, we regularly conduct 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.

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 cyberattack, 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.

#### (V) The impact of major information security incidents and response measures

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

### VII. Important contracts

Nature of contract	Contracting parties	Year and month of contract start and end	Content	Restriction clauses
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	
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	
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	
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	
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	
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	
Construction contract	TASA Construction Corporation	2018.11-2021.02	Contract services for phase 3 falsework of Kaohsiung Fab	
Construction contract	TASA Construction Corporation	2018.11-2021.02	Material procurement for phase 3 falsework of Kaohsiung Fab	
Construction contract	TASA Construction Corporation	2018.12-2025.09	Contract services for main structure work of Kaohsiung Fab	
Construction contract	TASA Construction Corporation	2018.12-2025.09	Material procurement for main structure work of Kaohsiung Fab	

Nature of contract	Contracting parties	Year and month of contract start and end	Content	Restriction clauses
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	
Construction contract	TASA Construction Corporation	2019.03-2024.12	Contract services for steel structure work of Kaohsiung Fab A	
Construction contract	TASA Construction Corporation	2019.03-2024.12	Material procurement for steel structure work of Kaohsiung Fab A	
Construction contract	TASA Construction Corporation	2019.05-2024.05	Contract services for building renovation at Kaohsiung Fab A	
Construction contract	TASA Construction Corporation	2019.05-2024.05	Material procurement for building renovation at Kaohsiung Fab A	
Construction contract	TASA Construction Corporation	2019.07-2025.11	Contract services for exterior wall work of Kaohsiung Fab	
Construction contract	TASA Construction Corporation	2019.07-2025.11	Material procurement for exterior wall work of Kaohsiung Fab	
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	
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	
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	
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	
Construction contract	Exyte Taiwan Co., Ltd.	2019.12-2024.04	Contract services for clean room work at Kaohsiung Fab of Winbond Electronics	
Construction contract	Exyte Taiwan Co., Ltd.	2019.12-2024.04	Material procurement for clean room work at Kaohsiung Fab of Winbond Electronics	
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	
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	
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.	
Construction contract	Confederate Technology Ltd.	2021.01-2021.12	Contract services for construction of bulk gas supply system at Kaohsiung FAB	
Supply contract	Sanyang Motor Co., Ltd.	2021.04-2036.03	Contract service for supplying bulk gas to FAB at Central Taiwan Science Park	
Licensing agreement	Company A	2008.07 - indefinite	Technology licensing	Winbond shall not grant the same license to any third party. Winbond has a duty of confidentiality.
Licensing agreement	Company B	2009.06 - indefinite	Technology licensing	
Licensing agreement	Company C	2009.11 - indefinite	Technology licensing	
Licensing agreement	Company B	2012.06 - indefinite	Technology licensing	
Licensing agreement	Company B	2016.03 - indefinite	Technology licensing	

Nature of contract	Contracting parties	Year and month of contract start and end	Content	Restriction clauses
Sales agreement	Company M	2017.08-2022.07	Product sales	Winbond has a duty of confidentiality when providing product warranties.
Sale and purchase agreement for shares	Autotalks Ltd. and other investors	2019.07 - indefinite	Share investments	Payment of share capital according to the agreement.
Lease contract	Hsinchu Science Park Administration, Ministry of Science and Technology	2019.08-2027.12	Lease	Payment of rent according to the contract.
Acquisition agreement	Panasonic Corporation	2019.11 - indefinite	Acquisition	Paying the contract price as agreed.
Confirmation letter	Company N	2017.03 - indefinite	Power supply	Winbond has a duty of confidentiality.
Service agreement	Company N	2017.03 - indefinite	Power supply	
Procurement agreement	Company O	2020.04 - PO no longer issued	Software license	
Maintenance contract	Company Q	2020.04-2023.03	Maintenance of production equipment	
Sales service agreement	Company P	2020.09-2023.08	Product sales	
Procurement /sales agreement	Company R	2020.09-2023.08	Product procurement and sales	
Sale and purchase agreement for assets	Panasonic Asia Pacific Pte. Ltd.	2020.09 - indefinite	Sales and purchase of assets	Purchase of machinery, products and other assets
Licensing agreement	Microchip Technology Incorporated	2020.03 - Expiration of patent	Patent license	Winbond shall not grant the same license to any third party.
Loan contract	Export-Import Bank of the Republic of China	2020.05-2027.08	Loans	Payment of interest and repayments according to the contract.
Loan contract	Export-Import Bank of the Republic of China	2019.09-2026.09	Loans	
Loan contract	Bank of Taiwan	2020.07-2023.08	Loans	
Loan contract	CTBC Bank	2020.08-2022.08	Loans	Payment of interest and repayments, as well as restriction of financial ratios according to the contract.
Sale and purchase agreement for assets	Panasonic Semiconductor(Suzhou)Co., Ltd.	2020.09 - indefinite	Sales and purchase of assets	Payment of asset price according to the contract

Nature of contract	Contracting parties	Year and month of contract start and end	Content	Restriction clauses
Service provision contract	Panasonic Corporation	2020.09 - indefinite	Provision of services	Payment of service price according to the contract
Asset transfer agreement	HSMC (Suzhou) Co., Ltd.	2021.04 - indefinite	Sales and purchase of assets	Sale and transfer of assets according to the agreement
Acquisition price adjustment agreement	Panasonic Corporation Industrial Solutions Company	2021.04 - indefinite	Description of acquisition price adjustments	Payment of the adjusted acquisition price according to the agreement
Licensing agreement	Company B	2021.08-2024.07	Use of all IPs in the subscribed software is allowed	Winbond has a duty of confidentiality.
Contractor agreement	Company M	2021.12-2025.12	Contracted to develop and design ICs	Develop and design ICs according to the agreement
Asset transfer contract	HSMC (Suzhou) Co., Ltd.	2021.04 - indefinite	Asset transfers	Sale and transfer of assets according to the agreement
Sales agreement	Company D	2022.02 - indefinite	Equipment sales	Winbond has a duty of confidentiality.
Joint loan contract	7 banks	2021.05 - 5 years (2026.05)	Loans	
Sales service and distribution agreement	Company E	2020.09-2023.08	Sales service and distribution	
Sales agreement	Company F	2021.08 - indefinite	Purchase of equipment	

VIII. 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				
		2017	2018	2019	2020	2021
Current assets		37,240,205	37,528,246	37,557,286	47,530,801	72,506,733
Property, plant and equipment		43,828,707	52,484,183	56,977,114	61,452,516	61,079,605
Intangible assets		288,013	229,195	407,722	891,380	1,072,985
Other assets		6,759,198	5,800,840	9,862,778	16,168,543	18,080,961
Total Assets		88,116,123	96,042,464	104,804,900	126,043,240	152,740,284
Current liabilities	Before distribution	16,240,188	16,469,744	17,515,468	25,475,006	28,644,931
	After distribution	20,220,188	20,449,744	17,913,468	26,271,006	32,624,931 (Note 2)
Non-current liabilities		10,248,944	15,681,623	23,432,245	29,975,547	34,061,841
Total liabilities	Before distribution	26,489,132	32,151,367	40,947,713	55,450,553	62,706,772
	After distribution	30,469,132	36,131,367	41,345,713	56,246,553	66,686,772 (Note 2)
Equity attributable to owners of parent		60,212,164	62,444,371	61,020,622	65,449,119	82,444,113
Capital		39,800,002	39,800,002	39,800,002	39,800,002	39,800,002
Capital surplus		7,540,440	7,540,440	7,536,396	7,770,865	7,786,124
Accumulated profit (loss)	Before distribution	7,885,707	11,621,286	8,793,542	10,008,070	22,808,020
	After distribution	3,905,707	7,641,286	8,395,542	9,212,070	18,828,020 (Note 2)
Other interests		4,986,015	3,482,643	4,890,682	7,870,182	12,049,967
Treasury stock		-	-	-	-	-
Non-controlling interests		1,414,827	1,446,726	2,836,565	5,143,568	7,589,399
Total equity	Before distribution	61,626,991	63,891,097	63,857,187	70,592,687	90,033,512
	After distribution	57,646,991	59,911,097	63,459,187	69,796,687	86,053,512 (Note 2)

Note 1: The aforesaid financial information was audited and certified by the CPAs. The 2021 financial report has been approved by the Board of Directors, but has not yet been submitted to the shareholders' meeting.

Note 2: The dividends were approved by the Board of Directors on March 15, 2022.

##### 2. Condensed consolidated statements of income

Unit: NT\$1,000

Item\Year		Financial information of the last five years				
		2017	2018	2019	2020	2021
Operating revenue		47,591,792	51,190,323	48,771,434	60,683,171	99,569,924
Gross profit		16,323,687	19,151,103	12,913,852	17,040,136	42,481,067
Operating profits		6,655,768	7,926,697	1,255,209	1,627,291	18,427,922
Non-operating income and expenses		441,761	468,203	497,308	185,117	(204,832)
Net income (loss) before tax		7,097,529	8,394,900	1,752,517	1,812,408	18,223,090
Less: Income tax expense		1,274,579	667,242	275,230	293,365	3,222,968
Current period net profit		5,822,950	7,727,658	1,477,287	1,519,043	15,000,122
Other comprehensive income for the current period		3,749,701	(1,738,472)	1,294,756	3,291,251	4,186,931
Total comprehensive income for the current period		9,572,651	5,989,186	2,772,043	4,810,294	19,187,053
Net profit attributable to owners of parent		5,550,562	7,446,496	1,256,387	1,304,019	13,594,643



Net profit attributable to non-controlling interests	272,388	281,162	220,900	215,024	1,405,479
Total comprehensive income attributable to Owners of parent	9,263,420	5,810,825	2,560,295	4,592,028	17,775,735
Total comprehensive income attributable to Non-controlling interests	309,231	178,361	211,748	218,266	1,411,318
Earnings per share (NT\$)	1.54	1.87	0.32	0.33	3.42

Note: The aforesaid financial information was audited and certified by the CPAs. The 2021 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				
		2017	2018	2019	2020	2021
Current assets		31,046,641	31,188,039	27,470,545	27,459,041	48,915,599
Property, plant and equipment		42,969,011	51,577,630	55,691,405	54,399,180	55,352,300
Intangible assets		115,325	104,925	123,949	57,563	43,999
Other assets		10,279,023	9,303,235	14,963,032	18,137,516	21,632,681
Total Assets		84,410,000	92,173,829	98,248,931	100,053,300	125,944,579
Current liabilities	Before distribution	14,638,436	14,638,436	15,267,599	13,992,019	18,688,022
	After distribution	18,618,436	18,618,436	15,665,599	14,788,019	22,668,022 (Note 2)
Non-current liabilities		9,837,779	15,091,022	21,960,710	20,612,162	24,812,444
Total liabilities	Before distribution	29,729,458	29,729,458	37,228,309	34,604,181	43,500,466
	After distribution	33,709,458	33,709,458	37,626,309	35,400,181	47,480,466 (Note 2)
Capital		39,800,002	39,800,002	39,800,002	39,800,002	39,800,002
Capital surplus		7,540,440	7,540,440	7,536,396	7,770,865	7,786,124
Accumulated profit (loss)	Before distribution	11,621,286	11,621,286	8,793,542	10,008,070	22,808,020
	After distribution	7,641,286	7,641,286	8,395,542	9,212,070	18,828,020 (Note 2)
Other interests		4,986,015	3,482,643	4,890,682	7,870,182	12,049,967
Total equity	Before distribution	60,212,164	62,444,371	61,020,622	65,449,119	82,444,113
	After distribution	56,232,164	58,464,371	60,622,622	64,653,119	78,464,113 (Note 2)

Note 1: The aforesaid financial information was audited and certified by the CPAs. The 2021 financial report has been approved by the Board of Directors, but has not yet been submitted to the shareholders' meeting.

Note 2: The dividends were approved by the Board of Directors on March 15, 2022.

### 2. Individual condensed statements of income

Unit: NT\$1,000

Item\Year		Financial information of the last five years				
		2017	2018	2019	2020	2021
Operating revenue		38,102,813	40,733,527	37,884,848	39,649,875	57,532,802
Gross profit		12,158,001	14,781,238	8,239,412	8,807,169	24,757,188
Operating profits		5,710,689	6,943,927	379,841	1,090,583	14,678,137
Non-operating income and expenses		941,679	993,089	980,011	259,243	1,362,609
Net income (loss) before tax		6,652,368	7,937,016	1,359,852	1,349,826	16,040,746
Less: Income tax expense		1,101,806	490,520	103,465	45,807	2,446,103
Current period net profit		5,550,562	7,446,496	1,256,387	1,304,019	13,594,643
Other comprehensive income for the current period		3,712,858	(1,635,671)	1,303,908	3,288,009	4,181,092
Total comprehensive income for the current period		9,263,420	5,810,825	2,560,295	4,592,028	17,775,735

Earnings per share (NT\$)	1.54	1.87	0.32	0.33	3.42
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Note: The aforesaid financial information was audited and certified by the CPAs. The 2021 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
2017	Hung Yu	K. C. Wu	Unqualified opinion
2018	Kenny Hung	Hung-Bin Yu	Unqualified opinion
2019	Wen-Yea Shyu	Hung-Bin Yu	Unqualified opinion
2020	Wen-Yea Shyu	Hung-Bin Yu	Unqualified opinion
2021	Kenny Hung	Wen-Yea Shyu	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				
		2017	2018	2019	2020	2021
Financial structure	Debt-to-asset ratio (%)	30.06	33.47	39.07	43.99	41.05
	Long-term fund to property, plant and equipment (fixed assets) ratio (%)	163.99	151.61	153.20	163.65	203.16
Solvency	Current ratio (%)	229.30	227.86	214.42	186.57	253.12
	Quick ratio (%)	173.14	156.31	150.85	128.17	193.89
	Times interest earned	91.27	47.05	9.00	7.11	89.51
Operating ability	Receivables turnover ratio (times)	7.58	7.72	7.71	7.62	9.07
	Average days of collection	48	47	47	48	40
	Inventory turnover rate (times)	3.98	3.36	3.37	3.56	3.79
	Payables turnover ratio (times)	6.51	6.49	6.73	6.26	7.20
	Average days of sales	92	109	108	102	96
	Property, plant and equipment turnover ratio (times)	1.21	1.06	0.89	1.02	1.62
	Total assets turnover ratio (times)	0.60	0.55	0.48	0.52	0.71
Profitability	Return on assets (%)	7.54	8.55	1.64	1.52	10.87
	Return on equity (%)	10.89	12.31	2.31	2.25	18.67
	Income before tax to paid-in capital ratio (%)	17.83	21.09	4.40	4.55	45.78
	Net profit margin (%)	12.23	15.09	3.02	2.50	15.06
	Earnings per share (NT\$)	1.54	1.87	0.32	0.33	3.42
Cash flow	Cash flow ratio (%)	74.77	82.17	60.38	43.64	106.04
	Cash flow adequacy ratio (%)	101.45	78.21	75.01	77.35	95.71
	Cash reinvestment ratio (%)	5.91	5.19	3.30	3.66	9.35
Leverage	Operating leverage	3.05	3.07	16.22	14.26	2.65
	Financial leverage	1.01	1.02	1.21	1.22	1.01
Reasons for changes in financial ratios exceeding 20%: Increases in the ratio of long-term capital to real estate properties, plants and equipment, current ratio and quick ratio, real estate properties, factories and equipment turnover rate, total assets turnover return on assets, return on equity, and pre-tax income to paid-in capital ratio, net profit margin, earnings per share, cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio, as well as a decrease in operating leverage: Mainly due to the increase in operating profits in 2021.						

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

1. Financial structure
  - (1) Ratio of liabilities to assets = Total liabilities/Total assets.
  - (2) Ratio of long-term capital to real estate properties, factories and equipment = (Total equity + Non-current liabilities)/net amount of real estate properties, factories and equipment
2. Solvency
  - (1) Current ratio = current assets / current liabilities.
  - (2) Quick Ratio=(Current assets-Inventories-Prepaid expenses)/Current liabilities
  - (3) Time 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 ratio = 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 ratio.
  - (6) Turnover of real estate properties, factories and equipment = net sales/average net amount of real estate properties, factories and equipment
  - (7) Total assets turnover = net sales/average total assets
4. Profitability
  - (1) Return on assets = [after-tax profit + interest cost (1-tax rate)] / average total assets.
  - (2) ROE = income after tax/net average equity
  - (3) Net profit margin = after-tax profit / net operating income.
  - (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 = 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 flow of operating activities - cash dividend)/(gross amount of real estate properties, factories and equipment + long-term investment + other non-current assets + operating 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 individual financial statements

Item\Year		Financial analysis of the last five years				
		2017	2018	2019	2020	2021
Financial structure	Debt-to-asset ratio (%)	28.66	32.25	37.89	34.58	34.53
	Long-term fund to property, plant and equipment (fixed assets) ratio (%)	163.02	150.32	149.00	158.20	193.77
Solvency	Current ratio (%)	216.20	213.05	179.92	196.24	261.74
	Quick ratio (%)	165.80	144.61	118.37	136.26	208.91
	Times interest earned	85.60	44.53	7.66	7.00	118.80
Operating ability	Receivables turnover ratio (times)	7.51	7.60	7.93	8.50	9.27
	Average days of collection	49	48	46	43	39
	Inventory turnover rate (times)	4.03	3.27	3.27	3.70	3.82
	Payables turnover ratio (times)	6.65	6.42	6.85	6.84	7.34
	Average days of sales	91	112	112	99	96
	Property, plant and equipment turnover ratio (times)	0.99	0.86	0.70	0.72	1.04
	Total assets turnover ratio (times)	0.51	0.46	0.39	0.39	0.50
Profitability	Return on assets (%)	7.54	8.59	1.49	1.49	12.12
	Return on equity (%)	10.66	12.14	2.03	2.06	18.38
	Income before tax to paid-in capital ratio (%)	16.71	19.94	3.41	3.39	40.30
	Net profit margin (%)	14.56	18.28	3.31	3.28	23.62
	Earnings per share (NT\$)	1.54	1.87	0.32	0.33	3.42
Cash flow	Cash flow ratio (%)	82.71	87.70	66.35	71.31	130.13
	Cash flow adequacy ratio (%)	99.70	76.54	73.83	75.06	88.23
	Cash reinvestment ratio (%)	6.39	5.31	3.41	5.01	10.57
Leverage	Operating leverage	2.89	2.92	42.17	14.22	2.17
	Financial leverage	1.01	1.02	2.16	1.25	1.00
Reasons for changes in financial ratios exceeding 20%: Increases in the ratio of long-term capital to real estate properties, plants and equipment, current ratio, quick ratio, time interest earned, real estate properties, factories and equipment turnover rate, total assets turnover return on assets, return on equity, and pre-tax income to paid-in capital ratio, net profit margin, earnings per share, cash flow ratio, and cash reinvestment ratio, as well as decreases in operating leverage and financial leverage: Mainly due to the increase in operating profits in 2021.						

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

- Financial structure
  - Ratio of liabilities to assets = Total liabilities/Total assets.
  - Ratio of long-term capital to real estate properties, factories and equipment = (Total equity + Non-current liabilities)/net amount of real estate properties, factories and equipment
- Solvency
  - Current ratio = current assets / current liabilities.
  - Quick Ratio = (Current assets-Inventories-Prepaid expenses)/Current liabilities
  - Time interest earned = net income before income tax and interest expense / current interest expense.
- Operating ability
  - 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).
  - Average days of collection = 365 / receivables turnover ratio.
  - Inventory turnover ratio = cost of goods sold / average amount of inventory.
  - 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).
  - Average days of sales = 365 / inventory turnover ratio.
  - Turnover of real estate properties, factories and equipment = net sales/average net amount of real estate properties, factories and equipment
  - Total assets turnover = net sales/average total assets
- Profitability
  - Return on assets = [after-tax profit + interest cost (1-tax rate)] / average total assets.
  - Return on equity = after-tax profit / total average equity (stockholders' equity).
  - Net profit margin = after-tax profit / net operating income.
  - Earnings per share = (income attributable to owners of parent – dividend to preferred stock) / weighted average of shares issued.
- Cash flow
  - Cash flow ratio = cash flows from operating activities / current liabilities.
  - 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.
  - Cash reinvestment ratio = (net cash flow of operating activities - cash dividend)/(gross amount of real estate properties, factories and equipment + long-term investment + other non-current assets + operating capital)
- Leverage:
  - Operating leverage = (net operating revenue – variable operating cost and expenses) / operating income.
  - Financial leverage = operating income / (operating income – interest expense).

### III. Report of the Audit Committee on 2021 Financial Report

#### Report of the Audit Committee

We have examined the 2021 financial 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 Kenny Hong and Wen-Yea Shyu 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. 2022 General Shareholders' Meeting

Winbond Electronics Corporation

Convenor of Audit Committee: Allen Hsu

March 15, 2022

**Winbond Electronics Corporation and  
Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2021 and 2020 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, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), 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, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Occurrence of Sales Revenue

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 facilities and temporary increase in credit facilities in 2021 as a key audit matter for the year ended December 31, 2021. Refer to Note 4 to the consolidated financial statements for the Group's revenue recognition policies.

Our audit procedures in response to the 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.

### **Other Matter**

We have also audited the stand alone financial statements of the Company for the years ended December 31, 2021 and 2020 on which we have issued an unqualified 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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

The image shows two handwritten signatures in black ink. The signature on the left is stylized and appears to be 'Kenny Hong'. The signature on the right is written in a cursive script and reads 'Wen-Yea Shyu'.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 11, 2022

Notice to Readers

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

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

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 30,914,427	20	\$ 11,744,306	9
Current financial assets at fair value through profit or loss (Notes 4 and 7)	215,748	-	51,603	-
Current financial assets at fair value through other comprehensive income (Notes 4 and 8)	10,977,904	7	8,837,227	7
Notes and accounts receivable, net (Notes 4 and 9)	11,515,593	8	9,707,378	8
Accounts receivable due from related parties, net (Note 31)	639,262	-	77,760	-
Other receivables (Note 10)	1,267,026	1	1,973,584	2
Inventories (Notes 4 and 11)	15,940,688	10	14,141,414	11
Other current assets	<u>1,036,085</u>	<u>1</u>	<u>997,529</u>	<u>1</u>
Total current assets	<u>72,506,733</u>	<u>47</u>	<u>47,530,801</u>	<u>38</u>
<b>NON-CURRENT ASSETS</b>				
Non-current financial assets at fair value through profit or loss (Notes 4 and 7)	69,200	-	-	-
Non-current financial assets at fair value through other comprehensive income (Notes 4 and 8)	3,481,435	2	2,239,987	2
Investments accounted for using equity method (Notes 4 and 12)	8,286,463	5	6,241,789	5
Property, plant and equipment (Notes 4 and 13)	61,079,605	40	61,452,516	49
Right-of-use assets (Notes 4 and 14)	2,796,920	2	3,200,332	2
Investment properties (Notes 4 and 15)	2,005,598	1	2,466,667	2
Intangible assets (Notes 4 and 16)	1,072,985	1	891,380	-
Deferred income tax assets (Notes 4 and 25)	774,072	1	908,560	1
Other non-current assets (Note 6)	<u>667,273</u>	<u>1</u>	<u>1,111,208</u>	<u>1</u>
Total non-current assets	<u>80,233,551</u>	<u>53</u>	<u>78,512,439</u>	<u>62</u>
<b>TOTAL</b>	<u>\$ 152,740,284</u>	<u>100</u>	<u>\$ 126,043,240</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 17)	\$ 1,430,417	1	\$ 1,821,210	2
Current financial liabilities at fair value through profit or loss (Notes 4 and 7)	-	-	3,191	-
Notes and accounts payable	6,256,539	4	6,571,429	5
Accounts payable due to related parties (Note 31)	1,344,195	1	1,666,003	1
Payables on machinery and equipment	4,462,326	3	2,197,953	2
Other payables	9,946,855	6	6,123,460	5
Current tax liabilities (Notes 4 and 25)	2,704,871	2	252,309	-
Provisions - current (Notes 4 and 19)	532,948	-	928,719	1
Lease liabilities - current (Notes 4 and 14)	333,791	-	388,401	-
Long-term borrowings - current portion (Note 17)	785,000	1	5,000,000	4
Other current liabilities	<u>847,989</u>	<u>1</u>	<u>522,331</u>	<u>-</u>
Total current liabilities	<u>28,644,931</u>	<u>19</u>	<u>25,475,006</u>	<u>20</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Notes 4 and 18)	9,956,086	6	11,151,668	9
Long-term borrowings (Notes 17 and 27)	13,348,865	9	9,381,845	7
Provisions - non-current (Notes 4 and 19)	2,966,575	2	3,293,313	3
Lease liabilities - non-current (Notes 4 and 14)	2,682,609	2	3,119,221	3
Net defined benefit liabilities - non-current (Notes 4 and 20)	2,621,015	2	2,722,544	2
Other non-current liabilities	<u>2,486,691</u>	<u>1</u>	<u>306,956</u>	<u>-</u>
Total non-current liabilities	<u>34,061,841</u>	<u>22</u>	<u>29,975,547</u>	<u>24</u>
Total liabilities	<u>62,706,772</u>	<u>41</u>	<u>55,450,553</u>	<u>44</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4 and 21)</b>				
Share capital	39,800,002	26	39,800,002	32
Capital surplus	7,786,124	5	7,770,865	6
Retained earnings				
Legal reserve	2,074,570	1	1,913,317	2
Unappropriated earnings	20,733,450	14	8,094,753	6
Exchange differences on translation of foreign financial statements	(861,389)	(1)	(271,328)	-
Unrealized gains on financial assets measured at fair value through other comprehensive income	<u>12,911,356</u>	<u>9</u>	<u>8,141,510</u>	<u>6</u>
Total equity attributable to owners of the parent	<u>82,444,113</u>	<u>54</u>	<u>65,449,119</u>	<u>52</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>7,589,399</u>	<u>5</u>	<u>5,143,568</u>	<u>4</u>
Total equity	<u>90,033,512</u>	<u>59</u>	<u>70,592,687</u>	<u>56</u>
<b>TOTAL</b>	<u>\$ 152,740,284</u>	<u>100</u>	<u>\$ 126,043,240</u>	<u>100</u>

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, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Note 22)	\$ 99,569,924	100	\$ 60,683,171	100
OPERATING COSTS (Note 11)	<u>57,088,857</u>	<u>58</u>	<u>43,643,035</u>	<u>72</u>
GROSS PROFIT	<u>42,481,067</u>	<u>42</u>	<u>17,040,136</u>	<u>28</u>
OPERATING EXPENSES				
Selling expenses	2,572,816	3	1,598,624	3
General and administrative expenses	6,044,264	6	3,170,173	5
Research and development expenses	15,379,855	15	10,506,230	17
Expected credit loss (Note 9)	<u>56,210</u>	<u>-</u>	<u>137,818</u>	<u>-</u>
Total operating expenses	<u>24,053,145</u>	<u>24</u>	<u>15,412,845</u>	<u>25</u>
INCOME FROM OPERATIONS	<u>18,427,922</u>	<u>18</u>	<u>1,627,291</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	58,948	-	47,015	-
Dividend income (Note 8)	404,585	-	227,534	-
Gain from bargain purchase (Note 28)	-	-	218,968	-
Other income (Notes 14 and 27)	477,608	1	254,482	-
Share of profit (loss) of associates	197,908	-	62,556	-
Gains (losses) on disposal of property, plant and equipment	174,642	-	44,334	-
Gains (losses) on disposal of intangible assets	(4,803)	-	-	-
Gains (losses) on disposal of investments	(436)	-	(16,146)	-
Gains (losses) on disposal of non-current held for sale assets	30,371	-	27,674	-
Gains (losses) on foreign exchange (Note 35)	(106,710)	-	(130,651)	-
Gains (losses) on financial instruments at fair value through profit or loss	64,345	-	110,312	-
Interest expense (Notes 14 and 27)	(205,883)	-	(296,470)	-
Other expenses	(512,458)	-	(251,686)	-
Impairment loss recognized on property, plant and equipment (Note 13)	(782,949)	(1)	-	-
Impairment loss recognized on intangible assets (Note 16)	<u>-</u>	<u>-</u>	<u>(112,805)</u>	<u>-</u>
Total non-operating income and expenses	<u>(204,832)</u>	<u>-</u>	<u>185,117</u>	<u>-</u>

(Continued)

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 18,223,090	18	\$ 1,812,408	3
INCOME TAX EXPENSE (Notes 4 and 25)	<u>3,222,968</u>	<u>3</u>	<u>293,365</u>	<u>-</u>
NET INCOME	<u>15,000,122</u>	<u>15</u>	<u>1,519,043</u>	<u>3</u>
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)	(116,564)	-	(18,697)	-
Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	3,417,063	3	1,819,583	3
Share of other comprehensive income (loss) of associates accounted for using the equity method	1,901,619	2	1,692,465	3
Components of other comprehensive income (loss) that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	<u>(1,015,187)</u>	<u>(1)</u>	<u>(202,100)</u>	<u>(1)</u>
Other comprehensive income (loss)	<u>4,186,931</u>	<u>4</u>	<u>3,291,251</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 19,187,053</u>	<u>19</u>	<u>\$ 4,810,294</u>	<u>8</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 13,594,643	14	\$ 1,304,019	2
Non-controlling interests	<u>1,405,479</u>	<u>1</u>	<u>215,024</u>	<u>-</u>
	<u>\$ 15,000,122</u>	<u>15</u>	<u>\$ 1,519,043</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 17,775,735	18	\$ 4,592,028	8
Non-controlling interests	<u>1,411,318</u>	<u>1</u>	<u>218,266</u>	<u>-</u>
	<u>\$ 19,187,053</u>	<u>19</u>	<u>\$ 4,810,294</u>	<u>8</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 3.42</u>		<u>\$ 0.33</u>	
Diluted	<u>\$ 3.41</u>		<u>\$ 0.33</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, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Parent						
	Other Equity						Total Equity
	Share Capital	Capital/Surplus	Retained Earnings		Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	
			Legal Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2020	\$ 39,800,002	\$ 7,536,396	\$ 1,798,091	\$ 6,995,451	\$ (119,246)	\$ 5,009,928	\$ 61,020,622
Appropriation of 2019 earnings (Note 21)	-	-	115,226	(115,226)	-	-	-
Legal reserve appropriated	-	-	-	(398,000)	-	-	(398,000)
Cash dividends	-	-	115,226	(513,226)	-	-	(398,000)
Total appropriations	-	-	-	1,304,019	-	-	1,304,019
Net income for the year ended December 31, 2020	-	-	-	(5,710)	(152,082)	3,445,801	3,288,009
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	1,298,309	(152,082)	3,445,801	4,592,028
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	2,24,469
Changes in ownership interests in subsidiaries	-	234,469	-	-	-	-	2,221,402
Disposal of investments in equity instruments designated at fair value through other comprehensive income (Notes 8 and 21)	-	-	-	314,219	-	(314,219)	-
Changes in non-controlling interests	-	-	-	-	-	-	(132,665)
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
Appropriation of 2020 earnings (Note 21)	-	-	161,253	(161,253)	-	-	-
Legal reserve appropriated	-	-	-	(796,000)	-	-	(796,000)
Cash dividends	-	-	161,253	(957,253)	-	-	(796,000)
Total appropriations	-	-	-	13,594,643	-	-	13,594,643
Net income for the year ended December 31, 2021	-	-	-	(92,951)	(590,061)	4,864,104	4,181,092
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	13,501,692	(590,061)	4,864,104	17,775,735
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	15,259
Changes in ownership interests in subsidiaries	-	15,259	-	-	-	-	1,183,301
Disposal of investments in equity instruments designated at fair value through other comprehensive income (Notes 8 and 21)	-	-	-	94,258	-	(94,258)	-
Changes in non-controlling interests	-	-	-	-	-	-	(148,788)
BALANCE AT DECEMBER 31, 2021	39,800,002	7,786,124	2,074,570	20,733,450	(861,389)	12,911,356	90,033,512

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, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 18,223,090	\$ 1,812,408
Adjustments for:		
Depreciation expense	11,361,984	9,240,589
Amortization expense	293,856	222,008
Expected credit loss recognized on accounts receivable	56,210	137,818
Interest expense	205,883	296,470
Interest income	(58,948)	(47,015)
Dividend income	(404,585)	(227,534)
Gain from bargain purchase	-	(218,968)
Share of (profit) loss of associates	(197,908)	(62,556)
(Gains) losses on disposal of property, plant and equipment	(174,642)	(44,334)
(Gains) losses on disposal of intangible assets	4,803	-
(Gains) losses on financial assets or liabilities at fair value through profit or loss	1,058	-
(Gains) losses on disposal of non-current held for sale assets	(30,371)	(27,674)
Impairment loss on property, plant and equipment	782,949	-
(Gains) losses on disposal of investments	436	16,146
Impairment loss on intangible assets	-	112,805
Compensation costs of employee share options	-	62,240
(Gains) losses on other items	(15)	(5)
Changes in operating assets and liabilities		
(Increase) decrease in financial assets and liabilities at fair value through profit or loss	(19,867)	27,474
(Increase) decrease in notes and accounts receivable	(1,845,248)	(512,580)
(Increase) decrease in accounts receivable due from related parties	(561,502)	(5,651)
(Increase) decrease in other receivables	294,673	379,008
(Increase) decrease in inventories	(1,799,274)	803,830
(Increase) decrease in other current assets	(297,781)	277,230
(Increase) decrease in other non-current assets	(774)	8,532
Increase (decrease) in notes and accounts payable	(314,890)	(33,869)
Increase (decrease) in accounts payable due to related parties	(321,808)	(775,789)
Increase (decrease) in other payables	3,818,970	(73,968)
Increase (decrease) in other current liabilities	325,658	293,960
Increase (decrease) in other non-current liabilities	1,678,380	10,063
Cash flows generated by (used in) operations	31,020,337	11,670,638
Interest received	53,059	52,120
Dividends received	459,437	318,955
Interest paid	(436,963)	(443,367)
Income taxes paid	(720,486)	(159,264)
Net cash flows generated by (used in) operating activities	30,375,384	11,439,082

(Continued)

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through profit or loss	\$ (178,957)	\$ -
Acquisition of financial assets at fair value through other comprehensive income	(219,676)	(719,218)
Proceeds from disposal of financial assets at fair value through other comprehensive income	310,667	1,074,374
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	4,500	14,119
Acquisition of investments accounted for using the equity method	-	(29,250)
Net cash flow from acquisition of subsidiaries	(77,934)	(6,928,207)
Proceeds from disposal of non-current held for sale assets	279,897	542,845
Acquisition of property, plant and equipment	(9,819,828)	(8,356,007)
Proceeds from disposal of property, plant and equipment	959,954	70,027
Acquisition of intangible assets	(314,310)	(506,222)
Proceeds from disposal of intangible assets	-	735
(Increase) decrease in refundable deposits	442,799	(571,431)
(Increase) decrease in other receivables - time deposits	13,008	250,236
Acquisition of right-of-use assets	-	(6,971)
Net cash flows generated by (used in) investing activities	<u>(8,599,880)</u>	<u>(15,164,970)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	(390,793)	821,210
Proceeds from issuing bonds	-	1,998,428
Proceeds from long-term borrowings	4,931,600	6,600,000
Repayments of long-term borrowings	(5,000,000)	(6,047,040)
Cash dividends paid	(796,000)	(398,000)
Change in non-controlling interests	(148,788)	1,456,227
Repayments of lease liabilities	(381,264)	(278,553)
Net cash flows generated by (used in) financing activities	<u>(1,785,245)</u>	<u>4,152,272</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(820,138)</u>	<u>(149,985)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	19,170,121	276,399
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>11,744,306</u>	<u>11,467,907</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 30,914,427</u>	<u>\$ 11,744,306</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, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 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, 2021 and 2020.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on February 11, 2022.

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

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

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

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

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

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Statement of Compliance

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

##### Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and 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 Group. 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 interests of the Group 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	
			2021	2020
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
The Company WEHK	Winbond Electronics (HK) Limited ("WEHK")	Sales of semiconductor and investment holding	100.00	100.00
	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	
			2021	2020
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”)	Marketing service of semiconductor	100.00	100.00
The Company	Great Target Development Ltd. (“GTD”)	Investment holding	100.00	100.00
GTD	GLMTD Technology Private Limited (“GLMTD”)	Sales and service of semiconductor	99.99	99.99
The Company	Miraxia Edge Technology Corporation (“METC”, former “PIDST”) (Note 3)	Software and hardware integration design of semiconductor	100.00	-
The Company	Nuvoton Technology Corporation (“NTC”) (Note 1)	Research, design, development, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	51.00	55.00
NTC	Marketplace Management Limited (“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 and leasing business	100.00	100.00
GLLC	Winbond Electronics (Nanjing) Ltd. (“WENJ”)	Computer software service (except I.C. design)	100.00	100.00
NTSH	Song Zhi Electronics Technology (Suzhou) (“Song Zhi Suzhou”)	Provide development, consult and equipment lease of semiconductor	100.00	-
NTC	Nuvoton Technology Corporation 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 (“SYI”)	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”)	Design, sales and service of semiconductor	100.00	100.00
NTC	Nuvoton Technology Korea Limited (“NTHK”)	Design, sales and service of semiconductor	100.00	100.00
NTC	Nuvoton Technology Holdings Japan (“NTHJ”)	Investment holding	100.00	100.00
NTHJ	Nuvoton Technology Corporation Japan (“NTCJ”, former “PSCS”) (Note 2)	Design, sales and service of semiconductor	100.00	100.00
NTCJ	Atfields Manufacturing Technology Corporation (“AMTC”, former “PIDE”) (Note 2)	Design and service of semiconductor	100.00	100.00
NTCJ	Miraxia Edge Technology Corporation (“METC”, former “PIDST”) (Notes 2 and 3)	Design and service of semiconductor	-	100.00

(Concluded)

Note 1: In May 2020, NTC issued 20 thousand units of unsecured convertible bonds. During 2021, due to the conversion of all unsecured convertible bonds by the bondholders, the ownership directly held by the Company dropped to 51% as of December 31, 2021.

Note 2: 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. Refer to Note 28 to the consolidated financial statements.

Note 3: The company acquired 100% of ownership interest of METC (former “PIDST”) from its sub-subsidiary, NTCJ, on November 1, 2021. The reorganization transaction was under common control. Refer to Note 28 to the consolidated financial statements.

## **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.

The group did not adopt the acquisition method for business combination involving reorganization under common control. The carrying amount method is used instead.

## **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 30 to the consolidated financial statements.

## 2) Financial assets at amortized cost

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

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

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

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

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

## 3) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable selection 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, Investment Properties, 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, investment properties 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, 2022, 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 on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

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 on probability of default and loss given default. 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 to the consolidated financial statements. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash and deposits in banks	\$ 27,374,370	\$ 9,311,306
Repurchase agreements collateralized by bonds	<u>3,540,057</u>	<u>2,433,000</u>
	<u>\$ 30,914,427</u>	<u>\$ 11,744,306</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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Time deposits	<u>\$ 234,269</u>	<u>\$ 773,119</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 to the consolidated financial statements):

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Time deposits	<u>\$ 184,481</u>	<u>\$ 197,489</u>

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets at FVTPL - current</u>		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	\$ 51,688	\$ 33,531
Foreign exchange swap contracts	-	8,977
Right of redemption of convertible bonds (Note 18)	-	9,095
Non-derivative financial assets		
Overseas unlisted stocks	55,360	-
Mutual funds	<u>108,700</u>	<u>-</u>
	<u>\$ 215,748</u>	<u>\$ 51,603</u>

### Financial assets at FVTPL - non-current

Mandatorily measured at FVTPL		
Foreign Warrants	<u>\$ 69,200</u>	<u>\$ -</u>

### Financial liabilities at FVTPL - current

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

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

	<b>Currencies</b>	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2021</u>			
Sell forward exchange contracts	USD to NTD	2022.01.06-2022.03.04	USD286,000/NTD7,949,136
Sell forward exchange contracts	RMB to NTD	2022.01.14-2022.01.21	RMB75,000/NTD325,655
Buy forward exchange contracts	NTD to USD	2022.02.17-2022.02.25	NTD965,550/USD35,000
<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

- b. The redemption right of convertible bonds was the result of the issuance of unsecured bonds by NTC in the second quarter of 2020, refer to Note 18 to the consolidated financial statements.
- 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	
	2021	2020
Domestic listed and emerging stocks		
Walsin Lihwa Corporation	\$ 5,883,000	\$ 4,284,600
Hannstar Display Corporation	2,715,004	1,845,003
Walsin Technology Corporation	1,436,219	1,982,327
Walton Advanced Engineering Inc.	943,681	690,864
Nyquest Technology Co., Ltd.	255,750	80,685
Brightek Optoelectronic Co., Ltd.	1,933	894
Domestic unlisted stocks		
United Industrial Gases Co., Ltd.	598,400	396,000
Yu-Ji Venture Capital Co., Ltd.	10,840	14,479
Intellectual Property Innovation Corporation	7,963	-
Harbinger III Venture Capital Corp.	113	107
Others	21,010	17,970
Overseas listed stocks		
Tower Semiconductor LTD.	-	232,110
Everspin Technologies, Inc.	-	34,433
Overseas unlisted stocks		
Tower Partners Semiconductor Co., Ltd. ("TPSCo.")	1,255,651	512,812
Autotalks Ltd. - Preferred E. shares	553,600	569,600
JVP VIII, L.P.	494,048	239,869
JVP X Funds	270,963	106,800
TEGNA Electronics Private Limited	11,164	11,701
Kneron Holding Company	-	56,960
Symetrix Corporation - preferred A shares	-	-
	<u>\$ 14,459,339</u>	<u>\$ 11,077,214</u>
Current	\$ 10,977,904	\$ 8,837,227
Non-current	<u>3,481,435</u>	<u>2,239,987</u>
	<u>\$ 14,459,339</u>	<u>\$ 11,077,214</u>

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

For the years ended December 31, 2021 and 2020, the Group disposed the shares for the adjustment of the investment position. The unrealized gains on financial assets at fair value through other comprehensive income of NT\$94,258 thousand and NT\$314,219 thousand were transferred to retained earnings, respectively.

For the years ended December 31, 2021 and 2020, the dividend income were NT\$404,585 thousand and NT\$227,534 thousand, respectively. The dividend income were all related to investments held at December 31, 2021 and 2020.

NTC acquired the Preferred A Shares of the Symetrix Corporation through the combination of Panasonic semiconductor business on September 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).

## 9. NOTES AND ACCOUNTS RECEIVABLE

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Notes receivable</u>	\$ -	\$ 262
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	11,819,385	9,973,875
Less: Allowance for impairment loss	<u>(303,792)</u>	<u>(266,759)</u>
	<u>\$ 11,515,593</u>	<u>\$ 9,707,378</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, 2021

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	0.1-2%	2%	10%	20%	50-100%	
Gross carrying amount	\$ 11,396,793	\$ 303,344	\$ 10,282	\$ 13	\$ 108,953	\$ 11,819,385
Loss allowance (lifetime ECL)	<u>(187,741)</u>	<u>(6,067)</u>	<u>(1,028)</u>	<u>(3)</u>	<u>(108,953)</u>	<u>(303,792)</u>
Amortized cost	<u>\$ 11,209,052</u>	<u>\$ 297,277</u>	<u>\$ 9,254</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 11,515,593</u>

December 31, 2020

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	0.1-2%	2%	10%	20%	50-100%	
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>

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

	2021	2020
Balance at January 1	\$ 266,759	\$ 148,353
Add: Acquisitions through business combinations	-	806
Add: Recognized impairment loss	56,210	137,818
Less: Amounts written off	-	(18,844)
Effect of exchange rate changes	<u>(19,177)</u>	<u>(1,374)</u>
Balance at December 31	<u>\$ 303,792</u>	<u>\$ 266,759</u>

Refer to Note 30 to the consolidated financial statements for details of NTC's factoring agreements for accounts receivable.

## 10. OTHER RECEIVABLES

	December 31	
	2021	2020
Royalty receivable	\$ 370,327	\$ 425,453
Business tax refund receivable	291,030	367,130
Time deposits (Note 6)	184,481	197,489
Technical service receivables	136,345	175,667
Tax refund receivables (Note 25)	121,337	16,173
Receivables for acquisition price adjustment	-	520,890
Others	<u>163,506</u>	<u>270,782</u>
	<u>\$ 1,267,026</u>	<u>\$ 1,973,584</u>

## 11. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 2,034,079	\$ 3,214,933
Work-in-process	11,238,945	9,988,731
Raw materials and supplies	2,652,854	931,989
Inventories in transit	<u>14,810</u>	<u>5,761</u>
	<u>\$ 15,940,688</u>	<u>\$ 14,141,414</u>

- a. Operating costs for the years ended December 31, 2021 and 2020 included inventory reversal of for the decline in market value, obsolescence and scrap of inventories for NT\$635,590 thousand and NT\$117,786 thousand, respectively.
- b. Unallocated fixed manufacturing costs recognized as cost of sales in the years ended December 31, 2021 and 2020 were NT\$543,075 thousand and NT\$724,920 thousand, respectively.

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

### Investments in Associates

	December 31	
	2021	2020
Associates that are not individually material		
Chin Xin Investment Co., Ltd.	\$ 8,257,867	\$ 6,211,869
Hwa Bao Botanic Conservation Corp.	<u>28,596</u>	<u>29,920</u>
	<u>\$ 8,286,463</u>	<u>\$ 6,241,789</u>

On September 24, 2020, the board of directors of Hwa Bao Botanic Conservation Corp. (“Hwa Bao”) resolved to additionally issue 19,500 thousand ordinary shares. The Company subscribed 2,925 thousand shares of the ordinary shares with a par value of NT\$10. As of December 31, 2021, 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 41% consolidated ownership interest of Hwa Bao.

As of December 31, 2021, the Company held 182,841 thousand shares of Chin Xin Investment Co., Ltd. with a 38% ownership interest.

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, 2021 and 2020 were based on the associates' financial statements audited by independent auditors.

### 13. PROPERTY, PLANT AND EQUIPMENT

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	\$ 3,069,658	\$ 3,322,387
Buildings	11,783,125	13,339,927
Machinery and equipment	28,397,574	34,238,232
Other equipment	1,030,036	947,273
Construction in progress and prepayments for purchase of equipment	<u>16,799,212</u>	<u>9,604,697</u>
	<u><b>\$ 61,079,605</b></u>	<u><b>\$ 61,452,516</b></u>

	<b>Land</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Other Equipment</b>	<b>Construction in Progress and Prepayments for Purchase of Equipment</b>	<b>Total</b>
<u>Cost</u>						
Balance at January 1, 2021	\$ 3,322,387	\$ 50,113,861	\$ 182,256,279	\$ 7,750,795	\$ 9,639,168	\$ 253,082,490
Additions	34,760	284,825	3,980,466	506,331	7,530,487	12,336,869
Business combinations - subsequent adjustment of fair values	-	-	437,628	-	-	437,628
Disposals	-	(13,698)	(2,351,827)	(231,965)	-	(2,597,490)
Reclassified	-	119,784	217,133	13,950	(350,867)	-
Effect of exchange rate changes	<u>(287,489)</u>	<u>(2,564,905)</u>	<u>(6,630,203)</u>	<u>(452,693)</u>	<u>(19,576)</u>	<u>(9,954,866)</u>
Balance at December 31, 2021	<u><b>\$ 3,069,658</b></u>	<u><b>\$ 47,939,867</b></u>	<u><b>\$ 177,909,476</b></u>	<u><b>\$ 7,586,418</b></u>	<u><b>\$ 16,799,212</b></u>	<u><b>\$ 253,304,631</b></u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	\$ -	\$ 36,773,934	\$ 148,018,047	\$ 6,803,522	\$ 34,471	\$ 191,629,974
Depreciation expense	-	1,687,364	8,797,435	389,589	-	10,874,388
Disposals	-	(13,650)	(1,585,530)	(212,998)	-	(1,812,178)
Impairment loss	-	-	782,949	-	-	782,949
Reclassified	-	79	31,168	428	(31,675)	-
Effect of exchange rate changes	<u>-</u>	<u>(2,290,985)</u>	<u>(6,532,167)</u>	<u>(424,159)</u>	<u>(2,796)</u>	<u>(9,250,107)</u>
Balance at December 31, 2021	<u><b>\$ -</b></u>	<u><b>\$ 36,156,742</b></u>	<u><b>\$ 149,511,902</b></u>	<u><b>\$ 6,556,382</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 192,225,026</b></u>
<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	<u>(23,622)</u>	<u>(191,898)</u>	<u>(455,203)</u>	<u>(32,267)</u>	<u>(1,276)</u>	<u>(704,266)</u>
Balance at December 31, 2020	<u><b>\$ 3,322,387</b></u>	<u><b>\$ 50,113,861</b></u>	<u><b>\$ 182,256,279</b></u>	<u><b>\$ 7,750,795</b></u>	<u><b>\$ 9,639,168</b></u>	<u><b>\$ 253,082,490</b></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	<u>-</u>	<u>(168,160)</u>	<u>(466,145)</u>	<u>(29,648)</u>	<u>(317)</u>	<u>(664,270)</u>
Balance at December 31, 2020	<u><b>\$ -</b></u>	<u><b>\$ 36,773,934</b></u>	<u><b>\$ 148,018,047</b></u>	<u><b>\$ 6,803,522</b></u>	<u><b>\$ 34,471</b></u>	<u><b>\$ 191,629,974</b></u>

- a. As of December 31, 2021 and 2020, the carrying amounts of NT\$11,619,296 thousand and NT\$22,133,327 thousand of property, plant and equipment were pledged to secure long-term borrowings and corporate bonds.

- b. Information about capitalized interest

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Capitalized interest amounts	\$ 252,668	\$ 175,838
Capitalized interest rates	1.79%-1.89%	1.79%-1.81%

- c. For the year ended December 31, 2021, the Group recognized an impairment loss of NT\$782,949 thousand for certain machinery and equipment which will not be used in the future after evaluation.

#### 14. LEASE ARRANGEMENTS

- a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amounts</u>		
Land	\$ 1,717,843	\$ 1,825,502
Buildings	289,439	382,761
Machinery and equipment	754,180	940,670
Other equipment	<u>35,458</u>	<u>51,399</u>
	<u>\$ 2,796,920</u>	<u>\$ 3,200,332</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets		
Additions	\$ 55,596	\$ 201,501
Acquisitions through business combinations	<u>-</u>	<u>997,787</u>
	<u>\$ 55,596</u>	<u>\$ 1,199,288</u>
Depreciation charge for right-of-use assets		
Land	\$ 107,378	\$ 107,534
Buildings	122,394	108,705
Machinery and equipment	68,557	24,792
Other equipment	<u>32,167</u>	<u>34,189</u>
	<u>\$ 330,496</u>	<u>\$ 275,220</u>
Income from the subleasing of right-of-use assets (recorded as "other income")	<u>\$ 2,080</u>	<u>\$ 1,762</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amounts</u>		
Current	\$ 333,791	\$ 388,401
Non-current	\$ 2,682,609	\$ 3,119,221

Range of discount rate for lease liabilities are as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	1.76%-2.47%	1.76%-2.47%
Buildings	0.33%-3.75%	0.33%-3.75%
Machinery and equipment	0.26%-0.80%	0.33%-0.80%
Other equipment	0.44%-2.97%	0.26%-3.61%

For the years ended December 31, 2021 and 2020, the interest expense under lease liabilities amounted to NT\$57,188 thousand and NT\$56,235 thousand, respectively.

c. Material lease-in activities and terms

NTC leased low-voltage protection equipments in Japan, and the lease terms will expire in 2022 to 2035.

The Company and NTC leased lands from Science Park Bureau, 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 31 to the consolidated financial statements.

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 2022 and 2029 which can be extended after the expiration of the lease periods.

d. Subleases

NTC subleases its right-of-use assets for buildings under operating leases with lease terms of 5 years.

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Year 1	\$ 2,080	\$ 1,632
Year 2	2,080	1,632
Year 3	-	1,223
	<u>\$ 4,160</u>	<u>\$ 4,487</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.

e. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	\$ 241,852	\$ 143,609
Expenses relating to low-value asset leases	\$ 677	\$ 828
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 17,567	\$ 21,109
Total cash outflow for leases	\$ 699,413	\$ 504,459

The Group leases certain building, machinery and equipment, transportation equipment qualify as short-term leases and certain other equipment qualify as low-value lease. The Group has selected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

Lease-out arrangements under operating leases for investment properties are set out in Note 15 to the consolidated financial statements.

## 15. INVESTMENT PROPERTIES

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

NTC acquired investment properties in Niigata and Toyama, Japan through business combinations on September 1, 2020. The fair value of such investment properties were NT\$2,503,591 thousand based on the purchase price allocation report. As of December 31, 2021 and 2020, 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.

NTC's other investment properties is in Shen-Zhen, China. As of December 31, 2021 and 2020, the fair value of such investment properties were both approximately NT\$200,000 thousand, which was referred by the neighborhood transactions.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Cost</u>		
Balance at January 1	\$ 9,090,968	\$ 98,511
Acquisitions through business combinations	-	9,072,159
Disposals	(1,176)	-
Effect of exchange rate changes	(1,165,596)	(79,702)
Balance at December 31	7,924,196	9,090,968

(Continued)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1	\$ 6,624,301	\$ 54,304
Acquisitions through business combinations	-	6,568,568
Depreciation expense	155,190	59,248
Disposals	(1,176)	-
Effect of exchange rate changes	<u>(859,717)</u>	<u>(57,819)</u>
Balance at December 31	<u>5,918,598</u>	<u>6,624,301</u>
Investment properties, net	<u>\$ 2,005,598</u>	<u>\$ 2,466,667</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.

As of December 31, 2021, the carrying amounts of NT\$425,606 thousand of investment properties of NTC were pledged to secure long-term borrowings.

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

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

To reduce the residual asset risk related to the subleased asset at the end of the relevant sublease, the lease contract between 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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Deferred technical assets, net	\$ 616,861	\$ 561,869
Other intangible assets, net	<u>456,124</u>	<u>329,511</u>
	<u>\$ 1,072,985</u>	<u>\$ 891,380</u>

	<b>Deferred Technical Assets</b>	<b>Other Intangible Assets</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2021	\$ 19,550,666	\$ 1,452,139	\$ 21,002,805
Additions	259,590	216,296	475,886
Disposals	(5,592)	(111)	(5,703)
Effect of exchange rate changes	<u>(3,026)</u>	<u>(172,529)</u>	<u>(175,555)</u>
Balance at December 31, 2021	<u>\$ 19,801,638</u>	<u>\$ 1,495,795</u>	<u>\$ 21,297,433</u>

Accumulated amortization and impairment

Balance at January 1, 2021	\$ 18,988,797	\$ 1,122,628	\$ 20,111,425
Amortization expenses	198,298	61,481	259,779
Disposals	(789)	(111)	(900)
Effect of exchange rate changes	<u>(1,529)</u>	<u>(144,327)</u>	<u>(145,856)</u>
Balance at December 31, 2021	<u>\$ 19,184,777</u>	<u>\$ 1,039,671</u>	<u>\$ 20,224,448</u>

Cost

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>

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.

For the year ended December 31, 2020, the Group recognized an impairment loss of NT\$112,805 thousand for certain deferred technical assets which will have no future economic benefits.

## 17. BORROWINGS

### a. Short-term borrowings

	December 31			
	2021		2020	
	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	276,300
		<u>\$ -</u>		<u>\$ 1,821,210</u>

### Unsecured borrowings

Bank lines of credit	0.30-0.48	<u>\$ 1,430,417</u>	-	<u>\$ -</u>
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The secured borrowings of CTBC Bank Co., Ltd. are secured and guaranteed by the Company to NTCJ. According to the contract, the Company is required to maintain specific financial covenants, including current ratio, debt ratio and total equity shall not be less than a specific amount every half year. Additionally, the principal and interest coverage ratio should be also maintained every half year. The computations of financial ratios mentioned above will be based on the audited (reviewed) consolidated financial statements.

### b. Long-term borrowings

			<u>December 31</u>	
	<b>Period</b>	<b>Interest Rate</b>	<b>2021</b>	<b>2020</b>
<u>Secured borrowings</u>				
Bank of Taiwan syndicated loan (IV)	2016.08.15-2021.12.29	1.79%-1.81%	\$ -	\$ 5,000,000
Bank of Taiwan syndicated loan (V)	2019.01.14-2026.09.19	1.89%	7,850,000	7,050,000
<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	1,000,000
Government grants (Note 27)	2020.12.28-2028.11.15	0.50%-0.70%	<u>5,131,600</u>	<u>1,000,000</u>
			14,481,600	14,550,000
Less: Current portion			(785,000)	(5,000,000)
Less: Syndication agreement management fee			(74,250)	(108,327)
Less: Government loan discount (Note 27)			<u>(273,485)</u>	<u>(59,828)</u>
			\$ 13,348,865	\$ 9,381,845

#### 1) 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 NT\$10 billion and NT\$2 billion, respectively; and the total line of credit amounted to NT\$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. On October 25, 2021, the loan had been repaid in advance.

- c) Refer to Note 13 to the consolidated financial statements for collateral on bank borrowings.
  - d) 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. The computations of financial ratios mentioned above are done based on the audited (reviewed) consolidated financial statements.
- 2) 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 NT\$42 billion. The principal will be repaid every six months from September 19, 2022 until maturity.
  - b) Refer to Note 13 to the consolidated financial statements for collateral on bank borrowings.
  - c) The Company is required to maintain certain financial covenants, including current ratio, debt ratio and total 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 (reviewed) consolidated financial statements.
- 3) The proceeds of the unsecured borrowings from the Export-Import Bank of ROC were provided NTC for investing in Autotalks Ltd. and acquiring Panasonic Semiconductor Solutions., Co., Ltd.
- 4) On May 17, 2021, NTCJ signed a syndicated loan with CTBC and a group of financial institutions to pay outstanding debt and enrich operating capital, and the line of credit amounted to JPY30 billion. This syndicated loan have the Company as a joint guarantor and promise to maintain a certain operational control as stated in the agreement. Additionally, NTCJ and the Company is required to maintain certain financial covenants. The computations of financial ratios mentioned above are done based on the audited (reviewed) consolidated financial statements. As of December 31, 2021, the syndicated loan was undrawn.

## 18. BONDS PAYABLE

	December 31	
	2021	2020
Domestic secured bonds	\$ 9,956,086	\$ 9,943,848
Domestic unsecured bonds	-	1,207,820
	<u>\$ 9,956,086</u>	<u>\$ 11,151,668</u>

- 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 NT\$10 billion. 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 billion	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 to the consolidated financial statements for collateral of 12-inch Fab Manufacturing facilities on corporate bonds.

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

<b>Issuance Date</b>	<b>Period</b>	<b>Amount</b>	<b>Coupon Rate</b>	<b>Repayment and Interest Payment</b>
2020.05.20	7 years	\$2 billion	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 NT\$39.9 per share at the time of issuance. When meeting certain criteria, adjustments on the conversion price are made in accordance with the terms and conditions. Since NTC distributed cash dividends in August 2021, the conversion price should be adjusted according to the issuance and conversion measures, so the conversion price has been adjusted to NT\$38 since August 22, 2021. As of December 31, 2021, all convertible bonds were converted into ordinary shares.
- 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 NT\$9,095 thousand on December 31, 2020. Refer to Note 7 to the consolidated financial statements.
- 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% per annum on the initial recognition.

Proceeds from issuance (less transaction costs of NT\$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	(2,024,656)
Interest charged at an effective interest rate of 1.22%	<u>21,028</u>
Liability component at December 31, 2021	<u>\$ -</u>

## 19. PROVISION

	December 31	
	2021	2020
<u>Current</u>		
Decommissioning liabilities	\$ 532,948	\$ 612,281
Employee benefits	<u>-</u>	<u>316,438</u>
	<u>\$ 532,948</u>	<u>\$ 928,719</u>
<u>Non-current</u>		
Employee benefits	\$ 1,537,035	\$ 1,765,833
Warranties	775,861	776,497
Decommissioning liabilities	<u>653,679</u>	<u>750,983</u>
	<u>\$ 2,966,575</u>	<u>\$ 3,293,313</u>

	Decommissioning Liabilities	Employee Benefits	Warranties	Total
Balance at January 1, 2021	\$ 1,363,264	\$ 2,082,271	\$ 776,497	\$ 4,222,032
Additional provisions recognized	-	-	63,000	63,000
Amounts paid	-	(316,438)	-	(316,438)
Effects of foreign currency exchange differences	<u>(176,637)</u>	<u>(228,798)</u>	<u>(63,636)</u>	<u>(469,071)</u>
Balance at December 31, 2021	<u>\$ 1,186,627</u>	<u>\$ 1,537,035</u>	<u>\$ 775,861</u>	<u>\$ 3,499,523</u>

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, Germany, 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 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee of the Company. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension

fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The payables for employee turnover of 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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of the defined benefit obligation	\$ 4,500,536	\$ 4,578,390
Fair value of the plan assets	<u>(1,879,521)</u>	<u>(1,855,846)</u>
Net defined benefit liabilities, non-current	<u>\$ 2,621,015</u>	<u>\$ 2,722,544</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2021	<u>\$ 4,578,390</u>	<u>\$ (1,855,846)</u>	<u>\$ 2,722,544</u>
Service cost			
Current service cost	81,614	-	81,614
Net interest expense (income)	24,851	(15,026)	9,825
Others	<u>4,069</u>	<u>(777)</u>	<u>3,292</u>
Recognized in profit or loss	<u>110,534</u>	<u>(15,803)</u>	<u>94,731</u>
Remeasurement			
Actuarial (gain) loss			
- realized rate greater than the discounted rate	-	(18,019)	(18,019)
- changes in demographic assumptions	58,672	-	58,672
- changes in financial assumptions	(426)	(9,264)	(9,690)
- experience adjustments	<u>111,751</u>	<u>(26,150)</u>	<u>85,601</u>
Recognized in other comprehensive income	<u>169,997</u>	<u>(53,433)</u>	<u>116,564</u>
Contributions from the employer	-	(94,450)	(94,450)
Benefits paid	(142,879)	141,969	(910)
Settlements	(28,909)	-	(28,909)
Effect of exchange rate changes	<u>(186,597)</u>	<u>(1,958)</u>	<u>(188,555)</u>
Balance at December 31, 2021	<u>\$ 4,500,536</u>	<u>\$ (1,879,521)</u>	<u>\$ 2,621,015</u>

(Continued)



	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2020	<u>\$ 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> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating cost	\$ 17,522	\$ 21,389
Selling expenses	2,003	2,580
General and administrative expenses	6,007	21,743
Research and development expenses	<u>69,199</u>	<u>47,872</u>
	<u>\$ 94,731</u>	<u>\$ 93,584</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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rates	0.70%-2.80%	0.40%-2.50%
Expected rates of salary increase	1.00%-6.02%	1.00%-3.36%

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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rates		
0.25%-0.50% increase	<u>\$ (110,912)</u>	<u>\$ (112,244)</u>
0.25%-0.50% decrease	<u>\$ 121,286</u>	<u>\$ 122,541</u>
Expected rates of salary		
0.25%-0.50% increase	<u>\$ 115,435</u>	<u>\$ 117,629</u>
0.25%-0.50% decrease	<u>\$ (104,760)</u>	<u>\$ (107,581)</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.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
The expected contribution to the plan for the next year	<u>\$ 144,478</u>	<u>\$ 91,413</u>
The average duration of defined benefit obligation	8.04-12.15 years	7.51-12.21 years

## 21. EQUITY

### a. Share capital

#### Common stock

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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, 2021 and 2020, the balance of the Company's capital account amounted to NT\$39,800,002 thousand, divided into 3,980,000 thousand common shares with a par value of NT\$10.

b. Capital surplus

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<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	251,726	236,467
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><b>\$ 7,786,124</b></u>	<u><b>\$ 7,770,865</b></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 August 12, 2021 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 (the Company shall not issue dividends if the dividend is less than NT\$0.1), 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 (February 11, 2022), the appropriation of earnings for 2021 are not subjected.

The appropriations of earnings and the dividends per share for 2020 and 2019 were approved in the shareholders' meeting on August 12, 2021 and June 12, 2020, respectively, as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Year 2020</b>	<b>For Year 2019</b>	<b>For Year 2020</b>	<b>For Year 2019</b>
Legal reserve appropriated	\$ 161,253	\$ 115,226		
Cash dividends	<u>796,000</u>	<u>398,000</u>	\$ 0.2	\$ 0.1
	<u>\$ 957,253</u>	<u>\$ 513,226</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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (271,328)	\$ (119,246)
Exchange differences arising on translating the financial statements of foreign operations	<u>(590,061)</u>	<u>(152,082)</u>
Balance at December 31	<u>\$ (861,389)</u>	<u>\$ (271,328)</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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 8,141,510	\$ 5,009,928
Unrealized gains (losses) on revaluation of financial assets at FVTOCI	2,962,485	1,753,336
Share of unrealized gains (losses) on revaluation of financial assets at FVTOCI of associates accounted for using equity method	1,901,619	1,692,465
Disposal of investments in equity instruments designated at FVTOCI	<u>(94,258)</u>	<u>(314,219)</u>
Balance at December 31	<u>\$ 12,911,356</u>	<u>\$ 8,141,510</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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 5,143,568	\$ 2,836,565
Share attributable to non-controlling interests		
Profit for the year	1,405,479	215,024
Exchange differences on translation of foreign financial statements	(425,126)	(50,018)
Remeasurement of defined benefit plans	(23,613)	(12,987)
Unrealized gains (losses) on financial assets measured at FVTOCI	454,578	66,247
Cash dividends issued by subsidiaries to non-controlling interests	(148,788)	(132,665)
Changes in ownership interests in subsidiaries	<u>1,183,301</u>	<u>2,221,402</u>
Balance at December 31	<u>\$ 7,589,399</u>	<u>\$ 5,143,568</u>

## 22. REVENUE

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

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

	<b>For the Year Ended December 31, 2021</b>			
	<b>Classified as Operating Costs</b>	<b>Classified as Operating Expenses</b>	<b>Classified as Non-operating Income and Losses</b>	<b>Total</b>
Short-term employee benefits	<u>\$ 4,502,850</u>	<u>\$ 12,088,668</u>	<u>\$ -</u>	<u>\$ 16,591,518</u>
Post-employment benefits	<u>\$ 138,514</u>	<u>\$ 595,279</u>	<u>\$ -</u>	<u>\$ 733,793</u>
Depreciation	<u>\$ 9,789,579</u>	<u>\$ 1,411,539</u>	<u>\$ 160,866</u>	<u>\$ 11,361,984</u>
Amortization	<u>\$ 23,131</u>	<u>\$ 236,648</u>	<u>\$ 34,077</u>	<u>\$ 293,856</u>

	<b>For the Year Ended December 31, 2020</b>			
	<b>Classified as Operating Costs</b>	<b>Classified as Operating Expenses</b>	<b>Classified as Non-operating Income and Losses</b>	<b>Total</b>
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>

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. The remuneration of employees may be distributed in stock or cash upon resolution of the board of directors and reported to the shareholders' meeting. 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, 2021 and 2020, the employees' compensation and remuneration of directors were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amounts</b>	<b>Accrual Rate</b>	<b>Amounts</b>	<b>Accrual Rate</b>
Employees' compensation	<u>\$ 330,737</u>	2%	<u>\$ 27,831</u>	2%
Remuneration of directors	<u>\$ 165,369</u>	1%	<u>\$ 13,916</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 2020 and 2019 were approved by the Company's board of directors on March 16, 2021 and April 30, 2020, respectively, were as below:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Employees' compensation	<u>\$ 27,831</u>	<u>\$ 28,038</u>
Remuneration of directors	<u>\$ 13,916</u>	<u>\$ 14,019</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, 2020 and 2019.

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. SHARE-BASED PAYMENT ARRANGEMENTS

NTC's board of directors resolved to reserve 10% of the shares from the issuance of 80,000 thousand shares approved by the FSC on September 25, 2020 to be subscribed for by its employees. The number of shares subscribed for by the employees was affirmed on October 21, 2020. The fair value of such share options subscribed for by NTC's employees on the grant date was measured using the Black-Scholes Option Pricing Model and amounted to NT\$62,240 thousand which was recorded as compensation costs.

- a. For the year ended December 31, 2020, NTC's Share-based payments agreements was as follows:

Agreement	Grant Date	Number of Shares Grant	Vesting Conditions
Cash capital increase reserved for employee share options	2020.10.21	8,000 thousand shares	Vested immediately

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

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

## 25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Income tax recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current income tax expense		
Current tax expense	\$ 3,088,867	\$ 282,699
Adjustment for prior years	15,163	(93,740)
Deferred income tax		
Current tax expense	<u>118,938</u>	<u>104,406</u>
Income tax expense recognized in profit or loss	<u>\$ 3,222,968</u>	<u>\$ 293,365</u>



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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Income tax expense from continuing operations at the statutory rate	\$ 4,405,341	\$ 524,136
Tax effect of adjustment item		
Permanent differences	(533,465)	(36,002)
Others	<u>(180,071)</u>	<u>(30,029)</u>
Current income tax	3,691,805	458,105
Unrecognized loss carryforwards, investment credits and deductible temporary differences	(484,000)	(71,000)
Adjustment for prior years' income tax expense	<u>15,163</u>	<u>(93,740)</u>
Tax expense recognized in profit or loss	<u>\$ 3,222,968</u>	<u>\$ 293,365</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.

b. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax assets		
Tax refund receivables (Note 10)	<u>\$ 121,337</u>	<u>\$ 16,173</u>
Current tax liabilities		
Income tax payables	<u>\$ 2,704,871</u>	<u>\$ 252,309</u>

c. Deferred tax assets

As of December 31, 2021 and 2020, deferred income tax assets of NT\$774,072 thousand and NT\$908,560 thousand, respectively, were mainly generated from inventory write-downs for the decline in market value, obsolescence and scrap of inventories.

d. Deferred tax liabilities

As of December 31, 2021 and 2020, deferred income tax liabilities of NT\$36,583 thousand and NT\$52,132 thousand, respectively, were mainly generated from unrealized valuation gains or losses on financial assets at FVTOCI.

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 Company's tax returns through 2019 have been assessed and approved by the tax authorities.

## 26. EARNINGS PER SHARE

	For the Year Ended December 31					
	2021			2020		
	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 common shareholders	\$ 13,594,643	3,980,000	<u>\$ 3.42</u>	\$ 1,304,019	3,980,000	<u>\$ 0.33</u>
Effect of dilutive potential common share						
Employees' compensation	-	9,728		-	958	
Diluted earnings per share						
Net income attributed to common shareholders	<u>\$ 13,594,643</u>	<u>3,989,728</u>	<u>\$ 3.41</u>	<u>\$ 1,304,019</u>	<u>3,980,958</u>	<u>\$ 0.33</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.

## 27. GOVERNMENT GRANTS

As of December 31, 2021, the Company received government loan of NT\$5,131,600 thousand at a below-market rate of interest, which is 0.5%-0.7%. It will be used in purchase of machinery and equipments and turnovers of operating capital. The loan is repayable over a seven-year period. Using prevailing market interest rates for an equivalent loan of 1.79%-1.89%, the fair value of the loan was estimated at NT\$4,837,630 thousand on initial recognition. The difference of NT\$293,970 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. For the year ended December 31, 2021, the other income under government grants were amounts of NT\$20,485 thousand, and the interest expense under loans were amounts of NT\$30,607 thousand.

## 28. 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>\$ 8,432,481</u>
Miraxia Edge Technology Corporation ("METC", former "PIDST")	Software and hardware integration design of semiconductor	November 1, 2021	100	<u>\$ 357,898</u>

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

The Company acquired 100% ownership interest of METC (formerly PIDST) from the sub-subsidiary NTCJ, on November 1, 2021. The reorganization transaction was under common control, and is recognized as an equity transaction.

b. Consideration transferred

	<b>Panasonic Semiconductor Solutions Co., Ltd.</b>	<b>Miraxia Edge Technology Corporation</b>
Cash	\$ 8,358,041	\$ 357,898
Contingent consideration agreement (Note)	<u>74,440</u>	<u>-</u>
	<u><b>\$ 8,432,481</b></u>	<u><b>\$ 357,898</b></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 (September 1, 2020) to March 31, 2022, NTCJ is required to pay Panasonic Corporation the net profit based on ownership ratio.

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

	<b>Panasonic Semiconductor Solutions Co., Ltd.</b>	<b>Miraxia Edge Technology Corporation</b>
Current assets		
Cash and cash equivalents	\$ 1,102,882	\$ 298,304
Accounts receivable and other receivables	4,469,464	101,201
Inventories	4,613,102	39,835
Prepayments	216,082	6,147
Non-current assets		
Financial assets at fair value through other comprehensive income	960,800	-
Property, plant and equipment	6,241,162	6,146
Investment properties	2,503,591	-
Right-of-use assets	997,787	-
Intangible assets	83,046	14,728
Deferred income tax assets	103,259	65,349
Other non-current assets	<u>4,639</u>	<u>-</u>
Total assets	<u><b>\$ 21,295,814</b></u>	<u><b>\$ 531,710</b></u>

(Continued)

	<b>Panasonic Semiconductor Solutions Co., Ltd.</b>	<b>Miraxia Edge Technology Corporation</b>
Current liabilities		
Accounts payable and other payables	\$ 5,999,366	\$ 291,280
Current tax liabilities	86,320	17,717
Provisions - current	617,821	-
Lease liabilities - current	176,138	-
Other current liabilities	57,635	55,053
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>\$ 364,050</u>
Net assets	<u>\$ 8,593,092</u>	<u>\$ 167,660</u> (Concluded)

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. Bargain purchase gain recognized on acquisition and Equity transaction difference

	<b>Panasonic Semiconductor Solutions Co., Ltd.</b>
Fair value of identifiable net assets acquired	\$ 8,593,092
Less: Consideration transferred	<u>(8,432,481)</u>
Gain on the bargain purchase	<u>\$ 160,611</u>
	<b>Miraxia Edge Technology Corporation</b>
Fair value of identifiable net assets acquired	\$ 167,660
Less: Consideration transferred	<u>(357,898)</u>
Equity transaction difference	<u>\$ (190,238)</u>
<u>Equity transaction difference adjustment account</u>	
Investments accounted for using equity method - NTC	\$ 97,887
Capital surplus - changes in ownership interests in subsidiaries	<u>92,351</u>
Equity transaction difference	<u>\$ 190,238</u>

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

The company has completed to measure and allocate aforementioned assets and liabilities at carrying amount of METC held by the sub-subsidiary NTCJ on November 1, 2021, which was NT\$167,660 thousand. The equity transaction difference was recorded in the related accounts.

f. Net cash outflow on the acquisition of subsidiaries

	<b>Panasonic Semiconductor Solutions Co., Ltd.</b>
Consideration paid in cash	\$ 8,432,481
Less: Cash and cash equivalent balances acquired	<u>(1,102,882)</u>
	7,329,599
Acquisition price adjustment	
Investment payable	(74,440)
Business tax refund receivable	133,101
Other payable for contract (presented in provisions)	(316,438)
Effect of foreign currency exchange difference	<u>(7,324)</u>
	<u>\$ 7,064,498</u>
	<b>Miraxia Edge Technology Corporation</b>
Consideration paid in cash	<u>\$ 357,898</u>

g. Impact of acquisitions on the results of the Group

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

	<b>Panasonic Semiconductor Solutions Co., Ltd.</b>
Revenue	<u>\$ 8,993,175</u>
Net loss	<u>\$ (460,607)</u>

Because of NTC's acquisition on September 1, 2020 includes equipment and inventory related to semiconductor business of PSCSZ and assets and liabilities of PIDSCA, rather than a stand-alone entity, it is impractical to disclose the pro-forma revenue and the pro-forma profit.

## 29. 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.

### 30. 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 FVTPL and FVTOCI were all measured based on Level 3. Fair values of the above equity instruments were determined using discounted cash flow of income approach and 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, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Financial liabilities measured at				
amortized cost				
Bonds payable (secured)	\$ -	\$ 9,956,086	\$ -	\$ 9,956,086

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
Bonds payable (unsecured)	<u>1,483,908</u>	<u>-</u>	<u>-</u>	<u>1,483,908</u>
	<u>\$ 1,483,908</u>	<u>\$ 9,943,848</u>	<u>\$ -</u>	<u>\$ 11,427,756</u>

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

Fair value hierarchy as at December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
<u>Financial assets at FVTPL</u>				
Derivative financial assets (not under hedge accounting)	\$ -	\$ 51,688	\$ 69,200	\$ 120,888
Non-derivative financial assets	<u>108,700</u>	<u>-</u>	<u>55,360</u>	<u>164,060</u>
	<u>\$ 108,700</u>	<u>\$ 51,688</u>	<u>\$ 124,560</u>	<u>\$ 284,948</u>
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 11,235,587	\$ -	\$ -	\$ 11,235,587
Domestic and overseas unlisted securities	<u>-</u>	<u>21,010</u>	<u>3,202,742</u>	<u>3,223,752</u>
	<u>\$ 11,235,587</u>	<u>\$ 21,010</u>	<u>\$ 3,202,742</u>	<u>\$ 14,459,339</u>

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)	<u>\$ -</u>	<u>\$ 51,603</u>	<u>\$ -</u>	<u>\$ 51,603</u>
<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	<u>-</u>	<u>17,970</u>	<u>1,908,328</u>	<u>1,926,298</u>
	<u>\$ 9,150,916</u>	<u>\$ 17,970</u>	<u>\$ 1,908,328</u>	<u>\$ 11,077,214</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities (not under hedge accounting)	\$ -	\$ 3,191	\$ -	\$ 3,191 (Concluded)

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

The financial assets measured at Level 3 fair value were non-derivative financial assets classified as financial assets at FVTPL and equity investments classified as financial assets at FVTOCI. Reconciliations for the year ended December 31, 2021 and 2020 were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at January 1	\$ 1,908,328	\$ 1,423,311
Acquisitions through business combinations	-	456,711
Additions	289,439	262,016
Disposals	-	(209,321)
Proceeds from capital reduction of investment	(4,500)	(14,119)
Recognized in other comprehensive income	1,146,473	(2,224)
Recognized in profit or loss	(563)	-
Effect of exchange rate changes	(11,875)	(7,452)
Balance at December 31	<u>\$ 3,327,302</u>	<u>\$ 1,908,328</u>

b. Categories of financial instruments

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

	<u>December 31</u>			
	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Measured at amortized cost				
Cash and cash equivalents	\$ 30,914,427	\$ 30,914,427	\$ 11,744,306	\$ 11,744,306
Notes and accounts receivable (included related parties)	12,154,855	12,154,855	9,785,138	9,785,138
Other receivables	1,267,026	1,267,026	1,973,584	1,973,584
Refundable deposits (recorded in other non-current assets)	529,290	529,290	972,089	972,089
Financial assets at fair value through profit or loss (current and non-current)	284,948	284,948	51,603	51,603
Financial assets at fair value through other comprehensive income (current and non-current)	14,459,339	14,459,339	11,077,214	11,077,214

(Continued)



	December 31			
	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Measured at amortized cost				
Short-term borrowings	\$ 1,430,317	\$ 1,430,317	\$ 1,821,210	\$ 1,821,210
Notes and accounts payable (included related parties)	7,600,734	7,600,734	8,237,432	8,237,432
Payable on equipment and other payables	14,409,181	14,409,181	8,321,413	8,321,413
Bonds payable	9,956,086	9,956,086	11,151,668	11,427,756
Long-term borrowings (included current portion)	14,481,600	14,481,600	14,550,000	14,550,000
Guarantee deposits (recorded in other non-current liabilities)	2,072,448	2,072,448	90,248	90,248
Financial liabilities at fair value through profit or loss	-	-	3,191	3,191
				(Concluded)

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 NT\$65,082 thousand and NT\$44,645 thousand for the years ended December 31, 2021 and 2020, respectively. For a 1% weakening of New Taiwan dollars against EURO, there would be impact on net income decrease in the amounts of NT\$15,043 thousand and NT\$283 thousand for the years ended December 31, 2021 and 2020, 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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash flow interest rate risk		
Financial assets	\$ 8,413	\$ 7,749
Financial liabilities	15,699,041	16,371,210

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 NT\$156,906 thousand and NT\$145,423 thousand for the years ended December 31, 2021 and 2020, 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:

	<b>December 31, 2021</b>			
	<b>Within 1 Year</b>	<b>1-2 Years</b>	<b>Over 2 Years</b>	<b>Total</b>
Non-interest bearing	\$ 22,009,915	\$ 2,072,448	\$ -	\$ 24,082,363
Lease liabilities	371,754	315,888	2,724,737	3,412,379
Variable interest rate liabilities	2,002,441	1,570,000	12,126,600	15,699,041
Fixed interest rate liabilities	<u>212,976</u>	<u>-</u>	<u>10,000,000</u>	<u>10,212,976</u>
	<u>\$ 24,597,086</u>	<u>\$ 3,958,336</u>	<u>\$ 24,851,337</u>	<u>\$ 53,406,759</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 2 Years</b>	<b>2-5 Years</b>	<b>Over 5 Years</b>
Lease liabilities	<u>\$ 687,642</u>	<u>\$ 703,017</u>	<u>\$ 2,021,720</u>

	<b>December 31, 2020</b>			
	<b>Within 1 Year</b>	<b>1-2 Years</b>	<b>Over 2 Years</b>	<b>Total</b>
Non-interest bearing	\$ 16,558,845	\$ 90,248	\$ -	\$ 16,649,093
Lease liabilities	443,531	388,324	3,186,034	4,017,889
Variable interest rate liabilities	6,821,210	705,000	8,845,000	16,371,210
Fixed interest rate liabilities	<u>-</u>	<u>-</u>	<u>11,305,480</u>	<u>11,305,480</u>
	<u>\$ 23,823,586</u>	<u>\$ 1,183,572</u>	<u>\$ 23,336,514</u>	<u>\$ 48,343,672</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 2 Years</b>	<b>2-5 Years</b>	<b>Over 5 Years</b>
Lease liabilities	<u>\$ 831,855</u>	<u>\$ 859,929</u>	<u>\$ 2,326,105</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, 2021

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

December 31, 2020

<b>Counterparty</b>	<b>Receivables Factoring Proceeds</b>	<b>Advances Received - Unused</b>	<b>Advances Received - Used</b>	<b>Annual Interest Rates on Advances Received (Used) (%)</b>
Sumitomo Mitsui Banking Corporation	<u>\$ 230,449</u>	<u>\$ -</u>	<u>\$ 230,449</u>	<u>0.9</u>

Pursuant to the 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.

### 31. 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
Waltech Advanced Engineering (Suzhou) Ltd.	Related party in substance
TDC	Subsidiary (June 10, 2019 as the date of liquidation and completed the liquidation and legal procedures on April 1, 2021)

- b. Operating activities

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
1) Operating revenue		
Related party in substance	<u>\$ 4,040,351</u>	<u>\$ 300,890</u>
2) Purchases of goods		
Related party in substance		
TPSCo.	<u>\$ 6,319,062</u>	<u>\$ 2,101,947</u>
Others	<u>111,089</u>	<u>-</u>
	<u>\$ 6,430,151</u>	<u>\$ 2,101,947</u>
3) Manufacturing expenses		
Related party in substance		
Walton Advanced Engineering Inc.	<u>\$ 3,256,561</u>	<u>\$ 3,223,498</u>
Others	<u>2,970,167</u>	<u>1,269,220</u>
	<u>\$ 6,226,728</u>	<u>\$ 4,492,718</u>
4) Operating expenses		
Related party in substance	<u>\$ 407,834</u>	<u>\$ 201,521</u>
Investor that exercises significant influence over the Group	<u>13,788</u>	<u>12,146</u>
	<u>\$ 421,622</u>	<u>\$ 213,667</u>

(Continued)

		<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>
5) Dividend income			
Investor that exercises significant influence over the Group			
Walsin Lihwa Corporation	\$	199,800	\$ 112,351
Related party in substance			
HannStar Display Corporation		75,000	-
United Industrial Gases Co., Ltd.		62,000	64,394
Walsin Technology Corporation		51,707	47,301
Others		<u>15,788</u>	<u>3,436</u>
	\$	<u>404,295</u>	<u>227,482</u>
6) Other income			
Related party in substance	\$	1,097	\$ 2,345
Associate		<u>64</u>	<u>72</u>
	\$	<u>1,161</u>	<u>2,417</u>
			(Concluded)
		<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
7) Accounts receivable due from related parties			
Related party in substance	\$	<u>639,262</u>	<u>77,760</u>
8) Accounts payable due to related parties			
Related party in substance			
Walton Advanced Engineering Inc.	\$	814,340	\$ 782,278
Others		<u>529,855</u>	<u>883,725</u>
	\$	<u>1,344,195</u>	<u>1,666,003</u>
9) Other receivables and other current assets			
Related party in substance			
TPSCo.	\$	262,957	\$ 255,453
Others		4,396	-
Subsidiary		<u>-</u>	<u>16,552</u>
	\$	<u>267,353</u>	<u>272,005</u>
10) Other payables			
Related party in substance	\$	217,462	\$ 77,738
Investor that exercises significant influence over the Group		<u>4</u>	<u>-</u>
	\$	<u>217,466</u>	<u>77,738</u>
			(Continued)

		<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
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>
12) Guarantee deposits (recorded as “other non-current liabilities”)			
Related party in substance			
Nyquest Technology Co., Ltd.		<u>\$ 225,869</u>	<u>\$ -</u>
			(Concluded)

The Group’s transactions with the related party were conducted under normal terms.

c. Acquisition of property, plant and equipment

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

d. Disposal of property, plant and equipment

		<b>Disposal Price</b>		<b>Gain (Loss) on Disposal</b>	
		<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Related party in substance					
Waltech Advanced					
Engineering (Suzhou) Ltd.	\$ 886,862	\$ -	\$ 144,679	\$ -	
Others	<u>628</u>	<u>-</u>	<u>595</u>	<u>-</u>	
	<u>\$ 887,490</u>	<u>\$ -</u>	<u>\$ 145,274</u>	<u>\$ -</u>	

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

e. Lease arrangements

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
1) Acquisition of right-of-use assets		
Related party in substance	\$ <u>1,350</u>	\$ <u>-</u>
2) Lease liabilities		
Related party in substance	\$ 11,993	\$ 22,450
Investor that exercises significant influence over the Group	<u>-</u>	<u>2,642</u>
	<u>\$ 11,993</u>	<u>\$ 25,092</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
3) Interest expense		
Related party in substance	\$ 273	\$ 438
Investor that exercises significant influence over the Group	<u>20</u>	<u>59</u>
	<u>\$ 293</u>	<u>\$ 497</u>

f. Sublease arrangements

Lease arrangements - sublease arrangement under operating leases

On September 1, 2020, NTC subleased its right-of-use asset to TPSCo. under operating lease with lease term of 12 years, and the rental is based on similar asset's market rental rates and fixed lease payments are received monthly.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
1) Operating lease receivables		
Related party in substance TPSCo.	\$ <u>20,459</u>	\$ <u>23,504</u>
2) Future lease payment receivables		
Related party in substance TPSCo.	\$ <u>1,607,021</u>	\$ <u>1,635,005</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
3) Lease income		
Related party in substance TPSCo.	\$ <u>237,011</u>	\$ <u>85,353</u>

g. Guarantee

The chairman of NTC is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Refer to Note 14 to the consolidated financial statements.

h. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employment benefits	\$ 619,221	\$ 281,462
Post-employment benefits	25,570	47,590
Compensation costs of employee share options	<u>-</u>	<u>2,957</u>
	<u>\$ 644,791</u>	<u>\$ 332,009</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.

### 32. PLEDGED AND COLLATERALIZED ASSETS

Refer to Notes 6, 13 and 15 to the consolidated financial statements.

### 33. 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, 2021 and 2020 were approximately US\$75,493 thousand and US\$5,535 thousand, JPY310,190 thousand and JPY246,613 thousand and EUR550 thousand and EUR0 thousand, respectively.

- b. Signed construction contract

	<b>Total Contract Price</b>	<b>Payment as of December 31, 2021</b>
TASA Construction Corporation	<u>\$ 8,829,621</u>	<u>\$ 8,263,896</u>

- c. L Company filed a complaint in the U.S. District Court for the District of Delaware on April 29, 2021. The plaintiff alleged that NTCA (and NTCA only) infringes one of its patents. On June 22, 2021, NTCA signed the authorization and settlement agreement. According to the agreement, L Company then withdrew the complaint in the U.S. District Court for the District of Delaware on June 30, 2021.
- d. 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 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 plaintiff applied to withdraw the complaint against NTC in the Court on June 29, 2021, and applied to withdraw the complaint against NTCA in the Court on July 7, 2021. The court has accepted the apply and issued a Dismissal Order.



- e. N Company filed a complaint in the U.S. District Court for the District of Delaware on November 24, 2021. The plaintiff alleged that NTCA (and NTCA only) infringes one of its patents. NTC has evaluated that there is no significant impact of this case on its business and finances, and will conduct related litigation matters in accordance with the procedures established by the court.

### 34. OTHER ITEMS

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 has evaluated that there is no significant impact on the overall business operation and financial position of the Group. There are no concerns about the ability of the Group to going concern, assets impairment and fund-raising risks.

### 35. 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					
	2021			2020		
	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	\$ 449,183	27.68	\$12,433,390	\$ 269,426	28.48	\$ 7,673,245
USD	35,252	115.09	975,769	24,365	103.08	693,912
		(Note 2)			(Note 2)	
EUR	1,424	31.32	44,594	2,342	35.02	82,028
JPY	2,165,741	0.2405	520,861	1,570,680	0.2763	433,979
RMB	126,013	4.344	547,400	82,515	4.377	361,168
ILS	9,584	8.8912	85,210	23,042	8.8712	204,409
<u>Financial liabilities</u>						
Monetary items						
USD	214,994	27.68	5,951,028	110,623	28.48	3,150,531
USD	30,482	115.09	843,735	14,973	103.08	426,430
		(Note 2)			(Note 2)	
EUR	49,260	31.32	1,542,839	2,803	35.02	98,166
JPY	3,844,180	0.2405	924,525	1,444,374	0.2763	399,080
ILS	22,798	8.8912	202,702	21,479	8.8712	190,547

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.

Refer to the consolidated statements of comprehensive income for the total of realized and unrealized net foreign exchange gains (losses) for the years ended December 31, 2021 and 2020, 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.

### 36. ADDITIONAL DISCLOSURE

a. Following are the additional disclosures for material transactions:

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

b. Information on investments: Refer to Table 7 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 8
2)	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.  a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.  b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.  c) The amount of property transactions and the amount of the resultant gains or losses.  d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.  e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.  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.	Table 8

d. Information on major shareholders: Refer to Table 10 attached.

### 37. 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.

	<b>Segment Revenue</b>		<b>Segment Profit and Loss</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
DRAM IC product	\$ 26,386,578	\$ 17,458,114	\$ 8,143,308	\$ (602,590)
Flash Memory product	31,895,039	22,747,656	13,516,475	5,421,058
Logic IC product	<u>41,086,910</u>	<u>20,477,170</u>	<u>7,647,126</u>	<u>2,372,378</u>
Total of segment revenue	99,368,527	60,682,940	29,306,909	7,190,846
Other revenue	<u>201,397</u>	<u>231</u>	201,397	231
Operating revenue	<u>\$ 99,569,924</u>	<u>\$ 60,683,171</u>		
Unallocated expenditure				
Administrative and				
supporting expenses			(6,044,264)	(3,170,173)
Sales and other common				
expenses			<u>(5,036,120)</u>	<u>(2,393,613)</u>
Income from operations			<u>18,427,922</u>	<u>1,627,291</u>

(Continued)

	<b>Segment Profit and Loss</b>	
	<b>For the Year Ended</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Non-operating income and expenses		
Interest income	\$ 58,948	\$ 47,015
Dividend income	404,585	227,534
Gain from bargain purchase	-	218,968
Other income	477,608	254,482
Share of profit (loss) of associates	197,908	62,556
Gains (losses) on disposal of property, plant and equipment	174,642	44,334
Gains (losses) on disposal of intangible assets	(4,803)	-
Gains (losses) on disposal of investments	(436)	(16,146)
Gains (losses) on disposal of non-current held for sale assets	30,371	27,674
Gains (losses) on foreign exchange	(106,710)	(130,651)
Gains (losses) on financial instruments at fair value through profit or loss	64,345	110,312
Interest expense	(205,883)	(296,470)
Other expenses	(512,458)	(251,686)
Impairment loss recognized on property, plant and equipment	(782,949)	-
Impairment loss recognized on intangible assets	-	(112,805)
Income before income tax	<u>\$ 18,223,090</u>	<u>\$ 1,812,408</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.

	<b>Revenue from</b>			
	<b>External Customers</b>			
	<b>For the Year Ended</b>		<b>Non-current Assets</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Asia	\$ 92,987,128	\$ 56,770,463	\$ 66,879,643	\$ 67,882,414
Americas	3,779,368	2,203,356	189,773	243,925
Europe	2,545,900	1,594,040	-	-
Others	<u>257,528</u>	<u>115,312</u>	<u>-</u>	<u>-</u>
	<u>\$ 99,569,924</u>	<u>\$ 60,683,171</u>	<u>\$ 67,069,416</u>	<u>\$ 68,126,339</u>

d. Major customer information

For the years ended December 31, 2021 and 2020, the Group's operating revenue were NT\$99,569,924 thousand and NT\$60,683,171 thousand and single customer contacting 10% or more to the Group's operating revenue were NT\$13,524,520 thousand and NT\$5,842,435 thousand, respectively. For the years ended December 31, 2021 and 2020, there was no other individual customer exceeded 10% of the Group's operating revenue.

TABLE I

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

No.	Endorser/Guarantor	Endorsee/Guaranteee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	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	NTC's indirect subsidiary with 100% ownership	\$ 16,442,318 (Note 1)	\$ 11,080,076 (JPY 46,071,000) (Note 3)	\$ 11,080,076 (JPY 46,071,000) (Note 3)	\$ - (Note 3)	\$ -	13.44	\$ 41,222,057 (Note 5)	Y	N	N	
1	NTC	NTCJ	Subsidiary	15,554,690 (Note 2)	2,411,350 (JPY 8,300,000) and (USD 15,000) (Note 4)	1,413,275 (JPY 4,150,000) and (USD 15,000) (Note 4)	159,306 (JPY 662,000) and (USD 3) (Note 4)	-	9.09	15,554,690 (Note 6)	Y	N	N	
1	NTC	NTSH	Subsidiary	15,554,690 (Note 2)	2,302,320 (RMB 550,000) (Note 4)	- (Note 4)	-	-	-	15,554,690 (Note 6)	Y	N	Y	

Note 1: WEC's maximum amount endorsed are limited to 30% 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 latest financial statements of NTC.

TABLE 2

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	
WEC	Shares 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	\$ 5,883,000	6	\$ 5,883,000
	Hamstar Display Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	150,000,210	2,715,004	5	2,715,004
	Walsin Technology Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	8,600,117	1,436,219	2	1,436,219
	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	943,681	10	943,681
	Shares His Chu Golf Country Club	None	Non-current financial assets at fair value through other comprehensive income	3	11,910	-	11,910
WECA	Linkou Golf Course	"	"	1	9,100	-	9,100
	Intellectual Property Innovation Corporation	"	"	1,000,000	7,963	10	7,963
	Harbinger III Venture Capital Corp.	WEC as the investee's supervisor	"	5,440	113	5	113
	Smart Catch International Co., Ltd.	None	"	4,000,000	-	16	-
	Shares Kneron Holding Company	None	Current financial assets at fair value through profit or loss	377,808	USD 2,000	1	USD 2,000
WECJ	Funds Vanguard Short-Term Corporate Bond ETF (VCSH)	None	Current financial assets at fair value through profit or loss	24,000	USD 1,950	-	USD 1,950
	iShares National Muni Bond ETF (MUB)	"	"	17,000	USD 1,977	-	USD 1,977
	JVP VIII, L.P.	"	Non-current financial assets at fair value through other comprehensive income	-	USD 17,849	7	USD 17,849
	JVP X Funds	"	"	-	USD 9,789	4	USD 9,789
	Shares Nihon Computer Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	10	JPY -	1	JPY -

(Continued)

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

Note 1: Under the business combination arrangement, if TPSCo. turns net profit during the period of the effective date of the acquisition (September 1, 2020) to March 31, 2022, NTCJ is required to pay Panasonic Corporation the net profit based on ownership share. Thus, NTCJ has no significant influence over TPSCo. during the period of the effective date of the acquisition to March 31, 2022. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income.

Note 2: Refer to Tables 7 and 8 for information of investment in subsidiaries, investments in associates and investment in Mainland China.

(Concluded)



TABLE 3

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Shares	Disposal		Ending Balance	
					Shares	Amount	Shares	Amount		Amount	Gain (Loss) on Disposal	Shares	Amount
WEC	Miraxia Edge Technology Corporation	Investments accounted for using equity method	NTCJ	Sub-subsidiary	-	\$ -	4,000	\$ 357,898 (Note 1) Investments accounted for using equity method - NTC (97,887) Capital surplus - changes in ownership interests in subsidiaries (92,351) Investment income or loss 3,837 Cumulative translation adjustments (2,979)	-	\$ -	\$ -	4,000	\$ 168,518
NTCJ	Miraxia Edge Technology Corporation	Investments accounted for using equity method	WEC	Parent	4,000	313,282	-	Investment income or loss 109,206 Cash dividends paid (216,893) Cumulative translation adjustments (37,935)	4,000	357,898 JPY(1,462,000)	Disposal income or loss - Capital surplus adjustments 190,238	-	-

Note 1: The acquisition of 100% ownership of METC from NTCJ was approved by WEC's board meeting on September 23, 2021. The acquisition date was set on November 1, 2021.

TABLE 4

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Company Name	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	Amount			
WEC	Buildings	2021.01.21-2021.10.22	\$ 1,586,619	Monthly settlement by the construction progress and acceptance	Exyte Taiwan Co., Ltd.	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2021.01.21-2021.12.18	954,331	Monthly settlement by the construction progress and acceptance	L&K Engineering Co., LTD.	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2021.01.21-2021.12.18	552,756	Monthly settlement by the construction progress and acceptance	TASA Construction Corporation	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2021.02.08-2021.12.22	404,755	Monthly settlement by the construction progress and acceptance	Marketech International Corporation	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2021.04.01-2021.11.02	335,913	Monthly settlement by the construction progress and acceptance	Confederate Technology Co., Ltd.	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2021.05.24-2021.09.10	314,093	Monthly settlement by the construction progress and acceptance	Mega Union Technology Incorporated	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None

TABLE 5

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(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	\$ 9,936,348	17	Net 90 days from invoice date	N/A	N/A	\$ 840,586	11
	WECJ	Indirect subsidiary with 100% ownership	Sales	5,884,031	10	Net 90 days from invoice date	N/A	N/A	703,787	9
	WECN	Indirect subsidiary with 100% ownership	Sales	4,022,285	7	Net 90 days from invoice date	N/A	N/A	58,397	1
	WECA	Indirect subsidiary with 100% ownership	Sales	1,611,534	3	Net 90 days from invoice date	N/A	N/A	303,816	4
	NTC	Direct subsidiary with 51% ownership	Sales	368,050	1	Net 30 days from invoice date	N/A	N/A	36,222	-
WEHK	WEC	Parent company	Purchases	USD 355,379	100	Net 90 days from invoice date	N/A	N/A	USD (30,368)	(100)
WECJ	WEC	Parent company	Purchases	JPY 23,153,263	99	Net 90 days from invoice date	N/A	N/A	JPY (2,924,514)	(98)
WECN	WEC	Parent company	Purchases	RMB 932,288	100	Net 90 days from invoice date	N/A	N/A	RMB (13,443)	(100)
WECA	WEC	Parent company	Purchases	USD 57,801	100	Net 90 days from invoice date	N/A	N/A	USD (10,985)	(99)
NTC	WEC	Parent company	Purchases	368,505	8	Net 30 days from invoice date	N/A	N/A	(36,060)	(2)
NTC	NTHK	NTC's direct subsidiary with 100% ownership	Sales	5,223,300	40	Net 90 days from invoice date	N/A	N/A	36,138	3
NTC	Nyquest Technology Co., Ltd.	Related party in substance	Sales	264,399	2	Net 45 days from invoice date	N/A	N/A	52,397	4
NTCJ	NTC	Parent company	Sales	USD 10,527	1	Net 15 days end of the month	N/A	N/A	JPY 287,475	3
NTC	NTCJ	NTC's indirect subsidiary with 100% ownership	Purchases	292,813	6	Net 15 days end of the month	N/A	N/A	(71,813)	(4)
NTHK	NTC	Parent company	Purchases	USD 187,021	100	Net 90 days from invoice date	N/A	N/A	USD (1,306)	(100)
NTSPL	NTCJ	NTC's indirect subsidiary with 100% ownership	Sales	USD 105,641	34	Net 10 days end of the month	N/A	N/A	USD 12,322	43
NTCJ	NTSPL	NTC's direct subsidiary with 100% ownership	Purchases	JPY 11,336,071	25	Net 10 days end of the month	N/A	N/A	JPY (1,418,194)	(10)
	NTSPL	NTC's direct subsidiary with 100% ownership	Sales	JPY 21,243,879	23	Net 10 days end of the month	N/A	N/A	JPY 1,856,012	17

(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	
NTSPL	NTCJ	NTC's indirect subsidiary with 100% ownership	Purchases	USD 195,084	67	Net 10 days end of the month	N/A	N/A	USD (16,126)	(65)	
NTCJ	NTSH	NTC's indirect subsidiary with 100% ownership	Sales	JPY 4,168,163	5	Net 15 days end of the month	N/A	N/A	-	-	
NTSH	NTCJ	NTC's indirect subsidiary with 100% ownership	Purchases	JPY 4,168,163	100	Net 15 days end of the month	N/A	N/A	-	-	
	NTCJ	NTC's indirect subsidiary with 100% ownership	Sales	RMB 84,688	20	Net 15 days end of the month	N/A	N/A	-	-	
NTCJ	NTSH	NTC's direct subsidiary with 100% ownership	Purchases	RMB 84,688	3	Net 15 days end of the month	N/A	N/A	-	-	
	TPSCO. Waltech Advanced Engineering (Suzhou) Ltd.	Related party in substance Related party in substance	Purchases	JPY 24,707,241	55	Net 10 days end of the month	N/A	N/A	JPY (1,650,615)	(22)	
			Sales	JPY 12,925,853	14	Net 10 days end of the month	N/A	N/A	JPY 2,284,284	21	
NTSPL	Waltech Advanced Engineering (Suzhou) Ltd.	Related party in substance	Purchases	USD 3,984	1	Net 10 days end of the month	N/A	N/A	USD (537)	(2)	
NTSH	Waltech Advanced Engineering (Suzhou) Ltd.	Related party in substance	Sales	RMB 33,736	8	Net 15 days end of the month	N/A	N/A	-	-	

(Concluded)

TABLE 6

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
WEC	WEHK	Direct subsidiary with 100% ownership	\$ 840,586	13.03	-	-	\$ 523,422	\$ -
	WECE	Indirect subsidiary with 100% ownership	703,787	11.86	-	-	-	-
	WECA	Indirect subsidiary with 100% ownership	303,816	10.36	-	-	139,895	-
NTSPL	NTCJ	NTC's indirect subsidiary with 100% ownership	USD 12,322	10.84	-	-	USD 12,322	-
NTCI	NTSPL	NTC's direct subsidiary with 100% ownership	JPY 1,856,012	12.39	-	-	JPY 1,856,012	-
AMTC	NTCJ	NTC's indirect subsidiary with 100% ownership	JPY 577,004	7.02	-	-	JPY 577,004	-
NTIL	NTC	Direct subsidiary with 51% ownership	ILS 20,700	(Note)	-	-	ILS 20,700	-
NTCI	Waltech Advanced Engineering (Suzhou) Ltd.	Related party in substance	JPY 2,284,284	15.09	-	-	JPY 2,284,284	-
	TPSCo.	Related party in substance	JPY 1,093,377	(Note)	-	-	JPY 1,093,377	-

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

TABLE 7

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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, 2021  
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2021	December 31, 2020	Number of Shares	As of December 31, 2021 %	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
Winbond Electronics Corp.	Nuvoton Technology Corporation	Taiwan	Research, design, development, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	\$ 4,436,920	\$ 4,436,920	214,954,635	51.00	\$ 7,844,763	\$ 2,940,752	\$ 1,538,577	
	Winbond International Corporation	British Virgin Islands	Investment holding	2,758,517	2,758,517	87,960,000	100.00	1,666,124	49,679	49,679	
	Winbond Electronics (HK) Limited	Hong Kong	Sales of semiconductor and investment holding	278,158	278,158	71,150,000	100.00	435,975	164,093	164,088	
	Miraxia Edge Technology Corporation	Japan	Software and hardware integration design of semiconductor	167,660	-	4,000	100.00	168,518	113,043	3,837	(Note 1)
	Landmark Group Holdings Ltd.	British Virgin Islands	Investment holding	168,755	168,755	5,343,000	100.00	151,284	35,702	35,702	
	Great Target Development Ltd.	Seychelles	Investment holding	155,663	155,663	4,470,000	100.00	132,662	(653)	(653)	
	Callisto Holding Limited	Hong Kong	Electronic commerce and investment holding	156,292	156,292	40,000,000	100.00	103,563	(15,646)	(15,646)	
	Winbond Technology Ltd.	Israel	Design and service of semiconductor	21,242	21,242	100,000	100.00	62,301	12,176	12,176	
	Winbond Electronics Germany GmbH	Germany	Marketing service of semiconductor	28,679	28,679	850,000	100.00	23,791	508	508	
	Pine Capital Investment Limited	Hong Kong	Investment holding	2,967	2,967	780,000	100.00	2,903	(265)	(265)	
	Chin Xin Investment Co., Ltd.	Taiwan	Investment holding	1,874,825	1,874,825	182,840,999	38.00	8,257,867	528,594	199,232	
	Hwa Bao Botanic Conservation Corp.	Taiwan	Agriculture and forestry botanic conservation	30,000	30,000	3,000,000	15.00	28,596	(8,827)	(1,324)	
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	100.00	1,696,567	49,885	49,885	
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	100.00	162,662	93,780	93,780	
Callisto Holding Limited	Callisto Technology Limited	Hong Kong	Electronic commerce and investment holding	30,895	30,895	1,000,000	100.00	27,543	(196)	(196)	
				USD 1,000	USD 1,000			995	USD (7)	USD (7)	
Great Target Development Ltd.	GLMTD Technology Private Limited	India	Sales and service of semiconductor	135,415	135,415	27,998,400	99.99	103,082	(436)	(436)	
Nuvoton Technology Corporation	Nuvoton Electronics Technology (H.K.) Limited	Hong Kong	Sales of semiconductor	427,092	427,092	107,400,000	100.00	508,077	44,719	44,719	
	Marketplace Management Limited	British Virgin Islands	Investment holding	274,987	274,987	8,897,789	100.00	298,146	176,494	176,494	
	Nuvoton Investment Holding Ltd.	British Virgin Islands	Investment holding	590,953	590,953	17,960,000	100.00	360,342	56,889	56,889	
	Song Yong Investment Corporation	Taiwan	Investment holding	38,500	38,500	3,850,000	100.00	277,340	5,847	5,847	
	Nuvoton Technology India Private Limited	India	Design, sales and service of semiconductor	302,111	302,111	600,000	100.00	20,532	131	131	
	Nuvoton Technology Corporation America	United States of America	Design, sales and service of semiconductor	190,862	190,862	60,500	100.00	180,225	3,427	3,427	
	Nuvoton Technology Singapore Pte. Ltd.	Singapore	Design, sales and service of semiconductor	1,319,054	1,094,134	45,100,000	100.00	1,607,079	336,971	336,971	
	Nuvoton Technology Korea Limited	Korea	Design, sales and service of semiconductor	30,828	30,828	125,000	100.00	11,201	(15,029)	(15,029)	
	Nuvoton Technology Holdings Japan	Japan	Investment holding	5,927,849	5,941,896	100	100.00	6,370,802	323,476	81,815	(Note 2)
Marketplace Management Limited	Goldbond LLC	United States of America	Investment holding	1,473,559	1,472,903	-	100.00	297,599	176,817	176,817	
Nuvoton Investment Holding Ltd.	Nuvoton Technology Israel Ltd.	Israel	Design and service of semiconductor	46,905	46,905	1,000	100.00	361,619	56,985	56,985	
Nuvoton Technology Holdings Japan	Nuvoton Technology Corporation Japan	Japan	Design, sales and service of semiconductor	111,520	111,520	9,480	100.00	10,961,545	323,113	323,113	
Nuvoton Technology Corporation Japan	Miraxia Edge Technology Corporation	Japan	Design and service of semiconductor	-	55,760	-	-	-	113,043	109,206	(Note 1)
	Afields Manufacturing Technology Corporation	Japan	Design and service of semiconductor	55,760	55,760	4,000	100.00	278,266	137,018	137,018	

Note 1: The acquisition of 100% ownership of METC from NTCJ was approved by WEC's board meeting on September 23, 2021. The acquisition date was set on November 1, 2021.

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 8 for information on investment in mainland China.

TABLE 8

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(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, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
						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	-	\$ -	\$ 276,435 USD 9,000	\$ 54,195	100	\$ 54,195	\$ 374,943	\$ 35,880
NTC	Navotek Electronics Technology (Shanghai) Limited	Provide project of sale in China and repairing, testing and consulting of software and leasing business	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	-	-	68,036 USD 2,000	177,178	51	90,733	153,777	-
	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	-	-	16,429 USD 500	-	51	-	(1,533) (Note 2)	-
	Navotek 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	-	-	197,670 USD 6,000	8,805	51	4,509	110,968	-
NTSH	Song Zhi Electronics Technology (Suzhou)	Provide development, consult and equipment lease of semiconductor	8,688 CNY 2,000 (Note 3)	Through investing in NTSH in the third area, which then invested in the investee in mainland China indirectly	- (Note 3)	-	-	-	(582)	51	(298)	4,150	-

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

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

Note 3: NTSH directly injected the capital in Song Zhi 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, 2021	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)	\$	49,466,468
NTC	282,135 (USD8,500)	282,135 (USD8,500)		9,332,814

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

3. Refer to Table 5 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 9

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms	
0	WEC	WEHK WEHK WECA WECA 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 Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries	Operating revenue Accounts receivable due from related parties Operating revenue Operating expenses Accounts receivable due from related parties Other payables Operating revenue Accounts receivable due from related parties Operating expenses Operating revenue Operating revenue Operating revenue	\$ 9,936,348 840,586 1,611,534 551,736 303,816 108,197 5,884,031 703,787 290,510 317,431 4,022,285 368,050	- - - - - - - - - - - -	10 1 2 1 - - 6 - - - 4 -
1	NTC	NTHK NTIL NTIL NTCA	Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries	Operating revenue Operating expenses Other payables Operating expenses	5,223,300 989,897 184,048 290,515	- - - -	5 1 - -
2	NTCJ	NTSPL NTSPL	Transactions between subsidiaries Transactions between subsidiaries	Operating revenue Accounts receivable due from related parties	JPY 21,243,879 JPY 1,856,012	- -	5 -
3	NTSPL	NTCJ NTCJ	Transactions between subsidiaries Transactions between subsidiaries	Operating revenue Accounts receivable due from related parties	USD 105,641 USD 12,322	- -	3 -
4	NTSH	NTCJ	Transactions between subsidiaries	Operating revenue	RMB 84,688	-	-
5	AMTC	NTCJ NTCJ	Transactions between subsidiaries Transactions between subsidiaries	Other operating revenue Accounts receivable due from related parties	JPY 2,868,191 JPY 577,004	- -	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 NT\$100 million.



**TABLE 10****WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Walsin Lihwa Corporation	883,848,423	22.20
Chin Xin Investment Co., Ltd.	240,003,072	6.03

Note 1: Table 10 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, 2021 and 2020 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, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

We conducted our 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, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Occurrence of Sales Revenue**

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 facilities and temporary increase in credit facilities in 2021 as a key audit matter for the year ended December 31, 2021. Refer to Note 4 to the financial statements for the Company's revenue recognition policies.

Our audit procedures in response to the 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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 11, 2022

Notice to Readers

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

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

# WINBOND ELECTRONICS CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 20,226,289	16	\$ 4,818,337	5
Current financial assets at fair value through profit or loss (Notes 4 and 7)	50,057	-	38,380	-
Current financial assets at fair value through other comprehensive income (Notes 4 and 8)	10,977,904	9	8,802,794	9
Notes and accounts receivable, net (Notes 4 and 9)	5,556,897	4	3,828,445	4
Accounts receivable due from related parties, net (Note 26)	1,944,639	2	1,077,501	1
Other receivables	283,312	-	248,394	-
Inventories (Notes 4 and 10)	9,195,814	7	7,919,624	8
Other current assets	680,687	1	725,566	-
Total current assets	48,915,599	39	27,459,041	27
<b>NON-CURRENT ASSETS</b>				
Non-current financial assets at fair value through other comprehensive income (Notes 4 and 8)	29,086	-	18,077	-
Investments accounted for using equity method (Notes 4 and 11)	18,878,347	15	15,303,118	15
Property, plant and equipment (Notes 4 and 12)	55,352,300	44	54,399,180	55
Right-of-use assets (Notes 4 and 13)	1,558,921	1	1,650,011	2
Investment properties (Notes 4 and 14)	285,814	-	292,195	-
Intangible assets (Notes 4 and 15)	43,999	-	57,563	-
Deferred income tax assets (Notes 4 and 21)	445,000	1	518,000	1
Other non-current assets (Note 6)	435,513	-	356,115	-
Total non-current assets	77,028,980	61	72,594,259	73
<b>TOTAL</b>	<b>\$ 125,944,579</b>	<b>100</b>	<b>\$ 100,053,300</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 16)	\$ 1,430,417	1	\$ -	-
Notes payable	61,648	-	185,729	-
Accounts payable	3,520,195	3	3,362,133	4
Accounts payable due to related parties (Note 26)	913,581	1	877,960	1
Payables on machinery and equipment	4,393,748	3	2,066,672	2
Other payables	5,157,125	4	2,350,134	2
Current tax liabilities (Note 21)	2,256,788	2	-	-
Lease liabilities - current (Notes 4 and 13)	75,578	-	78,038	-
Long-term borrowings - current portion (Note 16)	785,000	1	5,000,000	5
Other current liabilities	93,942	-	71,353	-
Total current liabilities	18,688,022	15	13,992,019	14
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Notes 4 and 17)	9,956,086	8	9,943,848	10
Long-term borrowings (Notes 16 and 23)	11,848,865	9	7,881,845	8
Lease liabilities - non-current (Notes 4 and 13)	1,535,495	1	1,604,911	2
Net defined benefit liabilities, non-current (Notes 4 and 18)	944,555	1	929,544	1
Other non-current liabilities	527,443	1	252,014	-
Total non-current liabilities	24,812,444	20	20,612,162	21
<b>Total liabilities</b>	<b>43,500,466</b>	<b>35</b>	<b>34,604,181</b>	<b>35</b>
<b>EQUITY (Note 19)</b>				
Share capital	39,800,002	32	39,800,002	40
Capital surplus	7,786,124	6	7,770,865	8
Retained earnings				
Legal reserve	2,074,570	2	1,913,317	2
Unappropriated earnings	20,733,450	16	8,094,753	8
Exchange differences on translation of foreign financial statements	(861,389)	(1)	(271,328)	(1)
Unrealized gains on financial assets measured at fair value through other comprehensive income	12,911,356	10	8,141,510	8
Total equity	82,444,113	65	65,449,119	65
<b>TOTAL</b>	<b>\$ 125,944,579</b>	<b>100</b>	<b>\$ 100,053,300</b>	<b>100</b>

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

# WINBOND ELECTRONICS CORPORATION

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 57,532,802	100	\$ 39,649,875	100
OPERATING COSTS (Note 10)	<u>32,775,614</u>	<u>57</u>	<u>30,842,706</u>	<u>78</u>
GROSS PROFIT	<u>24,757,188</u>	<u>43</u>	<u>8,807,169</u>	<u>22</u>
OPERATING EXPENSES				
Selling expenses	1,200,719	2	866,694	2
General and administrative expenses	2,756,183	5	1,468,085	4
Research and development expenses	6,088,149	10	5,363,963	13
Expected credit loss (Note 9)	<u>34,000</u>	<u>-</u>	<u>17,844</u>	<u>-</u>
Total operating expenses	<u>10,079,051</u>	<u>17</u>	<u>7,716,586</u>	<u>19</u>
INCOME FROM OPERATIONS	<u>14,678,137</u>	<u>26</u>	<u>1,090,583</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	25,480	-	16,536	-
Dividend income	336,520	-	159,788	-
Other income	87,948	-	75,600	-
Share of profit (loss) of subsidiaries and associates	1,985,911	3	550,764	1
Gains (losses) on disposal of property, plant and equipment	41,973	-	6,097	-
Gains (losses) on disposal of non-current held for sale assets	30,371	-	27,674	-
Gains (losses) on financial instruments at fair value through profit or loss	48,733	-	76,346	-
Interest expense	(136,158)	-	(224,749)	(1)
Other expenses	(165,769)	-	(163,775)	-
Gains (losses) on disposal of investments	(436)	-	(16,146)	-
Gains (losses) on foreign exchange (Note 30)	(109,015)	-	(136,087)	-
Impairment loss recognized on property, plant and equipment (Note 12)	(782,949)	(1)	-	-
Impairment loss recognized on intangible assets (Note 15)	<u>-</u>	<u>-</u>	<u>(112,805)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,362,609</u>	<u>2</u>	<u>259,243</u>	<u>-</u>
INCOME BEFORE INCOME TAX	16,040,746	28	1,349,826	3
INCOME TAX EXPENSE (Notes 4 and 21)	<u>2,446,103</u>	<u>4</u>	<u>45,807</u>	<u>-</u>
NET INCOME	<u>13,594,643</u>	<u>24</u>	<u>1,304,019</u>	<u>3</u>

(Continued)

# WINBOND ELECTRONICS CORPORATION

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

	2021		2020	
	Amount	%	Amount	%
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)	\$ (51,661)	-	\$ 10,891	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive loss	2,176,120	4	1,608,878	4
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	2,646,694	4	1,820,322	5
Components of other comprehensive income (loss) that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	(22,955)	-	(30,052)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	<u>(567,106)</u>	<u>(1)</u>	<u>(122,030)</u>	<u>-</u>
Other comprehensive income (loss)	<u>4,181,092</u>	<u>7</u>	<u>3,288,009</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 17,775,735</u>	<u>31</u>	<u>\$ 4,592,028</u>	<u>12</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 3.42</u>		<u>\$ 0.33</u>	
Diluted	<u>\$ 3.41</u>		<u>\$ 0.33</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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus	Retained Earnings		Other Equity		
			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, 2020	\$ 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	-	-	-	-	-	-	-
Total appropriations	-	-	115,226	(513,226)	-	-	(398,000)
Net income 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
Appropriation of 2020 earnings	-	-	161,253	(161,253)	-	-	-
Legal reserve appropriated	-	-	-	(796,000)	-	-	(796,000)
Cash dividends	-	-	-	(957,253)	-	-	(796,000)
Total appropriations	-	-	161,253	(957,253)	-	-	(796,000)
Net income for the year ended December 31, 2021	-	-	-	13,594,643	-	-	13,594,643
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	(92,951)	(590,061)	4,864,104	4,181,092
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	13,501,692	(590,061)	4,864,104	17,775,735
Changes in ownership interest in subsidiaries	-	15,259	-	-	-	-	15,259
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	94,258	-	(94,258)	-
BALANCE AT DECEMBER 31, 2021	\$ 39,800,002	\$ 7,786,124	\$ 2,074,570	\$ 20,733,450	\$ (861,389)	\$ 12,911,356	\$ 82,444,113

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

# WINBOND ELECTRONICS CORPORATION

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 16,040,746	\$ 1,349,826
Adjustments for:		
Depreciation expense	10,231,678	8,593,723
Amortization expense	53,712	51,065
Expected credit loss recognized on accounts receivable	34,000	17,844
(Gains) losses on financial assets or liabilities at fair value through profit or loss	(11,677)	31,044
Interest expense	136,158	224,749
Interest income	(25,480)	(16,536)
Dividend income	(336,520)	(159,788)
Share of (profit) loss of subsidiaries and associates	(1,985,911)	(550,764)
(Gains) losses on disposal of investments	436	16,146
(Gains) losses on disposal of property, plant and equipment	(41,973)	(6,097)
(Gains) losses on disposal of non-current held for sale assets	(30,371)	(27,674)
Impairment loss on property, plant and equipment	782,949	-
Impairment loss on intangible assets	-	112,805
Unrealized profit (loss) on the transactions with subsidiaries	93,720	5,754
(Gains) losses on other items	(15)	(1)
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	(1,762,452)	(906,000)
(Increase) decrease in accounts receivable due from related parties	(867,138)	399,812
(Increase) decrease in other receivables	(56,187)	(23,330)
(Increase) decrease in inventories	(1,276,190)	830,448
(Increase) decrease in other current assets	(204,647)	173,042
Increase (decrease) in notes payable	(124,081)	4,377
Increase (decrease) in accounts payable	158,062	(126,380)
Increase (decrease) in accounts payable due to related parties	35,621	(33,569)
Increase (decrease) in other payables	2,804,097	(60,900)
Increase (decrease) in other current liabilities	22,589	3
Increase (decrease) in other non-current liabilities	27,238	(14,967)
Cash flows generated by (used in) operations	23,698,364	9,884,632
Interest received	23,337	16,464
Dividends received	1,081,156	467,410
Interest paid	(374,197)	(388,527)
Income taxes paid	(109,456)	(1,391)
Net cash flows generated by (used in) operating activities	24,319,204	9,978,588

(Continued)

# WINBOND ELECTRONICS CORPORATION

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

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (10,000)	\$ (457,202)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	435,785
Acquisition of investments accounted for using the equity method	(357,898)	(1,471,822)
Proceeds from capital reduction of investments accounted for using equity method	16,116	233,640
Acquisition of property, plant and equipment	(9,292,410)	(7,885,047)
Proceeds from disposal of property, plant and equipment	61,082	23,143
Acquisition of intangible assets	(6,070)	(62,764)
Acquisition of right-of-use assets	-	(6,971)
Acquisition of investment properties	(2,712)	(5,754)
Proceeds from disposal of non-current held for sale assets	279,897	542,845
(Increase) decrease in refundable deposits	<u>(81,309)</u>	<u>(7,195)</u>
Net cash flows generated by (used in) investing activities	<u>(9,393,304)</u>	<u>(8,661,342)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	1,430,417	(1,000,000)
Proceeds from long-term borrowings	4,931,600	3,800,000
Repayments of long-term borrowings	(5,000,000)	(4,247,040)
Cash dividends paid	(796,000)	(398,000)
Repayments of lease liabilities	<u>(83,965)</u>	<u>(78,835)</u>
Net cash flows generated by (used in) financing activities	<u>482,052</u>	<u>(1,923,875)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,407,952	(606,629)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,818,337</u>	<u>5,424,966</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 20,226,289</u>	<u>\$ 4,818,337</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, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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#### 1. GENERAL INFORMATION

Winbond Electronics Corporation (the “Company”) was incorporated in the Republic of China (ROC) in September 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, 2021 and 2020.

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 11, 2022.

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

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

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

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

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

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Company 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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

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

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

As of the date the 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 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 25 to the financial statements.

#### **2) Financial assets at amortized cost**

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

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

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals 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 selection 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, Investment Properties, 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, investment properties 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 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 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, 2022, 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 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 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 on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.



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 on probability of default and loss given default. 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 to the financial statements. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash and deposits in banks	\$ 17,161,232	\$ 3,368,337
Repurchase agreements collateralized by bonds	<u>3,065,057</u>	<u>1,450,000</u>
	<u>\$ 20,226,289</u>	<u>\$ 4,818,337</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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Time deposits	<u>\$ 127,101</u>	<u>\$ 126,443</u>

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets at FVTPL - current</u>		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	\$ 50,057	\$ 33,531
Foreign exchange swap contracts	<u>-</u>	<u>4,849</u>
	<u>\$ 50,057</u>	<u>\$ 38,380</u>

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

	Currencies	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2021</u>			
Sell forward exchange contracts	USD to NTD	2022.01.07-2022.03.04	USD268,000/NTD7,449,265
Sell forward exchange contracts	RMB to NTD	2022.01.14-2022.01.21	RMB75,000/NTD325,655
Buy forward exchange contracts	NTD to USD	2022.02.17-2022.02.25	NTD965,550/USD35,000

December 31, 2020

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

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>	
	2021	2020
Domestic listed and emerging stocks		
Walsin Lihwa Corporation	\$ 5,883,000	\$ 4,284,600
Hannstar Display Corporation	2,715,004	1,845,003
Walsin Technology Corporation	1,436,219	1,982,327
Walton Advanced Engineering Inc.	943,681	690,864
Domestic unlisted stocks	<u>29,086</u>	<u>18,077</u>
	<u>\$ 11,006,990</u>	<u>\$ 8,820,871</u>
Current	\$ 10,977,904	\$ 8,802,794
Non-current	<u>29,086</u>	<u>18,077</u>
	<u>\$ 11,006,990</u>	<u>\$ 8,820,871</u>

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

For the year ended December 31, 2021, the Company did not dispose the shares for the adjustment of the investment position. For the year ended December 31, 2020, the Company disposed the shares for the adjustment of the investment position, and the unrealized gains on financial assets at fair value through other comprehensive income of NT\$257,641 thousand were transferred to retained earnings.

For the years ended December 31, 2021 and 2020, the dividend income were NT\$336,520 thousand and NT\$159,788 thousand, respectively. The dividend income were all related to investments held at December 31, 2021 and 2020.

## 9. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2021	2020
<u>Notes receivable</u>	\$ -	\$ 262
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	5,671,897	3,909,183
Less: Allowance for impairment loss	(115,000)	(81,000)
Total accounts receivable	<u>5,556,897</u>	<u>3,828,183</u>
Total notes and accounts receivable	<u>\$ 5,556,897</u>	<u>\$ 3,828,445</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, 2021

	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	\$ 5,464,287	\$ 201,323	\$ 6,287	\$ -	\$ -	\$ 5,671,897
Loss allowance (Lifetime ECL)	<u>(110,345)</u>	<u>(4,026)</u>	<u>(629)</u>	<u>-</u>	<u>-</u>	<u>(115,000)</u>
Amortized cost	<u>\$ 5,353,942</u>	<u>\$ 197,297</u>	<u>\$ 5,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,556,897</u>

December 31, 2020

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	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>

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

	2021	2020
Balance at January 1	\$ 81,000	\$ 82,000
Add: Recognized impairment loss	34,000	17,844
Less: Amounts written off	<u>-</u>	<u>(18,844)</u>
Balance at December 31	<u>\$ 115,000</u>	<u>\$ 81,000</u>

## 10. INVENTORIES

	<u>December 31</u>	
	2021	2020
Finished goods	\$ 1,847,501	\$ 1,308,980
Work-in-process	6,656,812	5,979,784
Raw materials and supplies	691,445	630,225
Inventories in transit	<u>56</u>	<u>635</u>
	<u>\$ 9,195,814</u>	<u>\$ 7,919,624</u>

- Operating costs for the years ended December 31, 2021 and 2020 included inventory reversal of for the decline in market value, obsolescence and scrap of inventories were NT\$642,892 thousand and NT\$56,957 thousand, respectively. The increase in net realizable value of inventory decreased operating costs 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 cost of sales for the years ended December 31, 2021 and 2020 were NT\$543,075 thousand and NT\$724,920 thousand, respectively.

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 10,591,884	\$ 9,061,329
Investments in associates	<u>8,286,463</u>	<u>6,241,789</u>
	<u>\$ 18,878,347</u>	<u>\$ 15,303,118</u>

### a. Investments in subsidiaries

	December 31			
	2021		2020	
Name of Subsidiaries	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Listed companies				
Nuvoton Technology Corporation (“NTC”)	\$ 7,844,763	51%	\$ 6,349,803	55%
Unlisted companies				
Winbond International Corporation (“WIC”)	1,666,124	100%	1,396,823	100%
Winbond Electronics (H.K.) Limited (“WEHK”)	435,975	100%	570,123	100%
Miraxia Edge Technology Corporation (“METC”)	168,518	100%	-	-
Landmark Group Holdings Ltd. (“Landmark”)	151,284	100%	377,539	100%
Great Target Development Ltd. (“GTD”)	132,662	100%	138,284	100%
Callisto Holding Limited (“Callisto”)	103,563	100%	121,876	100%
Winbond Technology Ltd. (“WTL”)	62,301	100%	77,647	100%
Winbond Electronics Germany GmbH (“WEG”)	23,791	100%	26,066	100%
Pine Capital Investment Limited (“PCI”)	<u>2,903</u>	100%	<u>3,168</u>	100%
	<u>\$ 10,591,884</u>		<u>\$ 9,061,329</u>	

Refer to Table 7 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	2021	2020
NTC	<u>\$ 30,308,604</u>	<u>\$ 10,199,597</u>

- 2) 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 NT\$38 per share and directly owned 55% of interest. Additionally, in May 2020, NTC issued 20 thousand units of unsecured convertible bonds in Taiwan. During 2021, due to the conversion of unsecured convertible bonds by the bondholders, the ownership directly held by the Company dropped to 51% as of December 31, 2021.
- 3) In September 2020, the board of directors of WIC resolved the capital reductions for the repayment of shares in the amount of NT\$233,640 thousand.
- 4) The Company acquired 100% ownership interest of METC from the sub-subsidiary NTCJ on November 1, 2021. Since the ultimate parent company remain the same, the acquired transaction was classified as a reorganization. The Company has provided the financial information of the subsidiaries acquired in the consolidated financial statements. The stand-alone financial statements do not provide such information.
- 5) In May 2020 GTD board of directors resolved to issue 10 thousand ordinary shares with a par value of US\$1. After the issuance, the company still holds 100% ownership of GTD.
- 6) TDC filed for liquidation in June 2019 and the date of dissolution was on June 10, 2019. The liquidation procedures were completed on April 1, 2021.
- 7) In 2021 and 2020, the Company recognized shares of subsidiaries' profit in the amounts of NT\$1,788,003 thousand and NT\$488,208 thousand, respectively.

b. Investments in associates

- 1) Aggregate information of associates that are not individually material

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Associates that are not individually material		
Chin Xin Investment Co., Ltd.	\$ 8,257,867	\$ 6,211,869
Hwa Bao Botanic Conservation Corp.	<u>28,596</u>	<u>29,920</u>
	<u>\$ 8,286,463</u>	<u>\$ 6,241,789</u>

On September 24, 2020, the board of directors of Hwa Bao Botanic Conservation Corp. ("Hwa Bao") resolved to additionally issue 19,500 thousand ordinary shares. The Company subscribed 2,925 thousand shares of the ordinary shares with a par value of NT\$10. As of December 31, 2021, 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 41% consolidated ownership interest of Hwa Bao.

As of December 31, 2021, the Company held 182,841 thousand shares of Chin Xin Investment Co., Ltd. with a 38% ownership interest.

2) Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
The Company's share of:		
Profit from continuing operations for the year	\$ 197,908	\$ 62,556
Other comprehensive income (loss)	<u>1,901,619</u>	<u>1,692,465</u>
Total comprehensive income	<u>\$ 2,099,527</u>	<u>\$ 1,755,021</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, 2021 and 2020 were based on the subsidiaries' and associates' financial statements audited by independent auditors.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	\$ 1,012,705	\$ 977,945
Buildings	9,571,018	10,682,437
Machinery and equipment	27,329,533	32,649,257
Other equipment	741,850	623,194
Construction in progress and prepayments for purchase of equipment	<u>16,697,194</u>	<u>9,466,347</u>
	<u>\$ 55,352,300</u>	<u>\$ 54,399,180</u>

	<b>Land</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Other Equipment</b>	<b>Construction in Progress and Prepayments on Purchase of Equipment</b>	<b>Total</b>
<u>Cost</u>						
Balance at January 1, 2021	\$ 977,945	\$ 26,197,116	\$ 118,930,247	\$ 3,770,476	\$ 9,466,347	\$ 159,342,131
Additions	34,760	246,696	3,818,896	320,930	7,450,872	11,872,154
Disposals	-	-	(771,690)	(7,943)	-	(779,633)
Reclassified	-	116,690	100,215	3,120	(220,025)	-
Balance at December 31, 2021	<u>\$ 1,012,705</u>	<u>\$ 26,560,502</u>	<u>\$ 122,077,668</u>	<u>\$ 4,086,583</u>	<u>\$ 16,697,194</u>	<u>\$ 170,434,652</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	\$ -	\$ 15,514,679	\$ 86,280,990	\$ 3,147,282	\$ -	\$ 104,942,951
Depreciation expense	-	1,474,805	8,436,818	205,353	-	10,116,976
Disposals	-	-	(752,622)	(7,902)	-	(760,524)
Impairment loss	-	-	782,949	-	-	782,949
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 16,989,484</u>	<u>\$ 94,748,135</u>	<u>\$ 3,344,733</u>	<u>\$ -</u>	<u>\$ 115,082,352</u>
<u>Cost</u>						
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>
<u>Accumulated depreciation and impairment</u>						
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>

- a. As of December 31, 2021 and 2020, the carrying amounts of NT\$9,507,995 thousand and NT\$22,133,327 thousand of property, plant and equipment were pledged to secure long-term borrowings and corporate bonds.

- b. Information about capitalized interest

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Capitalized interest amounts	\$ 252,668	\$ 175,838
Capitalized interest rate	1.79%-1.89%	1.79%-1.81%

- c. For the year ended December 31, 2021, the Company recognized an impairment loss of NT\$782,949 thousand for certain machinery and equipment which will not be used in the future after evaluation.

### 13. LEASE ARRANGEMENTS

- a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amounts</u>		
Land	\$ 1,544,632	\$ 1,626,955
Buildings	4,454	10,160
Other equipment	<u>9,835</u>	<u>12,896</u>
	<u>\$ 1,558,921</u>	<u>\$ 1,650,011</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ 13,306</u>	<u>\$ 47,240</u>
Depreciation charge for right-of-use assets		
Land	\$ 82,323	\$ 82,323
Buildings	9,944	6,396
Other equipment	<u>11,431</u>	<u>11,195</u>
	<u>\$ 103,698</u>	<u>\$ 99,914</u>

- b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amounts</u>		
Current	<u>\$ 75,578</u>	<u>\$ 78,038</u>
Non-current	<u>\$ 1,535,495</u>	<u>\$ 1,604,911</u>



Range of discount rate for lease liabilities are as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	2.47%	2.47%
Buildings	0.9%-1.6%	1.27%-1.6%
Other equipment	0.9%-1.86%	1.27%-1.86%

For the years ended December 31, 2021 and 2020 the interest expense under lease liabilities amounted to NT\$39,538 thousand and NT\$41,260 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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	<u>\$ 1,885</u>	<u>\$ 6,409</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 13,569</u>	<u>\$ 16,762</u>
Total cash outflow for leases	<u>\$ 139,461</u>	<u>\$ 150,345</u>

The Company leases certain building qualify as short-term leases and certain other equipment qualify as low-value lease. The Company has selected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

#### 14. INVESTMENT PROPERTIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Investment properties, net	<u>\$ 285,814</u>	<u>\$ 292,195</u>

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, 2021, the fair value of such investment properties was approximately NT\$359,731 thousand, which was referred by the neighborhood transactions.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Cost</u>		
Balance at January 1	\$ 302,341	\$ 296,587
Additions	<u>2,712</u>	<u>5,754</u>
Balance at December 31	<u>\$ 305,053</u>	<u>\$ 302,341</u>

(Continued)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1	\$ 10,146	\$ 1,336
Depreciation expense	<u>9,093</u>	<u>8,810</u>
Balance at December 31	<u>\$ 19,239</u>	<u>\$ 10,146</u> (Concluded)

## 15. INTANGIBLE ASSETS

	<b>December 31</b>		
	<b>2021</b>	<b>2020</b>	
Deferred technical assets, net	\$ 16,248	\$ 27,838	
Other intangible assets	<u>27,751</u>	<u>29,725</u>	
	<u>\$ 43,999</u>	<u>\$ 57,563</u>	
	<b>Deferred Technical Assets</b>	<b>Other Intangible Assets</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2021	\$ 17,900,729	\$ 35,670	\$ 17,936,399
Additions	<u>-</u>	<u>6,071</u>	<u>6,071</u>
Balance at December 31, 2021	<u>\$ 17,900,729</u>	<u>\$ 41,741</u>	<u>\$ 17,942,470</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2021	\$ 17,872,891	\$ 5,945	\$ 17,878,836
Amortization expense	<u>11,590</u>	<u>8,045</u>	<u>19,635</u>
Balance at December 31, 2021	<u>\$ 17,884,481</u>	<u>\$ 13,990</u>	<u>\$ 17,898,471</u>
<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	<u>10,400</u>	<u>5,945</u>	<u>16,345</u>
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>

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.

For the year ended December 31, 2020, the Company recognized an impairment loss of NT\$112,805 thousand for certain deferred technical assets which will have no future economic benefits.

## 16. BORROWINGS

### a. Short-term borrowings

	December 31			
	2021		2020	
	Interest Rate %	Amount	Interest Rate %	Amount
Bank lines of credit	0.30-0.48	<u>\$ 1,430,417</u>	-	<u>\$ -</u>

### b. Long-term borrowings

			December 31	
	Period	Interest Rate	2021	2020
<u>Secured borrowings</u>				
Bank of Taiwan syndicated loan (IV)	2016.08.15-2021.12.29	1.79%-1.81%	\$ -	\$ 5,000,000
Bank of Taiwan syndicated loan (V)	2019.01.14-2026.09.19	1.89%	7,850,000	7,050,000
<u>Unsecured borrowings</u>				
Government grants (Note 23)	2020.12.28-2028.11.15	0.50%-0.70%	<u>5,131,600</u>	<u>1,000,000</u>
			12,981,600	13,050,000
Less: Current portion			(785,000)	(5,000,000)
Less: Syndication agreement management fee			(74,250)	(108,327)
Less: Government loan discount (Note 23)			<u>(273,485)</u>	<u>(59,828)</u>
			\$ 11,848,865	\$ 7,881,845

#### 1) 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 NT\$10 billion and NT\$2 billion, respectively; and the total line of credit amounted to NT\$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. On October 25, 2021, the loan had been fully repaid in advance.
- c) Refer to Note 12 to the financial statements for collateral on bank borrowings.

#### 2) 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 NT\$42 billion. The principal will be repaid every six months from September 19, 2022 until maturity.

- b) Refer to Note 12 to the financial statements for collateral on bank borrowings.
- 3) 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 government grants. The computations of financial ratios mentioned above are done based on the audited (reviewed) consolidated financial statements.

## 17. BONDS PAYABLE

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Domestic secured bonds	\$ 10,000,000	\$ 10,000,000
Less: Discounts on bonds payable	<u>(43,914)</u>	<u>(56,152)</u>
	<u><b>\$ 9,956,086</b></u>	<u><b>\$ 9,943,848</b></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 NT\$10 billion. The terms of issuance, amounts and interest rate as follows:

<b>Issuance Date</b>	<b>Period</b>	<b>Amount</b>	<b>Coupon Rate</b>	<b>Repayment and Interest Payment</b>
2018.07.17	7 years	\$10 billion	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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of the defined benefit obligation	\$ 1,522,597	\$ 1,525,037
Fair value of the plan assets	<u>(578,042)</u>	<u>(595,493)</u>
Net defined benefit liabilities, non-current	<u>\$ 944,555</u>	<u>\$ 929,544</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2021	<u>\$ 1,525,037</u>	<u>\$ (595,493)</u>	<u>\$ 929,544</u>
Service cost			
Current service cost	25,883	-	25,883
Net interest expense (income)	<u>6,028</u>	<u>(2,346)</u>	<u>3,682</u>
Recognized in profit or loss	<u>31,911</u>	<u>(2,346)</u>	<u>29,565</u>
Remeasurement			
Actuarial (gain) loss			
- realized rate greater than the discounted rate	-	(8,116)	(8,116)
- changes in financial assumptions	(61,284)	-	(61,284)
- changes in demographic assumptions	41,795	-	41,795
- experience adjustments	<u>79,266</u>	<u>-</u>	<u>79,266</u>
Recognized in other comprehensive income	<u>59,777</u>	<u>(8,116)</u>	<u>51,661</u>
Contributions from the employer	-	(37,306)	(37,306)
Benefits paid	(65,219)	65,219	-
Settlements	<u>(28,909)</u>	<u>-</u>	<u>(28,909)</u>
Balance at December 31, 2021	<u>\$ 1,522,597</u>	<u>\$ (578,042)</u>	<u>\$ 944,555</u>
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>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating cost	\$ 12,901	\$ 16,276
Selling expenses	1,902	2,482
General and administrative expenses	5,043	6,375
Research and development expenses	<u>9,719</u>	<u>12,415</u>
	<u>\$ 29,565</u>	<u>\$ 37,548</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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate	0.80%	0.40%
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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate		
0.5% increase	<u>\$ (71,998)</u>	<u>\$ (76,177)</u>
0.5% decrease	<u>\$ 77,146</u>	<u>\$ 81,750</u>
Expected rate of salary		
0.5% increase	<u>\$ 75,229</u>	<u>\$ 79,506</u>
0.5% decrease	<u>\$ (70,991)</u>	<u>\$ (74,821)</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.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
The expected contribution to the plan for the next year	<u>\$ 19,088</u>	<u>\$ 17,764</u>
The average duration of defined benefit obligation	10.10 years	10.30 years

## 19. EQUITY

### a. Share capital

#### Common stock

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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, 2021 and 2020, the balance of the Company's capital account amounted to NT\$39,800,002 thousand, divided into 3,980,000 thousand common shares with a par value of NT\$10.

### b. Capital surplus

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<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	251,726	236,467
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>\$ 7,786,124</u>	<u>\$ 7,770,865</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 August 12, 2021 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 (The Company shall not issue dividends if the dividend is less than NT\$0.1.), 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 (February 11, 2022), the appropriation of earnings for 2021 are not subjected.

The appropriations of earnings and the dividends per share for 2020 and 2019 were approved in the shareholders' meeting on August 12, 2021 and June 12, 2020, respectively, as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Year 2020</b>	<b>For Year 2019</b>	<b>For Year 2020</b>	<b>For Year 2019</b>
Legal reserve appropriated	\$ 161,253	\$ 115,226		
Cash dividends	<u>796,000</u>	<u>398,000</u>	\$ 0.2	\$ 0.1
	<u>\$ 957,253</u>	<u>\$ 513,226</u>		

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (271,328)	\$ (119,246)
Exchange differences arising on translating the financial statements of foreign operations	(22,955)	(30,052)
Share of exchange difference of subsidiaries and associates accounted for using the equity method	<u>(567,106)</u>	<u>(122,030)</u>
Balance at December 31	<u>\$ (861,389)</u>	<u>\$ (271,328)</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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 8,141,510	\$ 5,009,928
Unrealized gains (losses) on revaluation of financial assets at FVTOCI	2,176,120	1,608,878
Share of unrealized gains (losses) on revaluation of financial assets at FVTOCI of associates accounted for using equity method	2,687,984	1,836,923
Disposal of investments in equity instruments designated at FVTOCI	<u>(94,258)</u>	<u>(314,219)</u>
Balance at December 31	<u>\$ 12,911,356</u>	<u>\$ 8,141,510</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.

**20. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION**

	<b>For the Year Ended December 31, 2021</b>			
	<b>Classified as Operating Costs</b>	<b>Classified as Operating Expenses</b>	<b>Classified as Non-operating Income and Losses</b>	<b>Total</b>
Short-term employee benefits				
Salary	\$ 3,201,718	\$ 4,338,035	\$ -	\$ 7,539,753
Insurance	\$ 158,572	\$ 176,911	\$ -	\$ 335,483
Board compensation	\$ -	\$ 173,929	\$ -	\$ 173,929
Post-employment benefits				
Pension	\$ 106,604	\$ 115,800	\$ -	\$ 222,404
Depreciation	\$ 9,246,634	\$ 974,041	\$ 11,003	\$ 10,231,678
Amortization	\$ -	\$ 19,635	\$ 34,077	\$ 53,712
	<b>For the Year Ended December 31, 2020</b>			
	<b>Classified as Operating Costs</b>	<b>Classified as Operating Expenses</b>	<b>Classified as Non-operating Income and Losses</b>	<b>Total</b>
Short-term employee benefits				
Salary	\$ 1,841,139	\$ 2,328,947	\$ -	\$ 4,170,086
Insurance	\$ 132,343	\$ 143,502	\$ -	\$ 275,845
Board compensation	\$ -	\$ 20,115	\$ -	\$ 20,115
Post-employment benefits				
Pension	\$ 103,096	\$ 111,796	\$ -	\$ 214,892
Depreciation	\$ 7,765,178	\$ 817,824	\$ 10,721	\$ 8,593,723
Amortization	\$ -	\$ 16,345	\$ 34,720	\$ 51,065

There were 3,257 and 2,907 employees in the Company as of December 31, 2021 and 2020, respectively. There were 8 full time board directors as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the average employee benefits and average salaries and wages were NT\$2,492 thousand and NT\$1,608 thousand, NT\$2,321 thousand and NT\$1,438 thousand, respectively. The average salaries and wages increase 61%.

The Company has established the Audit Committee. There was neither supervisors nor remuneration to supervisors.

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. The remuneration of employees may be distributed in stock or cash upon resolution of the board of directors and reported to the shareholders' meeting. 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, 2021 and 2020, the employees' compensation and remuneration of directors were as follows:

	For the Year Ended December 31			
	2021		2020	
	Amounts	Accrual Rate	Amounts	Accrual Rate
Employees' compensation	<u>\$ 330,737</u>	2%	<u>\$ 27,831</u>	2%
Remuneration of directors	<u>\$ 165,369</u>	1%	<u>\$ 13,916</u>	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 2020 and 2019 were approved by the Company's board of directors on March 16, 2021 and April 30, 2020, respectively, were as below:

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

There was no difference between the amounts of the compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

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:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current income tax expense		
Current tax expense	\$ 2,356,684	\$ -
Adjustment for prior years	16,419	(88,193)
Deferred income tax		
Current tax expense	<u>73,000</u>	<u>134,000</u>
Income tax expense recognized in profit or loss	<u>\$ 2,446,103</u>	<u>\$ 45,807</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Income tax expense from continuing operations at the statutory rate	\$ 3,208,000	\$ 270,000
Tax effect of adjustment item		
Permanent differences	<u>(422,316)</u>	<u>(123,000)</u>
Current income tax expense	2,785,684	147,000
Unrecognized loss carryforwards, investment credits and deductible temporary differences	(356,000)	(13,000)
Adjustment for prior years' income tax expense	<u>16,419</u>	<u>(88,193)</u>
Tax expense recognized in profit or loss	<u>\$ 2,446,103</u>	<u>\$ 45,807</u>

Based on the Income Tax Act in the ROC, the corporate income tax rate is 20%.

b. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current income tax assets		
Tax refund receivable (recorded as “other receivables”)	\$ <u>2,337</u>	\$ <u>9,197</u>
Current income tax liabilities		
Income tax payable	\$ <u>2,256,788</u>	\$ <u>-</u>

c. Deferred tax assets

As of December 31, 2021 and 2020, deferred tax assets were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax assets</u>		
Operating loss carryforwards	\$ -	\$ 109,000
Temporary differences		
Allowance for loss on inventories	172,000	307,000
Others	<u>273,000</u>	<u>102,000</u>
	<u>\$ 445,000</u>	<u>\$ 518,000</u>

d. 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.

e. Tax return assessments

The tax returns through 2019 have been assessed and approved by the tax authorities.

## 22. EARNINGS PER SHARE

	<b>For the Year Ended December 31</b>					
	<b>2021</b>			<b>2020</b>		
	<b>Amounts (Numerator)</b>	<b>Shares (Denominator)</b>	<b>Earnings Per Share (NT\$)</b>	<b>Amounts (Numerator)</b>	<b>Shares (Denominator)</b>	<b>Earnings Per Share (NT\$)</b>
	<b>Net profit</b>	<b>(In Thousands)</b>	<b>Net profit</b>	<b>Net profit</b>	<b>(In Thousands)</b>	<b>Net profit</b>
Basic earnings per share						
Net income attributed to common shareholders	\$ 13,594,643	3,980,000	\$ <u>3.42</u>	\$ 1,304,019	3,980,000	\$ <u>0.33</u>
Effect of dilutive potential common shares						
Employees' compensation	-	9,728		-	958	
Diluted earnings per share						
Net income attributed to common shareholders	\$ <u>13,594,643</u>	<u>3,989,728</u>	\$ <u>3.41</u>	\$ <u>1,304,019</u>	<u>3,980,958</u>	\$ <u>0.33</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, 2021, the Company received government loan of NT\$5,131,600 thousand at a below-market rate of interest, which is 0.5%-0.7%. It will be used in purchase of machinery and equipments and turnovers of operating capital. The loan is repayable over a seven-year period. Using prevailing market interest rates for an equivalent loan of 1.79%-1.89%, the fair value of the loan was estimated at NT\$4,837,630 thousand on initial recognition. The difference of NT\$293,970 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. For the year ended December 31, 2021, the other income under government grants were amounts of NT\$20,485 thousand, and the interest expense under loans were amounts of NT\$30,607 thousand.

### **24. 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.

### **25. 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 discounted cash flow of income approach and 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, 2021

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Bonds payable	\$ 9,956,086	\$ -	\$ 9,956,086	\$ -	\$ 9,956,086

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

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

Fair value hierarchy as at December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets (not under hedge accounting)	\$ -	\$ 50,057	\$ -	\$ 50,057
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 10,977,904	\$ -	\$ -	\$ 10,977,904
Domestic unlisted securities	-	21,010	8,076	29,086
	\$ 10,977,904	\$ 21,010	\$ 8,076	\$ 11,006,990

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
	<u>\$ 8,802,794</u>	<u>\$ 17,970</u>	<u>\$ 107</u>	<u>\$ 8,820,871</u>

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

The financial assets measured at Level 3 fair value were equity investments classified as financial assets at FVTOCI. Reconciliations for the year ended December 31, 2021 and 2020 were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at January 1	\$ 107	\$ 236
Additions	10,000	-
Recognized in other comprehensive income	<u>(2,031)</u>	<u>(129)</u>
Balance at December 31	<u>\$ 8,076</u>	<u>\$ 107</u>

b. Categories of financial instruments

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

	<u>December 31</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial assets</u>				
Measured at amortized cost				
Cash and cash equivalents	\$ 20,226,289	\$ 20,226,289	\$ 4,818,337	\$ 4,818,337
Notes and accounts receivable (included related parties)	7,501,536	7,501,536	4,905,946	4,905,946
Other receivables	283,312	283,312	248,394	248,394
Refundable deposits (recorded in other non-current assets)	380,255	380,255	298,946	298,946
Financial assets at fair value through profit or loss	50,057	50,057	38,380	38,380
Financial assets at fair value through other comprehensive income (current and non-current)	11,006,990	11,006,990	8,820,871	8,820,871

(Continued)



	December 31			
	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Measured at amortized cost				
Short-term borrowings	\$ 1,430,417	\$ 1,430,417	\$ -	\$ -
Notes and accounts payable (included related parties)	4,495,424	4,495,424	4,425,822	4,425,822
Payable on equipment and other payables	9,550,873	9,550,873	4,416,806	4,416,806
Bonds payable	9,956,086	9,956,086	9,943,848	9,943,848
Long-term borrowings (included current portion)	12,981,600	12,981,600	13,050,000	13,050,000
Guarantee deposits (recorded in other non-current liabilities)	1,810	1,810	1,810	1,810
				(Concluded)

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 impact on net income increase in the amounts of NT\$71,384 thousand and NT\$41,583 thousand for the years ended December 31, 2021 and 2020. For a 1% weakening of New Taiwan dollars against EURO, there would be impact on net income decrease in the amounts of NT\$14,950 thousand and NT\$148 thousand for the years ended December 31, 2021 and 2020, respectively.

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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash flow interest rate risk		
Financial liabilities	\$ 14,199,041	\$ 13,050,000

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 NT\$141,990 thousand and NT\$130,500 thousand for the years ended December 31, 2021 and 2020, 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:

	<b>December 31, 2021</b>			
	<b>Within 1 Year</b>	<b>1-2 Years</b>	<b>Over 2 Years</b>	<b>Total</b>
Non-interest bearing	\$ 14,046,296	\$ 1,810	\$ -	\$ 14,048,106
Lease liabilities	114,444	108,298	1,789,192	2,011,934
Variable interest rate liabilities	2,002,441	1,570,000	10,626,600	14,199,041
Fixed interest rate liabilities	<u>212,976</u>	<u>-</u>	<u>10,000,000</u>	<u>10,212,976</u>
	<u>\$ 16,376,157</u>	<u>\$ 1,680,108</u>	<u>\$ 22,415,792</u>	<u>\$ 40,472,057</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 2 Years</b>	<b>2-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>Over 15 Years</b>
Lease liabilities	<u>\$ 222,742</u>	<u>\$ 320,784</u>	<u>\$ 528,984</u>	<u>\$ 528,890</u>	<u>\$ 410,534</u>

	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>

## 26. 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
WEG	Subsidiary
WTL	Subsidiary
Callisto	Subsidiary
Winbond Electronics (Suzhou) Limited ("WECN")	Subsidiary
Winbond Electronics Corporation America ("WECA")	Subsidiary
Winbond Electronics Corporation Japan ("WECJ")	Subsidiary
NTC	Subsidiary
METC	Subsidiary
TDC	Subsidiary (June 10, 2019 as the date of liquidation and completed the liquidation and legal procedures on April 1, 2021)
Nuvoton Technology Corporation Japan ("NTCJ")	Sub-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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
1) Operating revenue		
Subsidiaries		
WEHK	\$ 9,936,348	\$ 9,959,520
WECJ	5,884,031	4,090,095
WECN	4,022,285	1,503,988
Others	<u>1,983,885</u>	<u>835,995</u>
	<u>\$ 21,826,549</u>	<u>\$ 16,389,598</u>
2) Manufacturing expenses		
Related party in substance		
Walton Advanced Engineering Inc.	\$ 3,244,368	\$ 3,222,665
Others	<u>570,694</u>	<u>548,435</u>
	<u>\$ 3,815,062</u>	<u>\$ 3,771,100</u>
3) Selling expenses		
Subsidiaries		
WECA	\$ 229,478	\$ 180,869
Others	73,887	48,649
Related party in substance	<u>335</u>	<u>-</u>
	<u>\$ 303,700</u>	<u>\$ 229,518</u>
4) General and administrative expenses		
Investor that exercises significant influence over the		
Company	\$ 13,788	\$ 12,146
Subsidiaries	3,977	4,253
Related party in substance	<u>-</u>	<u>628</u>
	<u>\$ 17,765</u>	<u>\$ 17,027</u>
5) Research and development expenses		
Subsidiaries	<u>\$ 853,873</u>	<u>\$ 922,377</u>
6) Dividend income		
Investor that exercises significant influence over the		
Company		
Walsin Lihwa Corporation	\$ 199,800	\$ 112,351
Related party in substance		
HannStar Display Corporation	75,000	-
Walsin Technology Corporation	51,707	47,301
Others	<u>10,013</u>	<u>136</u>
	<u>\$ 336,520</u>	<u>\$ 159,788</u>

		<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>
7) Other income			
Associate	\$	64	\$ 72
Subsidiaries			
NTC		26,282	21,748
Related party in substance		<u>971</u>	<u>2,345</u>
	\$	<u>27,317</u>	<u>\$ 24,165</u>
		<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
8) Accounts receivable due from related parties			
Subsidiaries			
WEHK	\$	840,586	\$ 684,631
WECJ		703,787	288,362
WECA		303,816	1,456
Others		<u>96,450</u>	<u>103,052</u>
	\$	<u>1,944,639</u>	<u>\$ 1,077,501</u>
9) Accounts payable to related parties			
Related party in substance			
Walton Advanced Engineering Inc.	\$	814,340	\$ 782,278
Others		<u>99,241</u>	<u>95,682</u>
	\$	<u>913,581</u>	<u>\$ 877,960</u>
10) Other receivables and other current assets			
Subsidiaries	\$	21,817	\$ 26,550
Related party in substance		<u>154</u>	<u>-</u>
	\$	<u>21,971</u>	<u>\$ 26,550</u>
11) Other payables			
Subsidiaries	\$	207,530	\$ 198,090
Related party in substance		31,922	34,269
Investor that exercises significant influence over the Company		<u>4</u>	<u>-</u>
	\$	<u>239,456</u>	<u>\$ 232,359</u>

		<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
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. Disposals of property, plant and equipment

	<b>Disposal Price</b>		<b>Gain (Loss) on Disposal</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Related party in substance	<u>\$ 479</u>	<u>\$ -</u>	<u>\$ 479</u>	<u>\$ -</u>

d. Acquisition of financial assets

For the year ended December 31, 2021

	<b>Line Item</b>	<b>Number of Shares</b>	<b>Underlying Assets</b>	<b>Purchase Price</b>
Sub-subsidiary	Investments accounted for using equity method	4,000 shares	METC	<u>\$ 357,898</u>

e. Lease arrangements

		<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
1) Acquisition of right-of-use assets			
Subsidiaries		\$ 197	\$ 268
Related party in substance		<u>1,350</u>	<u>-</u>
		<u>\$ 1,547</u>	<u>\$ 268</u>

		<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
2) Lease liabilities			
Subsidiaries	\$	3,867	\$ 7,674
Investor that exercises significant influence over the Company		-	2,642
Related party in substance		<u>678</u>	<u>-</u>
	\$	<u>4,545</u>	<u>\$ 10,316</u>

<b>For the Year Ended December 31</b>	
<b>2021</b>	<b>2020</b>

3) Interest expense			
Subsidiaries	\$	91	\$ 145
Investor that exercises significant influence over the Company		19	59
Related party in substance		<u>9</u>	<u>-</u>
	\$	<u>119</u>	<u>\$ 204</u>

f. Subleasing

Refer to Note 14.

g. Compensation of key management personnel

		<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>
Short-term employment benefits	\$	334,753	\$ 96,700
Post-employment benefits		<u>18,154</u>	<u>39,230</u>
	\$	<u>352,907</u>	<u>\$ 135,930</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.

## 27. PLEDGED AND COLLATERALIZED ASSETS

Refer to Notes 6 and 12 to the financial statements.

## 28. 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, 2021 and 2020 were approximately US\$75,493 thousand and US\$5,535 thousand, JPY310,190 thousand and JPY246,613 thousand and EUR550 thousand and EUR0 thousand, respectively.

b. Signed construction contract

	<b>Total Contract Price</b>	<b>Payment as of December 31, 2021</b>
TASA Construction Corporation	<u>\$ 8,829,621</u>	<u>\$ 8,263,896</u>

## 29. OTHER ITEMS

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

## 30. 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:

<b>December 31</b>						
	<b>2021</b>			<b>2020</b>		
	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars (In Thousands)</b>	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars (In Thousands)</b>
<u>Financial assets</u>						
Monetary items						
USD	\$ 356,115	27.68	\$ 9,857,260	\$ 215,190	28.48	\$ 6,128,609
EUR	1,202	31.32	37,645	2,267	35.02	79,389
JPY	1,850,370	0.2405	445,014	1,521,857	0.2763	420,489
RMB	124,519	4.344	540,912	77,858	4.377	340,785
Non-monetary items						
USD	19,492	27.68	539,527	24,297	28.48	691,983
EUR	760	31.32	23,791	744	35.02	26,066
JPY	700,608	0.2405	168,518	-	-	-
ILS	7,007	8.8912	62,301	8,810	8.8712	78,154
<u>Financial liabilities</u>						
Monetary items						
USD	98,224	27.68	2,718,845	69,184	28.48	1,970,348
EUR	48,935	31.32	1,532,653	2,689	35.02	94,185
JPY	2,704,144	0.2405	650,347	1,375,402	0.2763	380,024
ILS	2,098	8.8912	18,654	2,774	8.8712	24,604

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	<b>For the Year Ended December 31</b>	
<b>Foreign Currencies</b>	<b>2021</b>	<b>2020</b>
USD	\$ (131,846)	\$ (195,107)
RMB	<u>14,699</u>	<u>51,691</u>
	<u>\$ (117,147)</u>	<u>\$ (143,416)</u>



### 31. ADDITIONAL DISCLOSURE

a. Following are the additional disclosures for material transactions for the Company:

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

b. Information on investments: Refer to Table 7.

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 8
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 8

d. Information on major shareholders: Refer to Table 9 attached.

### **32. 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 I

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorser/Guarantor	Endorsee/Guaranteee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	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	NTC's indirect subsidiary with 100% ownership	\$ 16,442,318 (Note 1)	\$ 11,080,076 (JPY 46,071,000) (Note 3)	\$ 11,080,076 (JPY 46,071,000) (Note 3)	\$ - (JPY -)	\$ -	13.44	\$ 41,222,057 (Note 5)	Y	N	N	
1	NTC	NTCJ	Subsidiary	15,554,690 (Note 2)	2,411,350 (JPY 8,300,000) and (USD 15,000) (Note 4)	1,413,275 (JPY 4,150,000) and (USD 15,000) (Note 4)	159,306 (JPY 662,000) and (Note 3)	-	9.09	15,554,690 (Note 6)	Y	N	N	
1	NTC	NTSH	Subsidiary	15,554,690 (Note 2)	2,302,320 (RMB 530,000) (Note 4)	- (Note 4)	-	-	-	15,554,690 (Note 6)	Y	N	Y	

Note 1: WEC's maximum amount endorsed are limited to 30% 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 latest financial statements of NTC.

TABLE 2

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	
WEC	Shares 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	\$ 5,883,000	6	\$ 5,883,000
	Hamstar Display Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	150,000,210	2,715,004	5	2,715,004
	Walsin Technology Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	8,600,117	1,436,219	2	1,436,219
	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	943,681	10	943,681
	Shares His Chu Golf Country Club	None	Non-current financial assets at fair value through other comprehensive income	3	11,910	-	11,910
WECA	Linkou Golf Course	"	"	1	9,100	-	9,100
	Intellectual Property Innovation Corporation	"	"	1,000,000	7,963	10	7,963
	Harbinger III Venture Capital Corp.	WEC as the investee's supervisor	"	5,440	113	5	113
	Smart Catch International Co., Ltd.	None	"	4,000,000	-	16	-
	Shares Knerton Holding Company	None	Current financial assets at fair value through profit or loss	377,808	USD 2,000	1	USD 2,000
WECJ	Funds Vanguard Short-Term Corporate Bond ETF (VCSH)	None	Current financial assets at fair value through profit or loss	24,000	USD 1,950	-	USD 1,950
	iShares National Muni Bond ETF (MUB)	"	"	17,000	USD 1,977	-	USD 1,977
	JVP VIII, L.P.	"	Non-current financial assets at fair value through other comprehensive income	-	USD 17,849	7	USD 17,849
	JVP X Funds	"	"	-	USD 9,789	4	USD 9,789
	Shares Nihon Computer Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	10	JPY -	1	JPY -

(Continued)

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

Note 1: Under the business combination arrangement, if TPSCo. turns net profit during the period of the effective date of the acquisition (September 1, 2020) to March 31, 2022, NTCJ is required to pay Panasonic Corporation the net profit based on ownership share. Thus, NTCJ has no significant influence over TPSCo. during the period of the effective date of the acquisition to March 31, 2022. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income.

Note 2: Refer to Tables 7 and 8 for information of investment in subsidiaries, investments in associates and investment in Mainland China.

(Concluded)

TABLE 3

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Shares	Disposal		Gain (Loss) on Disposal	Ending Balance	
					Shares	Amount	Shares	Amount		Amount	Carrying Amount (Note 3)		Shares	Amount
WEC	Miraxia Edge Technology Corporation	Investments accounted for using equity method	NTCJ	Sub-subsiary	-	\$ -	4,000	\$ 357,898 (Note 1) Investments accounted for using equity method - NTC (97,887) Capital surplus - changes in ownership interests in subsidiaries (92,351) Investment income or loss 3,837 Cumulative translation adjustments (2,979)	-	\$ -	-	\$ -	4,000	\$ 168,518
NTCJ	Miraxia Edge Technology Corporation	Investments accounted for using equity method	WEC	Parent	4,000	313,282	-	Investment income or loss 109,206 Cash dividends paid (216,893) Cumulative translation adjustments (37,935)	4,000	357,898 JPY(1,462,000)	167,660	Disposal income or loss - Capital surplus adjustments 190,238	-	-

Note 1: The acquisition of 100% ownership of METC from NTCJ was approved by WEC's board meeting on September 23, 2021. The acquisition date was set on November 1, 2021.

TABLE 4

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Company Name	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	Amount			
WEC	Buildings	2021.01.21-2021.10.22	\$ 1,586,619	Monthly settlement by the construction progress and acceptance	Exyte Taiwan Co., Ltd.	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2021.01.21-2021.12.18	954,331	Monthly settlement by the construction progress and acceptance	L&K Engineering Co., LTD.	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2021.01.21-2021.12.18	552,756	Monthly settlement by the construction progress and acceptance	TASA Construction Corporation	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2021.02.08-2021.12.22	404,755	Monthly settlement by the construction progress and acceptance	Marketch International Corporation	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2021.04.01-2021.11.02	335,913	Monthly settlement by the construction progress and acceptance	Confederate Technology Co., Ltd.	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2021.05.24-2021.09.10	314,093	Monthly settlement by the construction progress and acceptance	Mega Union Technology Incorporated	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None

TABLE 5

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(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	\$ 9,936,348	17	Net 90 days from invoice date	N/A	N/A	\$ 840,586	11	
	WECJ	Indirect subsidiary with 100% ownership	Sales	5,884,031	10	Net 90 days from invoice date	N/A	N/A	703,787	9	
	WECN	Indirect subsidiary with 100% ownership	Sales	4,022,285	7	Net 90 days from invoice date	N/A	N/A	58,397	1	
	WECA	Indirect subsidiary with 100% ownership	Sales	1,611,534	3	Net 90 days from invoice date	N/A	N/A	303,816	4	
	NTC	Direct subsidiary with 51% ownership	Sales	368,050	1	Net 30 days from invoice date	N/A	N/A	36,222	-	
WEHK	WEC	Parent company	Purchases	USD 355,379	100	Net 90 days from invoice date	N/A	N/A	USD (30,368)	(100)	
WECJ	WEC	Parent company	Purchases	JPY 23,153,263	99	Net 90 days from invoice date	N/A	N/A	JPY (2,924,514)	(98)	
WECN	WEC	Parent company	Purchases	RMB 932,288	100	Net 90 days from invoice date	N/A	N/A	RMB (13,443)	(100)	
WECA	WEC	Parent company	Purchases	USD 57,801	100	Net 90 days from invoice date	N/A	N/A	USD (10,985)	(99)	
NTC	WEC	Parent company	Purchases	368,505	8	Net 30 days from invoice date	N/A	N/A	(36,060)	(2)	
NTC	NTHK	NTC's direct subsidiary with 100% ownership	Sales	5,223,300	40	Net 90 days from invoice date	N/A	N/A	36,138	3	
NTC	Nyquest Technology Co., Ltd.	Related party in substance	Sales	264,399	2	Net 45 days from invoice date	N/A	N/A	52,397	4	
NTCJ	NTC	Parent company	Sales	USD 10,527	1	Net 15 days end of the month	N/A	N/A	JPY 287,475	3	
NTC	NTCJ	NTC's indirect subsidiary with 100% ownership	Purchases	292,813	6	Net 15 days end of the month	N/A	N/A	(71,813)	(4)	
NTHK	NTC	Parent company	Purchases	USD 187,021	100	Net 90 days from invoice date	N/A	N/A	USD (1,306)	(100)	
NTSPL	NTCJ	NTC's indirect subsidiary with 100% ownership	Sales	USD 105,641	34	Net 10 days end of the month	N/A	N/A	USD 12,322	43	
NTCJ	NTSPL	NTC's direct subsidiary with 100% ownership	Purchases	JPY 11,336,071	25	Net 10 days end of the month	N/A	N/A	JPY (1,418,194)	(10)	
	NTSPL	NTC's direct subsidiary with 100% ownership	Sales	JPY 21,243,879	23	Net 10 days end of the month	N/A	N/A	JPY 1,856,012	17	

(Continued)

(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	
NTSPL	NTCJ	NTC's indirect subsidiary with 100% ownership	Purchases	USD 195,084	67	Net 10 days end of the month	N/A	N/A	USD (16,126)	(65)	
NTCJ	NTSH	NTC's indirect subsidiary with 100% ownership	Sales	JPY 4,168,163	5	Net 15 days end of the month	N/A	N/A	-	-	
NTSH	NTCJ	NTC's indirect subsidiary with 100% ownership	Purchases	JPY 4,168,163	100	Net 15 days end of the month	N/A	N/A	-	-	
	NTCJ	NTC's indirect subsidiary with 100% ownership	Sales	RMB 84,688	20	Net 15 days end of the month	N/A	N/A	-	-	
NTCJ	NTSH	NTC's direct subsidiary with 100% ownership	Purchases	RMB 84,688	3	Net 15 days end of the month	N/A	N/A	-	-	
	TPSCo. Waltech Advanced Engineering (Suzhou) Ltd.	Related party in substance Related party in substance	Purchases Sales	JPY 24,707,241 JPY 12,925,853	55 14	Net 10 days end of the month Net 10 days end of the month	N/A N/A	N/A N/A	JPY (1,650,615) JPY 2,284,284	(22) 21	
NTSPL	Waltech Advanced Engineering (Suzhou) Ltd.	Related party in substance	Purchases	USD 3,984	1	Net 10 days end of the month	N/A	N/A	USD (537)	(2)	
NTSH	Waltech Advanced Engineering (Suzhou) Ltd.	Related party in substance	Sales	RMB 33,736	8	Net 15 days end of the month	N/A	N/A	-	-	

(Concluded)

TABLE 6

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
WEC	WEHK	Direct subsidiary with 100% ownership	\$ 840,586	13.03	-	-	\$ 523,422	\$ -
	WE CJ	Indirect subsidiary with 100% ownership	703,787	11.86	-	-	-	-
	WECA	Indirect subsidiary with 100% ownership	303,816	10.56	-	-	139,895	-
NTSPL	NTCJ	NTC's indirect subsidiary with 100% ownership	USD 12,322	10.84	-	-	USD 12,322	-
NTCJ	NTSPL	NTC's direct subsidiary with 100% ownership	JPY 1,856,012	12.39	-	-	JPY 1,856,012	-
AMTC	NTCJ	NTC's indirect subsidiary with 100% ownership	JPY 577,004	7.02	-	-	JPY 577,004	-
NTIL	NTC	Direct subsidiary with 51% ownership	ILS 20,700	(Note)	-	-	ILS 20,700	-
NTCJ	Walech Advanced Engineering (Suzhou) Ltd.	Related party in substance	JPY 2,284,284	15.09	-	-	JPY 2,284,284	-
	TPSCo.	Related party in substance	JPY 1,093,377	(Note)	-	-	JPY 1,093,377	-

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

TABLE 7

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2021	December 31, 2020	Number of Shares	As of December 31, 2021 %	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
Winbond Electronics Corp.	Nuvoton Technology Corporation Winbond International Corporation Winbond Electronics (HK) Limited Miraxia Edge Technology Corporation Landmark Group Holdings Ltd. Great Target Development Ltd. Callisto Holding Limited Winbond Technology Ltd. Winbond Electronics Germany GmbH Pine Capital Investments Limited Chin Xin Investment Co., Ltd. Hwa Bao Botanic Conservation Corp.	Taiwan British Virgin Islands Hong Kong Japan British Virgin Islands Seychelles Hong Kong Israel Germany Hong Kong Taiwan Taiwan	Research, design, development, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM Investment holding Sales of semiconductor and investment holding Software and hardware integration design of semiconductor Investment holding Investment holding Electronic commerce and investment holding Design and service of semiconductor Marketing service of semiconductor Investment holding Investment holding Agriculture and forestry botanic conservation	\$ 4,436,920 2,758,517 278,158 167,660 168,755 155,663 156,292 21,242 28,679 2,967 1,874,825 30,000	\$ 4,436,920 2,758,517 278,158 - 168,755 155,663 156,292 21,242 28,679 2,967 1,874,825 30,000	214,954,635 87,960,000 71,150,000 4,000 5,343,000 4,470,000 40,000,000 100,000 62,301 850,000 780,000 182,840,999 3,000,000	51.00 100.00 100.00 100.00 100.00 100.00 100.00 100.00 100.00 100.00 38.00 15.00	\$ 7,844,763 1,666,124 435,975 168,518 151,284 132,662 103,563 12,176 23,791 2,903 8,257,867 28,596	\$ 2,940,752 49,679 164,093 113,043 35,702 35,702 (15,646) 12,176 508 (265) 528,594 (8,827)	\$ 1,538,577 49,679 164,088 3,837 35,702 (653) (15,646) 12,176 508 (265) 199,232 (1,324)	(Note 1)
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	100.00	1,696,567	49,885	49,885	
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	100.00	162,662	93,780	93,780	
Callisto Holding Limited	Callisto Technology Limited	Hong Kong	Electronic commerce and investment holding	30,895 USD 1,000	30,895 USD 1,000	1,000,000	100.00	27,543 USD 995	(196) USD (7)	(196) USD (7)	
Great Target Development Ltd.	GLMTD Technology Private Limited	India	Sales and service of semiconductor	135,415	135,415	27,998,400	99.99	103,082	(436)	(436)	
Nuvoton Technology Corporation	Nuvoton Electronics Technology (H.K.) Limited Marketplace Management Limited Nuvoton Investment Holding Ltd. Song Yong Investment Corporation Nuvoton Technology India Private Limited Nuvoton Technology Corporation America Nuvoton Technology Singapore Pte. Ltd. Nuvoton Technology Korea Limited Nuvoton Technology Holdings Japan	Hong Kong British Virgin Islands British Virgin Islands Taiwan India United States of America Singapore Korea Japan	Sales of semiconductor Investment holding Investment holding Investment holding Design, sales and service of semiconductor Design, sales and service of semiconductor Design, sales and service of semiconductor Investment holding	427,092 274,987 590,953 38,500 30,211 190,862 1,319,054 30,828 5,927,849	427,092 274,987 590,953 38,500 30,211 190,862 1,319,054 30,828 5,941,896	107,400,000 8,897,789 17,960,000 3,850,000 600,000 60,500 45,100,000 125,000 100	100.00 100.00 100.00 100.00 100.00 100.00 100.00 100.00 100.00	508,077 298,146 360,342 277,340 20,532 180,225 1,607,079 11,201 6,370,802	44,719 176,494 56,889 5,847 131 3,427 336,971 (15,029) 81,815	44,719 176,494 56,889 5,847 131 3,427 336,971 (15,029) 81,815	(Note 2)
Marketplace Management Limited	Goldbond LLC	United States of America	Investment holding	1,473,559	1,472,903	-	100.00	297,599	176,817	176,817	
Nuvoton Investment Holding Ltd.	Nuvoton Technology Israel Ltd.	Israel	Design and service of semiconductor	46,905	46,905	1,000	100.00	361,619	56,985	56,985	
Nuvoton Technology Holdings Japan	Nuvoton Technology Corporation Japan	Japan	Design, sales and service of semiconductor	111,520	111,520	9,480	100.00	10,961,545	323,113	323,113	
Nuvoton Technology Corporation Japan	Miraxia Edge Technology Corporation Afields Manufacturing Technology Corporation	Japan Japan	Design and service of semiconductor Design and service of semiconductor	55,760 -	55,760 -	4,000	- 100.00	- 278,266	113,043 137,018	109,206 137,018	(Note 1)

Note 1: The acquisition of 100% ownership of fMETC from NTCJ was approved by WEC's board meeting on September 23, 2021. The acquisition date was set on November 1, 2021.

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 8 for information on investment in mainland China.

TABLE 8

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(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 January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
						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	-	\$ -	\$ 276,435 USD 9,000	\$ 54,195	100	\$ 54,195	\$ 374,943	\$ 35,880
NTC	Nuvoton Electronics Technology (Shanghai) Limited	Provide project of sale in China and repairing, testing and consulting of software and leasing business	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	-	-	68,036 USD 2,000	177,178	51	90,733	153,777	-
	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	-	-	16,429 USD 500	-	51	-	(1,533) (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	-	-	197,670 USD 6,000	8,805	51	4,509	110,968	-
NTSH	Song Zhi Electronics Technology (Suzhou)	Provide development, consult and equipment lease of semiconductor	8,688 CNY 2,000 (Note 3)	Through investing in NTSH in the third area, which then invested in the investee in mainland China indirectly	- (Note 3)	-	-	-	(582)	51	(298)	4,150	-

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

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

Note 3: NTSH directly injected the capital in Song Zhi 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, 2021	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)	\$ 49,466,468
NTC	282,135 (USD8,500)	282,135 (USD8,500)	9,332,814

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

3. Refer to Table 5 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 9****WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Walsin Lihwa Corporation	883,848,423	22.20
Chin Xin Investment Co., Ltd.	240,003,072	6.03

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

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

## Financial Position, Financial Performance and Risk Analysis

### I. Financial position

Unit: NT\$1,000

Item\Year	2021 consolidated financial statements	2020 consolidated financial statements	Increase (decrease) amount	Change (%)
Current assets	72,506,733	47,530,801	24,975,932	53
Property, plant and equipment	61,079,605	61,452,516	(372,911)	(1)
Intangible assets	1,072,985	891,380	181,605	20
Other assets	18,080,961	16,168,543	1,912,418	12
Total Assets	152,740,284	126,043,240	26,697,044	21
Current liabilities	28,644,931	25,475,006	3,169,925	12
Non-current liabilities	34,061,841	29,975,547	4,086,294	14
Total liabilities	62,706,772	55,450,553	7,256,219	13
Equity attributable to owners of parent	82,444,113	65,449,119	16,994,994	26
Paid-in capital	39,800,002	39,800,002	-	-
Capital surplus	7,786,124	7,770,865	15,259	-
Retained earnings	22,808,020	10,008,070	12,799,950	128
Other interests	12,049,967	7,870,182	4,179,785	53
Non-controlling interests	7,589,399	5,143,568	2,445,831	48
Total equity	90,033,512	70,592,687	19,440,825	28
Reasons for changes exceeding 20%:				
1. Increase in current assets and retained earnings: Due to increases in cash and cash equivalent resulting from the increase in profits in 2021.				
2. Increase in intangible assets: Due to the increase in other intangible assets.				
3. Increase in other interests: Mainly due to unrealized valuation gain increase on financial assets at fair value through other comprehensive income held by the Company and associates accounted for using equity method.				
4. Increase in non-controlling interests: Mainly due to the decrease in the percentage of the subsidiary's, Nuvoton Technology Corp., shares held by the Company from 55.34% to 51.21%.				

### II. Financial performance

Unit: NT\$1,000

Item\Year	2021 consolidated financial statements	2020 consolidated financial statements	Increase (decrease) amount	Change (%)
Net revenue	99,569,924	60,683,171	38,886,753	64
Operating cost	57,088,857	43,643,035	13,445,822	31
Gross profit	42,481,067	17,040,136	25,440,931	149
Operating Expenses	24,053,145	15,412,845	8,640,300	56
Operating profits	18,427,922	1,627,291	16,800,631	1,032
Non-operating income and expenses	(204,832)	185,117	(389,949)	(211)
Net income (loss) before tax	18,223,090	1,812,408	16,410,682	905
Income tax expense	3,222,968	293,365	2,929,603	999
Current period net profit	15,000,122	1,519,043	13,481,079	887
Other comprehensive income for the current period	4,186,931	3,291,251	895,680	27
Total comprehensive income for the current period	19,187,053	4,810,294	14,376,759	299
Reasons for changes exceeding 20%:				
1. The percentage of change for each item is over 20%: Mainly due to the increase in profits in 2021.				
2. Decrease in non-operating income and expenses: Mainly due to the acquisition of the semiconductor related businesses of Panasonic Corp. Japan on September 1, 2020.				
3. Increase in other interests for the current period: Mainly due to unrealized valuation gain increase 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 market performance, future market demands and the Company's capacity, we project that the outputs of 12-inch wafer (equivalent) could reach 700 thousand units in 2022.				

### III. Cash flows

#### (I) Financial analysis of 2021 consolidated financial statements

Unit: NT\$1M

Cash balance at beginning of period (December 31, 2020)	Net cash flow from operating activities (2021)	Net cash flow from investing and financing activities (2021)	Cash surplus (December 31, 2021)	Remedial measures for cash deficit	
				Investment plan	Financial plan
11,744	30,375	(11,205)	30,914	-	-
1. Analysis on the cash flow changes in 2021 consolidated financial statements: (1) Operating activities: Operating activities produced a net cash inflow of NT\$30.4 billion. (2) Investing activities: Purchase and disposal of production equipment produced a net outflow of NT\$8.58 billion, equity investment outflow of NT\$160 million, guarantee deposits paid and fixed deposit net outflow of NT\$450 million, and other cash outflows of NT\$310 million. (3) Financing activities: Loans produced an additional cash inflow of NT\$4.93 billion; loan repayment produced a cash outflow of NT\$5.39 billion; distribution of cash dividends outflow of NT\$800 million, and others produced a net cash outflow of NT\$1.35 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\$20.6 billion, and net cash outflow due to investing and financing activities is estimated at NT\$24.7 billion, which will be used mainly on capital expenditure, equity investment and distribution of cash dividends.

### IV. Effect of major capital spending on financial position and business operation

#### (I) Utilization of fund on major capital spending and sources of funds

Unit: NT\$1M

Project	Actual sources of capital	Actual completion date	Total capital	Actual status of spending		
				2019	2020	2021
Capital expenditures for plant and capacity expansion	Bank syndication loan, issuance of corporate bonds and operating profit	2021	31,607	13,431	8,356	9,820

#### (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

1. Investment policy: The Company makes investment in the hope to boost business performance in principle.
2. Investment profit or loss in recent years: The Company recognized NT\$1.986 billion of gain on equity method investments in 2021 (NT\$198 million of gain on equity method investments in consolidated statements).
3. 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 development 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 2021 amounted to NT\$146,935 thousand, accounting for 0.15% of consolidated revenue for the year. 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 exchange rate fluctuation risks and foreign exchange gains/losses are within the manageable range in 2021. The foreign exchange gains/losses are mainly due to foreign currencies required for import/export operations, and the undertaking of corresponding derivative financial products, thereby hedging the exchange rate risks created by foreign currency positions. Related measures are as follows:

- (1) Engage in financial derivatives transactions for the main purpose of hedging operational risks, 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 a 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 every transaction and potential loss.

#### 3. Inflation

Inflation in recent years 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. Fund loans to others and endorsements and guarantees:

The Company follows the "Procedures for Extending Loans to Others" and "Procedures for Endorsements and Guarantees" when providing fund loans to others and making endorsements and guarantees. The risks are carefully considered during implementation.

(III) Future R&D projects and estimated R&D expenditure

The Company's subsidiaries including Nuvoton Technology are expected to spend NT\$16.08 billion on R&D in the following directions in 2022:

1. DRAM

Specialty DRAM: We will continue to develop medium to high-density specialty DRAM products using DRAM 25Snm process in computing, communication and consumer electronics as well as automotive and industrial electronics. We will also continue to develop next generation production technology for DRAM 20nm.

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 develop the 32nm and 4xnm processes to produce safe, high performance, low power consumption code storage flash memory product lines 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 IC

The development direction for logic products will continue to focus on low power consumption, information security, high performance CPU platforms, and innovative IP technologies. We will strengthen our compliance with the international standards for quality and reliability, and introduce advanced production platforms. Furthermore, we will improve our products for IoT, energy saving consumer electronics, industrial control, and automotive electronics. We aim to expand our customer base and application areas, in order to respond to future industry changes. 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 broad 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) Impacts of technological changes (including information security risks) and industry changes on company financials and response measures

The Company watches closely technological and market changes, and will, in view of the circumstances, assign staff or a project team to study and evaluate the impact of those changes on the Company's development, finance and business in the future as well as response measures. As of the date of report, there have not been significant technological changes that may produce material impact on the Company's finance and business.

(VI) Impact of corporate image change on risk management and response measures

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 legal person 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

In 2021, and as of the publication date of the report, the Company has not conducted acquisitions.

#### (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 product application promotion and computerized operation management for 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 conduct mass transfers of their equity.

#### (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:

As of the publication date of the report, the details of the litigations involving Nuvoton Technology Corp. (referred to as Nuvoton Tech below), a subsidiary of the Company, are as follows:

- (1) Nuvoton Tech and Nuvoton Technology Corporation America (a wholly owned subsidiary of Nuvoton Tech, referred to as NTCA below) was served the complaint from the court on June 29, 2020. The plaintiff sought compensation from Nuvoton Tech, NTCA, and other related companies for damages caused by explosions during the use of petrol generators produced by HD POWER SYSTEMS INC. The case was presided over by the US Supreme Court of California. The plaintiff withdrew the complaint against Nuvoton Tech from the court on June 29, 2021, and withdrew the complaint against NTCA on July 7, 2021. The court has processed the case and issued the dismissal order.
- (2) On April 29, 2021, Company L submitted a complaint to the United States District Court for the District of Delaware, accusing NTCA of infringing one of their patents. NTCA has signed the licensing and settlement agreement on June 22, 2021. Company L has completed the withdrawal of the complaint from the United States District Court for the District of Delaware on June 30 according to the agreement.
- (3) On November 24, 2021, Company N submitted a complaint to the United States District Court for the District of Delaware, accusing NTCA of infringing one of their patents. Company N has withdrawn the complaint in February 2022 and the case is closed.

#### (XIII) Risk management organization framework

The Company's risk management tasks are dispersed among different functions inside the Company. The Company has established sound internal management guidelines and operating procedures, and has developed comprehensive plans and processes for risk aversion, loss prevention and crisis management. In addition, the Company's management keeps continuous watch over changes in the macroeconomic environment that might affect the Company business and operations, and has assigned staff to make planning and formulate response actions against all kinds of contingencies to reduce operational uncertainties to the minimum.

#### (XIV) Other significant risks and response measures

The Company is free of the aforementioned situation in recent years up to the date of report.

### VII. Other important events:

#### Industry-specific key performance indicator

Performance indicator	2021
Output of 12-inch wafer	674,873 pcs
Average in-line yield	99.47 %

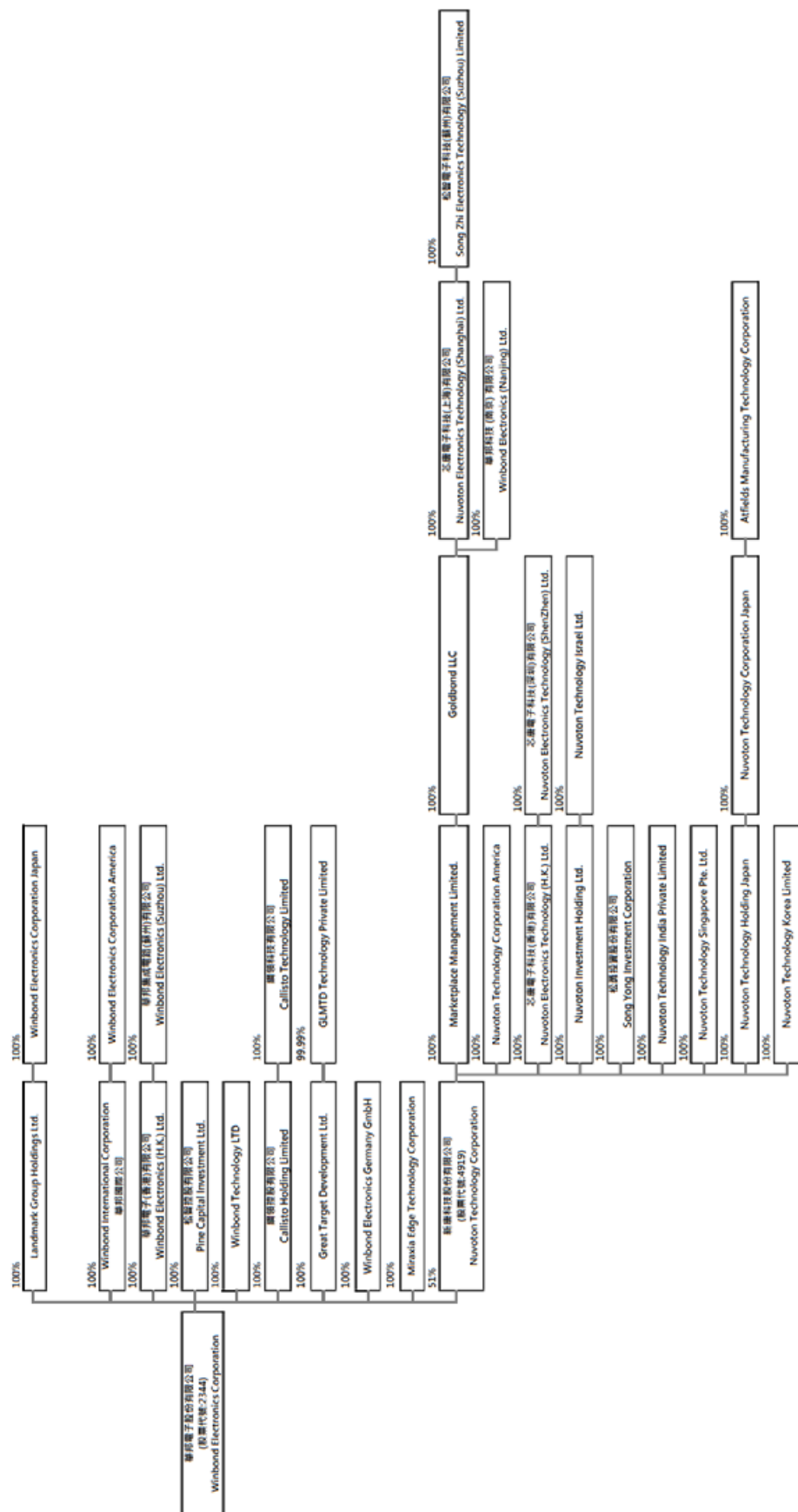
# Important Notice

## I. Profiles of affiliates and subsidiaries

### (I) Consolidated Business Report

#### 1. Corporate Affiliation Chart

December 31, 2021



## 2. Profile of individual Affiliates

December 31, 2021; 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., Daya 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 Lookerman 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	USD 1,000	E-commerce and Investment
Miraxia Edge Technology Corporation	1997.01.10	1 Kotari-yakemachi, Nagaokakyo City, Kyoto 617-8520, Japan	JPY 200,000	Integrated designs of semiconductor related software and hardware systems
Nuvoton Technology Corp.	2008.04.09	No.4, Yan Hsin 3rd Rd., Hsinchu Science and Industrial Park	TWD 4,197,653	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	USD 8,898	Investments
Goldbond LLC	2000.09.22	1912 Capitol Ave, Cheyenne, WY 82001	USD 44,775	Investments
Nuvoton Electronics Technology (Shanghai) Ltd.	2001.03.30	Rm 2701, 27F, No.2299, Yen An W. Rd., Shanghai, China	RMB 16,555	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	RMB 4,046	Computer software services (except for IC design)
Nuvoton Technology Corporation America	2008.05.01	251 Little Falls Drive, Wilmington, DE 19808, Delaware	USD 6,050	Design, sales and service of semiconductor 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	HKD 107,400	Sales and service of semiconductor parts and components
Nuvoton Electronics Technology (Shenzhen) Ltd.	2007.02.16	Rm 801, 8F Microprofit Building, Gaoxinnan 6TH Rd., High-Tech Industrial Park, Nanshan Dist., Shenzhen, China	RMB 46,434	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	USD 17,960	Investments

Name of enterprise	Date of establishment	Address	Paid-in capital	Main business and products
Nuvoton Technology Israel Ltd.	2005.03.22	8 Hasadnaot Street, Herzliya B, 4672835 Israel	ILS 1	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	INR 60,000	Design, sales and service of semiconductor parts and components
Nuvoton Technology Singapore Pte. Ltd.	2020.03.25	3 Bedok South Road, Singapore, 469269	USD 45,100	Design, sales and service of semiconductor parts and components
Nuvoton Technology Korea Ltd.	2020.06.05	2507 Room, Trade Tower, Yeongdong-daero 511, Gangnam-Gu, Seoul, Korea, 06164	KRW 1,250,000	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	JPY 5,000	Investments
Nuvoton Technology Corporation Japan	2014.03.10	1 Kotari-yakemachi, Nagaokakyo City, Kyoto 617-8520, Japan	JPY 400,000	Design, sales and service of semiconductor parts and components
Atfields Manufacturing Technology Corporation	2000.03.01	800 Higashiyama, Uozu City, Toyama 937-8585, Japan	JPY 200,000	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	RMB 2,000	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, 2021; Unit: Shares				
Name of enterprise	Title	Name or Representative	Shares held	
			Shares	%
Winbond Electronics Corporation	Chairman	Arthur Yu-Cheng Chiao	63,472,995	1.59%
	Vice Chairman	Tung-Yi Chan	551,000	0.01%
	Director	Yung Chin	11,778,797	0.30%
	Independent Director	Allen Hsu	-	-
	Independent Director	Stephen T. Tso	-	-
	Independent Director	Francis Tsai	-	-
	Independent Director	Jerry Hsu	-	-
	Director	Fred Pan (Representative of Walsin Lihwa Corporation)	883,848,423 (Note 1)	22.21%
	Director	Yuan-Mow Su (Representative of Chin Xin Investment)	240,003,072 (Note 1)	6.03%
	Director	Chih-Chen Lin	-	-
	Director	Wei-Hsin Ma	-	-
	President	Pei-Ming Chen	395,044	0.01%
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	Director	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	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		

Name of enterprise	Title	Name or Representative	Shares held	
			Shares	%
	Director	Winbond International Corporation Representative - Hsiang-Yun Fan	(Note 1)	
	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 (Note 1)	100%
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	Meng-Chi Wu	-	-
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	Chih-Chung Chou	-	-
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 Ltd. Representative - Pei-Ming Chen	100,000 (Note 1)	100%
	Director	Winbond Electronics Corp. Representative - Tung-Yi Chan		
	Director	Winbond Electronics Corp. Representative - Meng-Chi Wu		
	Director	Winbond Electronics Corp. Representative - Ilia Stolor		
	President	Ilia Stolor	-	-
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	-	-
Miraxia Edge Technology Corporation	Chairman	Nuvoton Technology Corporation Japan Institutional Appointee - Cheng-Kung Lin	4,000 (Note 1)	100%
	Director	Nuvoton Technology Corporation Japan Institutional Appointee - Shogo Nakazawa		
	Director	Nuvoton Technology Corporation Japan Institutional Appointee - Kazuhiro Koyama		
	Director	Nuvoton Technology Corporation Japan Institutional Appointee - Zi-Kai Chiao		
	Director	Nuvoton Technology Corporation Japan Institutional Appointee - JD Chiou		
	Supervisor	Nuvoton Technology Corporation Japan Institutional Appointee - Akio Nakagawa		
Nuvoton Technology Corp	President	Shogo Nakazawa	-	-
	Chairman	Winbond Electronics Corp. Representative - Yuan-Mou Su	214,954,635	51.21%
	Director	Arthur Yu-Cheng Chiao	-	-
	Director	Chin Xin Investment Corp. Representative - Yung Chin	5,440,219	1.31%
	Director	Ken-Shew Lu	-	-
	Director	Chi-Lin Wea	-	-
	Independent Director	Yu-Chun Hong	-	-
	Independent Director	Allen Hsu	-	-
	Independent Director	David Shu-Chyuan Tu	-	-
	Independent Director	Jerry Hsu	-	-
	President	(Note 3)	-	-

Name of enterprise	Title	Name or Representative	Shares held	
			Shares	%
Marketplace Management Limited	Director	Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao	8,897,789 (Note 1)	100%
	Director	Nuvoton Technology Corp. Representative - Tung-Yi Chan		
	Director	Nuvoton Technology Corp. Ltd. Representative - Hung-Wen Huang		
Goldbond LLC	Manager (Note 4)	Marketplace Management Limited Representative - Arthur Yu-Cheng	(Note 2)	100%
	Manager (Note 4)	Marketplace Management Limited Representative - Jessica C. Huang		
	Manager (Note 4)	Marketplace Management Limited Representative - Hung-Wen Huang		
Nuvoton Electronics Technology (Shanghai) Ltd.	Chairman	Hsin-Lung Yang - Representative of Goldbond LLC	(Note 2)	100%
	Director	Goldbond LLC Representative - Jen-Lieh Lin		
	Director	Xiu-Fen Lai - Representative of Goldbond LLC		
	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 - Yuan-Mow Su	60,500 (Note 1)	100%
	Director	Nuvoton Technology Corp. Representative - Patrick Wang		
	Director	Nuvoton Technology Corp. Representative - Aditya Raina		
	Director	Nuvoton Technology Corp. Representative - Jen-Lieh Lin		
	Director	Nuvoton Technology Corp. Representative - Vivian Yeh		
	Director	Nuvoton Technology Corp. Ltd. Representative - Hung-Wen Huang		
	Director	Nuvoton Technology Corp. Representative - Keiji Ito		
Nuvoton Electronics Technology (H.K.) Ltd.	President	Aditya Raina	-	-
	Chairman	Nuvoton Technology Corp. Representative - Zi-Kai Chiao	107,400,000 (Note 1)	100%
	Director	Nuvoton Technology Corp. Representative - Yung Chin		
	Director	Nuvoton Technology Corp. Representative - Xiu-Fen Lai		
	Director	Nuvoton Technology Corp. Representative - Patrick Wang		
	Director	Nuvoton Technology Corp. Representative - Yo-Song Cheng		
Nuvoton Electronics Technology (Shenzhen) Ltd.	President	Ruo-Wei Fu	-	-
	Chairman	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Meng-Chi Wu	(Note 2)	100%
	Director	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Yoshitaka		
	Director	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Patrick Wang		
	Director	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Hsin-Lung Yang		
	Director	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Yue-Fang Chong		
	Supervisor	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Jen-Lieh Lin		
Nuvoton Investment Holding Ltd.	President	Ruo-Wei Fu	-	-
	Director	Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao	17,960,000 (Note 1)	100%
	Director	Nuvoton Technology Corp. Representative - Jessica Huang		
Nuvoton Technology Israel Ltd.	Director	Nuvoton Technology Corp. Ltd. Representative - Hung-Wen Huang		
	Chairman	Nuvoton Investment Holding Ltd. Representative - Hsin-Lung Yang	1,000 (Note 1)	100%
	Director	Nuvoton Investment Holding Ltd. Representative - Jen-Lieh Lin		
	Director	Nuvoton Investment Holding Ltd. Representative - Yuan-Mow Su		
	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		
Song Yong Investment Corporation	President	Biranit Levany	-	-
	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 - Xiu-Fen Lai		
Nuvoton Technology India Private Limited	Supervisor	Nuvoton Technology Corp. Representative - Jen-Lieh Lin		
	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	-	-



Name of enterprise	Title	Name or Representative	Shares held	
			Shares	%
Nuvoton Technology Singapore Pte. Ltd.	Director	Nuvoton Technology Corp. Institutional Appointee - Yo-Song Cheng	45,100,000 (Note 1)	100%
	Director	Nuvoton Technology Corp. Institutional Appointee - Patrick Wang		
	Director	Nuvoton Technology Corp. Institutional Appointee - Yi-Tsai Hsu		
	Director	Nuvoton Technology Corp. Institutional Appointee - Meng-Chi Wu		
	Director	Nuvoton Technology Corp. Institutional Appointee - Yoshitaka		
	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	-	-
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 - Zi-Kai Chiao		
	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 Kajiware	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 Kajiware	-	-
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 Electronics (Suzhou) Co., Ltd. are not companies limited by shares.

Note 3: As of November 15, 2021, the position of president will be temporarily held by the Chairman and CEO Yuan-Mow Su.

Note 4: 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, 2021; 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	125,944,579	43,500,466	82,444,113	57,532,802	14,678,137	13,594,643	3.42
Landmark Group Holdings Ltd.	147,894	163,783	12,499	151,284	93,781	35,702	35,702	6.68
Winbond Electronics Corporation Japan	35,714	972,886	810,225	162,661	6,468,810	113,640	93,780	31,575.87

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 International Corporation	2,434,733	1,697,875	31,751	1,666,124	49,886	49,679	49,679	0.56
Winbond Electronics Corporation America	1,630,828	2,090,863	394,296	1,696,567	2,285,414	71,418	49,885	16,265.22
Great Target Development Ltd	123,730	103,176	160	103,016	0	-653	-653	-0.15
GLMTD Technology Private Limited	104,160	103,449	367	103,082	0	-905	-436	-0.02
Winbond Electronics (H.K.) Ltd.	252,511	1,409,173	973,209	435,964	10,175,898	131,118	164,088	2.31
Winbond Electronics (Suzhou) Ltd.	249,120	456,105	91,723	364,382	4,219,306	72,632	54,195	(Note 1)
Pine Capital Investment Ltd.	2,768	3,071	167	2,904	1	-264	-264	-0.34
Winbond Technology Ltd	9	158,972	96,671	62,301	319,293	15,204	12,176	121.76
Winbond Electronics Germany GmbH	26,622	24,697	906	23,791	13,442	392	508	0.60
Callisto Holding Limited	141,960	111,566	8,003	103,563	7,841	-7,817	-15,646	-0.39
Callisto Technology Limited	27,680	27,669	126	27,543	0	-189	-196	-0.20
Miraxia Edge Technology Corporation	48,100	403,812	235,294	168,518	1,262,278	158,384	109,898	27.47
Nuvoton Technology Corp	4,197,653	24,179,854	8,625,164	15,554,690	14,601,031	2,590,437	2,940,752	7.27
Marketplace Management Limited	246,291	298,407	261	298,146	19,408	19,084	19,084	2.14
Goldbond LLC	1,239,367	301,069	3,470	297,599	19,768	19,407	19,407	(Note 1)
Nuvoton Electronics Technology (Shanghai) Ltd.	71,914	119,402	20,906	98,496	1,784,276	-11,392	177,178	(Note 1)
Winbond Technology (Nanjing) Ltd.	17,574	47	3,041	-2,994	0	0	0	(Note 1)
Nuvoton Technology Corporation America	167,464	248,192	67,967	180,225	432,071	15,842	3,427	56.64
Nuvoton Electronics Technology (H.K.) Ltd.	381,163	618,593	98,526	520,067	5,423,421	43,010	44,719	0.42
Nuvoton Electronics Technology (Shenzhen) Ltd.	201,709	256,595	27,913	228,682	200,363	4,402	8,805	(Note 1)
Nuvoton Investment Holding Ltd.	497,133	362,382	2,040	360,342	56,985	56,889	56,889	3.17
Nuvoton Technology Israel Ltd.	9	671,730	310,111	361,619	991,185	74,187	56,985	56,985.00
Song Yong Investment Corporation	38,500	277,535	195	277,340	6,137	5,917	5,847	1.52
Nuvoton Technology India Private Limited	22,320	20,608	76	20,532	3,165	151	131	0.22
Nuvoton Technology Singapore Pte. Ltd.	1,248,368	2,553,140	946,061	1,607,079	8,611,470	414,371	336,971	7.47
Nuvoton Technology Korea Ltd.	29,125	13,095	1,894	11,201	0	-14,980	-15,029	-120.23
Nuvoton Technology Holdings Japan	1,203	7,251,306	677	7,250,629	0	323,476	323,476	3,234,764.26
Nuvoton Technology Corporation Japan	96,200	16,491,155	5,529,610	10,961,545	22,868,191	86,999	323,113	34,083.63
Atfields Manufacturing Technology Corporation	48,100	411,005	132,739	278,266	1,217,073	202,501	137,018	34,254.41
Pine Electronics (Suzhou) Co., Ltd.	8,688	8,104	0	8,104	0	-595	-582	(Note 1)

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= 27.68 NTD; 1 JPY= 0.2405 NTD; 1 RMB =4.344 NTD; 1 ILS= 8.8912 NTD; 1 EUR= 31.32 NTD; 1 INR= 0.372 NTD

Note 3: Exchange rates used for profit and loss items:

1 USD= 28.01 NTD; 1 JPY= 0.2534 NTD; 1 RMB =4.3413 NTD; 1 ILS= 8.6709 NTD; 1 EUR= 33.16 NTD; 1 INR= 0.3828 NTD

(II) Consolidated financial statements for Affiliates: Please see pp. 65 ~ 233

(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



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