

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

Parent Company Only Financial Statements

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

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

Telephone: (02)2995-2666

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

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安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 home.kpmg/tw

Independent Auditors' Report

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

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits of the financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Revenue recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the independent directors or supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsin-Yi Kuo and Hui-Chih Ko.

KPMG

Taipei, Taiwan (Republic of China)

March 24, 2021

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (notes 6(a)(q))	\$ 546,497	7	447,160	7	2100	Short-term borrowings from related parties (notes 6(i)(q) and 7)	\$ 313,280	4	-	-
1150	Notes receivable, net (notes 6(c)(n)(q))	-	-	1,033	-	2170	Accounts payable (note 6(q))	662,319	8	811,979	11
1170	Accounts receivable, net (notes 6(c)(n)(q))	1,416,011	17	1,765,262	25	2180	Accounts payable to related parties (notes 6(q) and 7)	2,073,048	25	1,389,422	20
1181	Accounts receivable due from related parties, net (notes 6(c)(n)(q) and 7)	656,807	8	25,443	-	2200	Other payables (note 6(q))	234,018	3	276,253	4
1200	Other receivables (notes 6(d)(q))	8,464	-	8,627	-	2220	Other payables to related parties (notes 6(q) and 7)	10,919	-	6,475	-
1210	Other receivables due from related parties (notes 6(d)(q) and 7)	431,366	5	351,675	5	2250	Current provisions (note 6(q))	739	-	1,292	-
130X	Inventories (note 6(e))	585,610	7	658,346	9	2280	Current lease liabilities	17,348	-	7,989	-
1410	Prepayments	5,528	-	5,835	-	2300	Other current liabilities	34,614	-	38,052	1
1470	Other current assets	26,208	-	2,579	-		Total current liabilities	3,346,285	40	2,531,462	36
	Total current assets	3,676,491	44	3,265,960	46		Non-current liabilities:				
	Non-current assets:					2570	Deferred tax liabilities (note 6(k))	565,786	7	459,516	6
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(b)(q))	27,983	-	72,709	1	2580	Non-current lease liabilities (note 6(q))	48,688	-	3,678	-
1550	Investments accounted for using equity method (note 6(f))	4,070,704	49	3,118,771	44	2640	Net defined benefit liability, non-current (note 6(j))	3,452	-	1,236	-
1600	Property, plant and equipment (notes 6(g) and 8)	421,011	5	445,770	7	2645	Guarantee deposits received	-	-	734	-
1755	Right-of-use assets	66,079	1	11,634	-		Total non-current liabilities	617,926	7	465,164	6
1760	Investment property, net (note 6(h) and 8)	-	-	57,806	1		Total liabilities	3,964,211	47	2,996,626	42
1780	Intangible assets	21,128	-	4,453	-		Equity (note 6(l)):				
1840	Deferred tax assets (note 6(k))	52,509	1	77,495	1	3100	Ordinary shares	863,434	10	863,434	12
1900	Other non-current assets	41,051	-	1,086	-	3200	Capital surplus	531,823	6	531,823	7
	Total non-current assets	4,700,465	56	3,789,724	54		Retained earnings:				
						3310	Legal reserve	746,181	9	676,028	10
						3320	Special reserve	222,369	3	185,482	3
						3350	Unappropriated retained earnings (note 6(j))	2,276,029	27	2,024,660	29
							Total retained earnings	3,244,579	39	2,886,170	42
						3400	Other equity	(227,091)	(2)	(222,369)	(3)
							Total equity	4,412,745	53	4,059,058	58
							Total liabilities and equity	\$ 8,376,956	100	\$ 7,055,684	100
	Total assets	\$ 8,376,956	100	7,055,684	100						

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
 (Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000 Operating revenues (notes 6(n) and 7)	\$ 6,073,490	100	6,308,832	100
5000 Operating costs (notes 6(e)(g)(j)(o) and 7)	<u>5,463,870</u>	<u>90</u>	<u>5,595,000</u>	<u>89</u>
Gross profit from operations	<u>609,620</u>	<u>10</u>	<u>713,832</u>	<u>11</u>
Operating expenses (notes 6(g)(j)(o) and 7):				
6100 Selling expenses	108,225	2	127,323	2
6200 Administrative expenses	123,538	2	125,382	2
6300 Research and development expenses	222,328	3	204,851	3
6450 Impairment loss determined in accordance with IFRS 9 (note 6(c))	<u>181</u>	<u>-</u>	<u>37</u>	<u>-</u>
Total operating expenses	<u>454,272</u>	<u>7</u>	<u>457,593</u>	<u>7</u>
Net operating income	<u>155,348</u>	<u>3</u>	<u>256,239</u>	<u>4</u>
Non-operating income and expenses:				
7100 Interest income (note 6(p) and 7)	944	-	4,021	-
7010 Other income (notes 6(p) and 7)	108,453	1	213,388	3
7020 Other gains and losses, net (note 6(h)(p))	108,811	2	(7,158)	-
7050 Finance costs (notes 6(p) and 7)	(916)	-	(494)	-
7070 Share of profit of subsidiaries accounted for using equity method, net	<u>555,278</u>	<u>9</u>	<u>402,879</u>	<u>7</u>
Total non-operating income and expenses	<u>772,570</u>	<u>12</u>	<u>612,636</u>	<u>10</u>
7900 Profit before income tax	927,918	15	868,875	14
7950 Less: Income tax expenses (note 6(k))	<u>145,520</u>	<u>2</u>	<u>167,341</u>	<u>3</u>
Profit	<u>782,398</u>	<u>13</u>	<u>701,534</u>	<u>11</u>
8300 Other comprehensive income:				
8310 Items that may not be reclassified subsequently to profit or loss				
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(44,726)	(1)	22,546	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total components of other comprehensive income that will not be reclassified to profit or loss	<u>(44,726)</u>	<u>(1)</u>	<u>22,546</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation	50,005	1	(124,916)	(2)
8391 Other components of other comprehensive income that will be reclassified to profit or loss	(4,371)	-	3,036	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>9,127</u>	<u>-</u>	<u>(24,376)</u>	<u>(1)</u>
Total components of other comprehensive income that will be reclassified to profit or loss	<u>36,507</u>	<u>1</u>	<u>(97,504)</u>	<u>(1)</u>
8300 Other comprehensive income	<u>(8,219)</u>	<u>-</u>	<u>(74,958)</u>	<u>(1)</u>
Total comprehensive income	<u>\$ 774,179</u>	<u>13</u>	<u>626,576</u>	<u>10</u>
Basic earnings per share (note 6(m))				
Basic earnings per share (NT Dollars)	<u>\$ 9.06</u>		<u>8.12</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
 (Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

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

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 927,918	868,875
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	82,970	62,550
Amortization expense	2,346	2,057
Expected credit loss	181	37
Interest expense	916	494
Interest income	(944)	(4,021)
Dividend income	(371)	(927)
Share of profit of subsidiaries, accounted for using equity method	(555,278)	(402,879)
Loss on disposal of property, plant and equipment	6,905	11,054
Property, plant and equipment transferred to expenses	2,443	-
Gain on disposal of investment properties	(90,619)	-
Unrealized gain on transactions with affiliates	(48,103)	(32,390)
Unrealized foreign exchange loss	368	4,555
Loss from lease modifications	(15)	-
Total adjustments to reconcile profit	(599,201)	(359,470)
Changes in operating assets and liabilities:		
Decrease in notes receivable	1,033	471
Decrease (increase) in accounts receivable	349,070	(72,119)
Increase in accounts receivable due from related parties	(631,364)	(10,780)
Increase in other receivables	(393)	(2,468)
(Increase) decrease in other receivable due from related parties	(79,691)	92,953
Decrease in inventories	72,736	44,472
Increase in prepayments	(3,953)	(3,546)
Increase in other current assets	(23,649)	(1,265)
(Decrease) increase in accounts payable	(149,660)	14,270
Increase (decrease) in accounts payable to related parties	683,626	(89,278)
(Decrease) increase in other payables	(38,318)	48,571
Increase in other payable to related parties	4,444	3,917
Decrease in provisions	(553)	(384)
Decrease in other current liabilities	(3,438)	(5,784)
Decrease in net defined benefit liability	(2,156)	(698)
Total changes in operating assets and liabilities	177,734	18,332
Total adjustments	(421,467)	(341,138)
Cash inflow generated from operations	506,451	527,737
Interest received	944	4,402
Interest paid	(916)	(512)
Income taxes paid	(27,307)	(98,027)
Net cash flows from operating activities	479,172	433,600
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(299,343)	-
Acquisition of property, plant and equipment	(67,053)	(112,484)
Proceeds from disposal of property, plant and equipment	8,660	991
Increase in refundable deposits	(39,965)	(1,086)
Acquisition of intangible assets	(13,740)	(1,065)
Proceeds from disposal of investment properties	147,913	-
Dividends received	927	1,091
Net cash flows used in investing activities	(262,601)	(112,553)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	313,280	(100,000)
Decrease in guarantee deposits	(734)	-
Payment of lease liabilities	(8,920)	(6,691)
Cash dividends paid	(420,492)	(405,814)
Net cash flows used in financing activities	(116,866)	(512,505)
Effect of exchange rate changes on cash and cash equivalents	(368)	(4,555)
Net increase (decrease) in cash and cash equivalents	99,337	(196,013)
Cash and cash equivalents at beginning of period	447,160	643,173
Cash and cash equivalents at end of period	\$ 546,497	447,160

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(ORIGINAL NAME : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar, Unless Otherwise Specified)

(1) Company history

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

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

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

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

(3) New standards, amendments and interpretations adopted:

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

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

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

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

- (ii) Other amendments

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

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

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

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

These parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
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(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent-company-only financial statements have been prepared on a historical cost basis:

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transactions

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

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

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

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
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(ii) Foreign operations

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

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

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

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

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

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

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

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
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(e) Cash and cash equivalents

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

(f) Financial instruments

(i) Financial assets

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

(Continued)

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

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

3) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
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4) Derecognition of financial assets

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

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

2) Financial liabilities at fair value through profit or loss

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

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

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

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

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

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
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5) Offsetting of financial assets and liabilities

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

(g) Inventories

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

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

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

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

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

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

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under equity method, profit or loss and other comprehensive income recognized in the parent-company-only financial statement is the same as total comprehensive income attributable to shareholders of the Company in the consolidated financial statements. In addition, changes in equity recognized in parent-company-only financial statements is the same as changes in equity attributable to owners of parent in the consolidated financial statements.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control as equity transactions between the proprietors.

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(j) Investment property

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

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

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

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(iii) Depreciation

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

Land is not depreciated.

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

- | | | |
|----|------------------|------------|
| 1) | buildings | 3~50 years |
| 2) | machinery | 1~10 years |
| 3) | office equipment | 3~6 years |
| 4) | other equipment | 2~10 years |

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

(l) Leases

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

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- the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

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

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

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

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

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

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

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- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

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

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

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

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

(iii) As a lessor

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

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

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

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(m) Intangible assets

(i) Other intangible assets

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

1) Computer software cost 5~6 years

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

(n) Impairment of non-financial assets

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

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

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

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(o) Provisions

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

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

(p) Revenue recognition

(i) Revenue from contracts with customers

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

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

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

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

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

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

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2) Financing components

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

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

(iii) Short-term employee benefits

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

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

(r) Income taxes

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

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

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

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

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

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

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

(s) Earnings per share

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

(t) Operating segments

The Company discloses its information on operating segments in its consolidated financial statements, so it need not disclose such information in its parent-company-only financial statements.

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

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

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 219	249
Demand deposits	546,278	446,901
Check deposit	<u>-</u>	<u>10</u>
Cash and cash equivalents in the statement of cash flows	<u>\$ 546,497</u>	<u>447,160</u>

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

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

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

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

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

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

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

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

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

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

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(c) Notes and accounts receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable from operating activities	\$ -	1
Notes receivable from non-operating activities	-	1,032
Notes receivables	<u>\$ -</u>	<u>1,033</u>
Accounts receivables (including related parties)	\$ 2,073,068	1,791,364
Less: Loss allowance	<u>(250)</u>	<u>(659)</u>
Net accounts receivables	<u>\$ 2,072,818</u>	<u>1,790,705</u>

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

	<u>December 31, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 2,019,369	0.00030%	6
1 to 30 days past due	39,061	0.03072%	12
31 to 120 days past due	13,955	0.16482%	23
121 to 180 days past due	475	0.21053%	1
More than 180 days past due	<u>208</u>	100%	<u>208</u>
	<u>\$ 2,073,068</u>		<u>250</u>

	<u>December 31, 2019</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 1,750,490	0.00029%	6
1 to 30 days past due	32,743	0.03054%	10
31 to 120 days past due	3,035	0.13180%	4
121 to 180 days past due	5,505	0.27248%	15
More than 180 days past due	<u>624</u>	100%	<u>624</u>
	<u>\$ 1,792,397</u>		<u>659</u>

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 659	622
Impairment losses recognized	181	37
Amounts written off	<u>(590)</u>	<u>-</u>
Balance at December 31	<u>\$ 250</u>	<u>659</u>

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

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

(d) Other receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other receivables	\$ 8,464	8,627
Other receivables due from related parties	<u>431,366</u>	<u>351,675</u>
	<u>\$ 439,830</u>	<u>360,302</u>

As of December 31, 2020 and 2019, no allowance for impairment was provided because all of the other receivables were still within the normal credit terms.

For further credit risk information, please refers to note 6(q).

(e) Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Raw materials	\$ 18,876	23,332
Work in progress	27,382	58,289
Finished goods	449,772	490,285
Merchandise inventory	<u>89,580</u>	<u>86,440</u>
	<u>\$ 585,610</u>	<u>658,346</u>

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

For the years ended December 31, 2020 and 2019, the loss of inventories recognized in operating costs amounted to \$61,095 thousand and \$33,306 thousand, respectively. The details of the loss of inventories were as follows:

	<u>2020</u>	<u>2019</u>
Unallocated production overheads	\$ 5,759	92
Reversal of write-downs	(33,590)	(13,221)
Income from sale of scrap and wastes	(10,989)	(13,595)
Loss from scrap	99,883	60,030
Inventory shortage	<u>32</u>	<u>-</u>
Increase in cost of sales	<u>\$ 61,095</u>	<u>33,306</u>

For the years ended December 31, 2020 and 2019, raw material, and changes in the finished goods, merchandise inventory and work in progress recognized as cost of sales amounted to \$5,402,775 thousand and \$5,561,694 thousand, respectively.

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

(f) Investments accounted for using equity method

A summary of the Company's investments accounted for using the equity method at the reporting date is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	<u>\$ 4,070,704</u>	<u>3,118,771</u>

(i) Subsidiaries

For the information of subsidiaries, please refer to the consolidated financial statements for the years ended December 31, 2020.

(ii) Collateral

As of December 31, 2020 and 2019, the Company did not provide any investments accounted for using equity method as collateral for its loans.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(g) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:							
Balance on January 1, 2020	\$ 210,127	102,608	165,815	209	108,012	30,991	617,762
Additions	-	7,090	27,865	3,965	11,343	16,790	67,053
Disposal	-	(4,426)	(23,977)	-	(11,360)	-	(39,763)
Reclassification	-	1,748	70,218	-	(44,419)	(30,991)	(3,444)
Balance on December 31, 2020	<u>\$ 210,127</u>	<u>107,020</u>	<u>239,921</u>	<u>4,174</u>	<u>63,576</u>	<u>16,790</u>	<u>641,608</u>
Balance on January 1, 2019	\$ 210,127	68,322	161,467	209	89,856	8,011	537,992
Additions	-	34,504	27,214	-	25,985	24,781	112,484
Disposal	-	(218)	(24,667)	-	(7,829)	-	(32,714)
Reclassification	-	-	1,801	-	-	(1,801)	-
Balance on December 31, 2019	<u>\$ 210,127</u>	<u>102,608</u>	<u>165,815</u>	<u>209</u>	<u>108,012</u>	<u>30,991</u>	<u>617,762</u>
Depreciation:							
Balance on January 1, 2020	\$ -	43,645	72,488	157	55,702	-	171,992
Depreciation for the year	-	13,864	35,350	184	24,201	-	73,599
Disposal	-	(2,094)	(11,705)	-	(11,195)	-	(24,994)
Reclassification	-	-	28,760	-	(28,760)	-	-
Balance on December 31, 2020	<u>\$ -</u>	<u>55,415</u>	<u>124,893</u>	<u>341</u>	<u>39,948</u>	<u>-</u>	<u>220,597</u>
Balance on January 1, 2019	\$ -	34,936	62,005	131	40,445	-	137,517
Depreciation for the year	-	8,927	24,201	26	21,990	-	55,144
Disposal	-	(218)	(13,718)	-	(6,733)	-	(20,669)
Balance on December 31, 2019	<u>\$ -</u>	<u>43,645</u>	<u>72,488</u>	<u>157</u>	<u>55,702</u>	<u>-</u>	<u>171,992</u>
Carrying amounts:							
Balance on December 31, 2020	<u>\$ 210,127</u>	<u>51,605</u>	<u>115,028</u>	<u>3,833</u>	<u>23,628</u>	<u>16,790</u>	<u>421,011</u>
Balance on December 31, 2019	<u>\$ 210,127</u>	<u>58,963</u>	<u>93,327</u>	<u>52</u>	<u>52,310</u>	<u>30,991</u>	<u>445,770</u>

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(h) Investment property

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

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

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

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

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

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(i) Short-term borrowings from related parties

The short-term borrowings were summarized as follows:

	December 31, 2020	December 31, 2019
Unsecured short-term borrowings from related parties	\$ <u>313,280</u>	<u>-</u>
Short-term borrowings	\$ <u>313,280</u>	<u>-</u>
Unused credit lines	\$ <u>490,759</u>	<u>1,127,780</u>
Range of interest rates	<u>0.57038%-0.60613%</u>	<u>-</u>

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

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

(j) Employee benefits

(i) Defined benefit plans

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

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

The Company's employee benefit liabilities were as follows:

	December 31, 2020	December 31, 2019
Compensated absences liability	\$ <u>5,293</u>	<u>4,211</u>

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

1) Composition of plan assets

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

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

2) Movements in present value of the defined benefit obligations

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

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

3) Movements of defined benefit plan assets

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

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

4) Expenses recognized in profit or loss

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

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

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

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

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

6) Actuarial assumptions

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

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

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

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

7) Sensitivity analysis

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

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

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

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

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

(ii) Defined contribution plans

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

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(k) Income taxes

(i) Income tax expense

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

	<u>2020</u>	<u>2019</u>
Current tax expense	\$ 23,391	85,376
Deferred tax expense	122,129	81,965
Income tax expense	<u>\$ 145,520</u>	<u>167,341</u>

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

	<u>2020</u>	<u>2019</u>
Profit excluding income tax	<u>\$ 927,918</u>	<u>868,875</u>
Income tax using the Company's domestic tax rate	\$ 185,584	173,775
Effect of tax rates in foreign jurisdiction	(12,643)	(8,867)
Tax-exempt income	(12,856)	(185)
Tax incentives	(10,500)	(4,500)
Difference between estimate and assessment	(3,638)	3,989
Land Value Increment Tax	696	-
Over-estimation from prior periods	(7,920)	(985)
Additional tax on undistributed earnings	6,797	5,766
Others	-	(1,652)
Total	<u>\$ 145,520</u>	<u>167,341</u>

The amount of income tax recognized in other comprehensive income were as follows:

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

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

Deferred Tax Liabilities:

	Investment income recognized under equity method	Cumulative translation adjustments	Reserve for land revaluation increment tax	Others	Total
Balance at January 1, 2020	\$ 431,398	-	26,241	1,877	459,516
Recognized in profit or loss	98,414	-	-	7,856	106,270
Balance at December 31, 2020	<u>\$ 529,812</u>	<u>-</u>	<u>26,241</u>	<u>9,733</u>	<u>565,786</u>
Balance at January 1, 2019	\$ 359,690	-	26,241	1,737	387,668
Recognized in profit or loss	71,708	-	-	140	71,848
Balance at December 31, 2019	<u>\$ 431,398</u>	<u>-</u>	<u>26,241</u>	<u>1,877</u>	<u>459,516</u>

Deferred Tax Assets:

	Allowance for inventory valuation and obsolescence losses	Unrealized profit on downstream transactions	Cumulative translation adjustments	Others	Total
Balance at January 1, 2020	\$ 9,502	11,824	50,561	5,608	77,495
Recognized in profit or loss	(6,718)	(9,461)	-	320	(15,859)
Recognized directly in equity	-	-	(10,001)	874	(9,127)
Balance at December 31, 2020	<u>\$ 2,784</u>	<u>2,363</u>	<u>40,560</u>	<u>6,802</u>	<u>52,509</u>
Balance at January 1, 2019	\$ 12,147	18,302	25,579	7,208	63,236
Recognized in profit or loss	(2,645)	(6,478)	-	(994)	(10,117)
Recognized directly in equity	-	-	24,982	(606)	24,376
Balance at December 31, 2019	<u>\$ 9,502</u>	<u>11,824</u>	<u>50,561</u>	<u>5,608</u>	<u>77,495</u>

(iii) Assessment of tax

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(l) Capital and other equity

(i) Ordinary shares

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

(ii) Capital surplus

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

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

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

(iii) Retained earnings

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

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

1) Legal reserve

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

2) Special reserve

As the Company opted to avail of the exemptions allowed under IFRS 1 “First-time Adoption of International Financial Reporting Standards” during the Company’s first-time adoption of the IFRSs as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments (gain) which were previously recognized in shareholders’ equity were reclassified to retained earnings. According to regulations, retained earnings would be increased by \$84,833 thousand, by recognizing the fair value on the adoption date as deemed cost. In accordance with Ruling No.0 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first time adoption of the IFRSs shall be reclassified as a special reserve during earning distribution, and when the relevant assets were used, disposed of or reclassified, this special reserve shall be reversed as distributable earnings proportionately. The balance of special reserve amounted to \$222,369 thousand and \$185,482 thousand as of December 31, 2020 and 2019, respectively.

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

3) Earnings distribution

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

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iv) Other equity accounts, net of tax

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

(m) Earnings per share

(i) Basic earnings per share

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

1) Profit attributable to ordinary shareholders of the Company

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

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

2) Weighted average number of ordinary shares

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

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

(n) Revenue from contracts with customers

(i) Details of revenue

	<u>2020</u>	<u>2019</u>
Primary geographical markets:		
Chinese mainland	\$ 3,075,400	2,479,669
Taiwan	1,034,074	1,400,672
Singapore	468,670	702,726
Malaysia	601,772	517,392
United States	253,788	431,517
Others	<u>639,786</u>	<u>776,856</u>
	<u>\$ 6,073,490</u>	<u>6,308,832</u>
Major products:		
Thermal module	\$ 4,112,168	4,321,815
Thermal products	1,371,132	1,265,690
Others	<u>590,190</u>	<u>721,327</u>
	<u>\$ 6,073,490</u>	<u>6,308,832</u>

(ii) Contract balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Notes receivables from operating activities	\$ -	1	10
Accounts receivables (including related parties)	2,073,068	1,791,364	1,708,465
Less: allowance for impairment	<u>(250)</u>	<u>(659)</u>	<u>(622)</u>
Total	<u>\$ 2,072,818</u>	<u>1,790,706</u>	<u>1,707,853</u>

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

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

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

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

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

(p) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	2020	2019
Interest income from bank deposits	\$ 887	4,021
Other interest income	57	-
	\$ 944	4,021

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(ii) Other income

The details of other income were as follows:

	<u>2020</u>	<u>2019</u>
Rental income	\$ 3,324	4,199
Dividend income	371	927
Commission income from purchase of raw materials and equipments	90,142	199,640
Other income, others	<u>14,616</u>	<u>8,622</u>
	<u><u>\$ 108,453</u></u>	<u><u>213,388</u></u>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2020</u>	<u>2019</u>
Loss on disposal of property, plant and equipment	\$ (6,905)	(11,054)
Gain on disposal of investment property	90,619	-
Foreign currency exchange gain	26,150	4,880
Depreciation of investment property	(512)	(682)
Others	<u>(541)</u>	<u>(302)</u>
	<u><u>\$ 108,811</u></u>	<u><u>(7,158)</u></u>

(iv) Finance costs

The details of finance costs were as follows:

	<u>2020</u>	<u>2019</u>
Interest expense	\$ (673)	(227)
Amortization interest of lease liabilities	(239)	(260)
Other finance costs	<u>(4)</u>	<u>(7)</u>
	<u><u>\$ (916)</u></u>	<u><u>(494)</u></u>

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(q) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets at fair value through other comprehensive income	\$ 27,983	72,709
Financial assets at amortized cost (loans and receivables)		
Cash and cash equivalents	546,497	447,160
Notes and accounts receivables (including related parties)	2,072,818	1,791,738
Other receivables (including related parties)	<u>439,830</u>	<u>360,302</u>
Subtotal	<u>3,059,145</u>	<u>2,599,200</u>
Total	<u>\$ 3,087,128</u>	<u>2,671,909</u>

2) Financial liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial liabilities at amortized cost		
Short-term borrowings	\$ 313,280	-
Accounts payables (including related parties)	2,735,367	2,201,401
Other payables (including related parties)	244,937	282,728
Lease liabilities	<u>66,036</u>	<u>11,667</u>
Total	<u>\$ 3,359,620</u>	<u>2,495,796</u>

(ii) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2020 and 2019, the Company's exposure to credit risk and the maximum exposure were mainly from notes and accounts receivables and other receivables, the amount is \$2,512,648 thousand and \$2,152,040 thousand, respectively.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

2) Concentration of credit risk

The major customers of the Company are centralized in the high-tech computer industry. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting accounts receivables. Besides, the Company monitors and reviews the recoverable amount of the accounts receivables to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2020 and 2019, 35% and 40%, respectively, of accounts receivables were three major customers. Thus, credit risk is significantly centralized.

3) Credit risk of receivables

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

Other financial assets at amortized cost includes other receivables.

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

(iii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>
December 31, 2020						
Non-derivative financial liabilities						
Short-term borrowings from related parties	\$ 313,280	(314,202)	(314,202)	-	-	-
Accounts payable (including related parties)	2,735,367	(2,735,367)	(2,680,342)	(55,025)	-	-
Other payables (including related parties)	244,937	(244,937)	(244,937)	-	-	-
Lease liabilities	<u>66,036</u>	<u>(66,998)</u>	<u>(9,034)</u>	<u>(8,720)</u>	<u>(15,599)</u>	<u>(33,645)</u>
	<u>\$ 3,359,620</u>	<u>(3,361,504)</u>	<u>(3,248,515)</u>	<u>(63,745)</u>	<u>(15,599)</u>	<u>(33,645)</u>
December 31, 2019						
Non-derivative financial liabilities						
Accounts payable (including related parties)	\$ 2,201,401	(2,201,401)	(2,201,401)	-	-	-
Other payables (including related parties)	282,728	(282,728)	(282,728)	-	-	-
Lease liabilities	<u>11,667</u>	<u>(11,947)</u>	<u>(4,109)</u>	<u>(4,080)</u>	<u>(2,624)</u>	<u>(1,134)</u>
	<u>\$ 2,495,796</u>	<u>(2,496,076)</u>	<u>(2,488,238)</u>	<u>(4,080)</u>	<u>(2,624)</u>	<u>(1,134)</u>

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

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iv) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 119,271	28.480	3,396,838	81,510	29.980	2,443,670
CNY	17,026	4.377	74,523	28,166	4.305	121,255
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	105,488	28.480	3,004,298	71,549	29.980	2,145,039
CNY	5,114	4.377	22,384	2,946	4.305	12,683

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, loans and borrowings and accounts and other payables that are denominated in foreign currency. A weakening of 1% of the NTD against the USD and CNY as of December 31, 2020 and 2019, would have decreased the net income before tax by \$4,447 thousand and \$4,072 thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2020 and 2019.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$26,150 thousand and \$4,880 thousand, respectively.

(v) Interest rate analysis

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

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

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

(vi) Other pricing risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

<u>Price of securities at the reporting date</u>	<u>2020</u>		<u>2019</u>	
	<u>Other comprehensive profit or loss after tax</u>	<u>Profit or loss after tax</u>	<u>Other comprehensive profit or loss after tax</u>	<u>Profit or loss after tax</u>
Increased by 1%	\$ <u>280</u>	<u>-</u>	<u>727</u>	<u>-</u>
Decreased by 1%	\$ <u>(280)</u>	<u>-</u>	<u>(727)</u>	<u>-</u>

(vii) Fair value of financial instruments

1) Fair value hierarchy

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

	<u>December 31, 2020</u>				
	<u>Book Value</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 546,497	-	-	-	-
Notes and accounts receivable (including related parties)	2,072,818	-	-	-	-
Other receivables (including related parties)	439,830	-	-	-	-
Financial assets at fair value through other comprehensive income	<u>27,983</u>	<u>-</u>	<u>-</u>	<u>27,983</u>	<u>27,983</u>
Total	<u>\$ 3,087,128</u>	<u>-</u>	<u>-</u>	<u>27,983</u>	<u>27,983</u>

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Notes to the Financial Statements

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Short-term borrowings from related parties	\$ 313,280	-	-	-	-
Notes and accounts payables (including related parties)	2,735,367	-	-	-	-
Other payables (including related parties)	244,937	-	-	-	-
Lease liabilities	66,036	-	-	-	-
Total	\$ 3,359,620	-	-	-	-

	December 31, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 447,160	-	-	-	-
Notes and accounts receivable (including related parties)	1,791,738	-	-	-	-
Other receivables (including related parties)	360,302	-	-	-	-
Financial assets at fair value through other comprehensive income	72,709	-	-	72,709	72,709
Total	\$ 2,671,909	-	-	72,709	72,709
Financial liabilities at amortized cost					
Notes and accounts payables (including related parties)	\$ 2,201,401	-	-	-	-
Other payables (including related parties)	282,728	-	-	-	-
	11,667	-	-	-	-
Total	\$ 2,495,796	-	-	-	-

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

2) Valuation techniques for financial instruments measured at fair value

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

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

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

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

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

Fair value of the Company's financial instruments that without an active market is displayed by category and attribute as follows:

Equity instruments without an open quoted price: Fair value is estimated using the approach of comparative companies. The main assumptions are the estimated EBITDA of the investee, and the earnings multiplier derived from the quoted price of a comparative publicly listing company. Such estimate has been adjusted by the discount due from the lack of market circulation of the equity securities.

3) Transfers between Level 1 and Level 2

There were no transfers between levels of fair value hierarchy for the years ended December 31, 2020 and 2019.

4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value is fair value through other comprehensive income – equity investments.

(Continued)

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Notes to the Financial Statements

The equity investments without active market has multiple significant unobservable inputs. The significant unobservable inputs are independent of each other, and no interrelationship exists.

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income - equity investments without an active market	Market comparable companies method	Discount rate for lack of market circulation (25% as of December 31, 2020 and 2019)	The higher the discount rate for lack of market circulation, the lower the fair value.

(r) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying parent-Company-only financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Chairman's office and Group operations center, which are responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
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The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customer.

1) Accounts and other receivable

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Company; these limits are reviewed regularly. No collateral required for accounts and other receivable, Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Clients who transaction with the Company has few experiences on default losses. When monitoring customers' credit risk, customers are grouped according to its credit characteristics, including whether it is an individual or a legal entity, geographical distinction, industry, aging schedule, maturity date and previously existing financial difficulties. Customers who are rated as high risk are classified as restricted and these customers may transact with the Company only on a prepayment basis.

The Company established an impairment allowance that represents its estimate of incurred losses in respect of accounts and other receivables, as well as investments. Major components of this impairment allowance are specific losses related to individually significant exposure and collective losses which have incurred but have not been identified. The collective losses are based on historical payment experience of similar financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2020 and 2019, the Company did not provide financial guarantees to other third parties.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company depend its accounting policy to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities (other than accounts payables) over the succeeding 60 days. The Company also monitors the level of expected cash outflows on accounts and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2020 and 2019, the Company's unused credit line were amounted to \$490,759 thousand and \$1,127,780 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Board of Directors.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the NTD, US Dollar (USD), and Chinese Yuan (CNY). The currencies used in these transactions are the NTD, USD, and CNY.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

Loan interest is denominated in the currency of the loan. Generally, the currency of the borrowings is the same as the currency of the cash flows from operating activities, which is mainly NTD and USD. As a result, economic hedging is provided, and without signing derivatives, so the Company doesn't apply hedge accounting.

2) Interest rate risk

The Company holds floating interest rate of assets and liabilities, and thus suffer from cash flow interest rate risk exposure. The detail of floating interest rate of the Company's assets and liabilities, please refer to note "liquidity risk management".

3) Other market price risk

The Company doesn't sign merchandise contract except for meeting the expected consumption and sales demand.

(s) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain the future development of the business. The capital includes ordinary shares, capital surplus and retained earnings. The Board monitors the return on capital and controls the level of common stock dividends.

The Company monitors funds by regularly review debt-to-equity ratio. As of December 31, 2020 and 2019, the Company's debt-to-equity ratio is as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 3,964,211	2,996,626
Less: cash and cash equivalents	<u>(546,497)</u>	<u>(447,160)</u>
Net debt	<u>\$ 3,417,714</u>	<u>2,549,466</u>
Total equity	<u>\$ 4,412,745</u>	<u>4,059,058</u>
Debt-to-equity ratio	<u>77.45 %</u>	<u>62.81 %</u>

(7) Related-party transactions

(a) Parent company and ultimate controlling company

Nidec Corporation acquired 48% of the Company's ordinary shares through public tender offer during October 3, 2018 to November 21, 2018. Therefore, Nidec Corporation is both the parent company and the ultimate controlling party of the Company. As of December 31, 2020 and 2019, it owns 67.02% and 52.14% of all shares outstanding of the Company, respectively. Nidec Corporation has issued the consolidated financial statements available for public use.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the parent-company-only financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Nidec Corporation	The parent company
Conquer Wisdom Co., Ltd.	The Company's subsidiary
Nidec Chaun Choung Vietnam Corporation	The Company's subsidiary
Nidec Chaun Choung Techonology America Inc. (Original name: Chaun Choung Techonology America Inc.)	The Company's subsidiary
GLOBE STAR ENTERPRISE Ltd.	The Company's subsidiary
Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. (Original name: Kunshan Jue-Choung Electronics Co.,Ltd.)	The Company's subsidiary
Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd. (Original name: Chongqing Cyun Siang High-Tech Co., Ltd.)	The Company's subsidiary
Nidec Chiuan-Vector Industrial (Dongguan) Co., Ltd. (Original name: Dongguan Chiuan-Vector Industrial Co.,Ltd.)	The Company's subsidiary
Nidec America Corporation	The Company's subsidiary
Nidec Machinery Corporation	The Company's other related parties
Nidec Sankyo Corporation	The Company's other related parties
Nidec (Zhejiang) Corporation	The Company's other related parties
Nidec (H.K.) Co., Limited	The Company's other related parties
Nidec (Dalian) Limited	The Company's other related parties
Nidec Sankyo (H.K.) Co LTD	The Company's other related parties
Nidec Machinery (Zhejiang) Corporation	The Company's other related parties
Nidec Seimitsu Motor Technology (Dongguan) Co., Ltd.	The Company's other related parties
Nidec (DongGuan) Limited	The Company's other related parties
Nidec (Dalian) Limited	The Company's other related parties
Nidec Management Shanghai Corporation.	The Company's other related parties
Nidec Sankyo Taiwan Corporation	The Company's other related parties
Create Area Interior Design Co., Ltd.	The Company's other related parties

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to related parties and the balance of accounts receivables were as follows:

	<u>Sales</u>		<u>Accounts receivables</u>	
	<u>2020</u>	<u>2019</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
The parent company	\$ 14,251	2,324	2,378	2,956
Subsidiaries	54,169	61,192	22,665	22,299
Other related parties				
Nidec (H.K.) Co., Limited	764,414	-	628,191	-
Other related parties	4,231	188	3,573	188
	<u>\$ 837,065</u>	<u>63,704</u>	<u>656,807</u>	<u>25,443</u>

The selling price for related parties approximated the market price. The accounts receivables arising from sales of parent company and other related parties are collected 90 to 120 days after the account day. The accounts receivables arising from sales of subsidiaries are collected on the 120 days after the account day. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

(ii) Purchases

The amounts of significant purchases by the Company from related parties and the balance of accounts payable were as follows:

	<u>Purchase</u>		<u>Accounts Payable</u>	
	<u>2020</u>	<u>2019</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries				
Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.	\$ 2,163,120	2,474,864	1,180,031	1,049,345
Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd.	1,295,797	930,842	893,017	340,077
	<u>\$ 3,458,917</u>	<u>3,405,706</u>	<u>2,073,048</u>	<u>1,389,422</u>

The pricing of purchase transactions with subsidiaries were not significantly different from those offered by other vendors. The payment terms within 120 to 150 days after the account day, which were no different from the payment terms given by other vendors.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iii) Property transactions

The acquisition price of property, plant and equipment purchased from related parties and the balance of other payables are summarized as follows:

	<u>Acquisition price</u>		<u>Other payables</u>	
	<u>2020</u>	<u>2019</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related parties				
Create Area Interior Design Co., Ltd. \$	508	31,316	60	3,198
Other related parties	-	3,153	-	-
	<u>\$ 508</u>	<u>34,469</u>	<u>60</u>	<u>3,198</u>

(iv) Loans to a Related Party

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Nidec Chaun Choung Vietnam Corporation	<u>\$ 113,920</u>	<u>-</u>

The Company's unsecured loans to the related party had an interest rate of 1% per annum, wherein the interest income for the year amounted to \$57 thousand. No impairment loss had been recognized as of the reporting date.

(v) Borrowing from a Related Party

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
The parent company	<u>\$ 313,280</u>	<u>-</u>

The Company's unsecured borrowing from the related party has ICE 3 months USD LIBOR rates fixed on two working days before the starting date of the next period every three months plus 0.35% per annum. The interest expense for the year amounted to \$673 thousand.

(vi) Others

1) The amounts of purchase of raw materials and equipment and advance payment by the Company to related parties, and the balance of other receivables were as follows:

	<u>Purchase of raw materials and equipment and advance payment to related parties</u>	
	<u>2020</u>	<u>2019</u>
The parent company	<u>\$ -</u>	<u>25</u>
Subsidiaries	<u>\$ 429,273</u>	<u>809,743</u>

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

	Other receivables	
	December 31, 2020	December 31, 2019
Subsidiaries		
Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.	\$ 271,249	305,437
Other subsidiaries	<u>46,197</u>	<u>46,238</u>
	<u>\$ 317,446</u>	<u>351,675</u>

- 2) The amounts of purchase of machine part, raw materials and equipment and advance payment by the Company from related parties, and commission expenses to related parties, as well as the balance of other payables were as follows:

	Purchase of raw materials and equipment and advance payment from related parties		Commission expense		Operating expense	
	2020	2019	2020	2019	2020	2019
The parent company	\$ <u>6,796</u>	<u>3,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subsidiaries	\$ <u>5,683</u>	<u>3,382</u>	<u>9,200</u>	<u>10,432</u>	<u>2,701</u>	<u>473</u>
Other related parties	\$ <u>184</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>177</u>	<u>99</u>

	Other payables	
	December 31, 2020	December 31, 2019
The parent company		
Nidec Corporation	\$ <u>3,185</u>	<u>1,264</u>
Subsidiaries		
Nidec Chaun Choung Technology America Inc.	\$ 1,468	1,645
Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.	5,208	97
Other subsidiaries	<u>945</u>	<u>145</u>
	<u>\$ 7,621</u>	<u>1,887</u>
Other related parties	\$ <u>53</u>	<u>126</u>

The abovementioned transactions, the Company write off the unrealized miscellaneous revenue and give rise to unrealized profit amounted to \$11,814 thousand and \$59,122 thousand as of December 31, 2020 and 2019, respectively, and the unrealized profit is recognized as the deduction of investments accounted for using equity method.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 56,706	54,089
Post-employment benefits	1,016	658
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>\$ 57,722</u>	<u>54,747</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Property, plant and equipment-land	Bank loans	\$ -	78,218
Property, plant and equipment-buildings	Bank loans	-	43,312
Investment property-land	Bank loans	-	36,370
Investment property-buildings	Bank loans	-	21,436
		<u>\$ -</u>	<u>179,336</u>

(9) Commitments and contingencies:None

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:

In order to raise funds for NCCV's new factory construction plans, Nidec Corporation loan the Company the amount of USD24,000 thousand on March 9, 2021, wherein the Company transferred the above amount, plus an additional amount of USD904 thousand, totaling USD24,904 thousand, to NCCV on March 11, 2021, resulting in the government-registered total authorized capital to be USD34,904 thousand. The funds will be available after NCCV obtains the Enterprise Registration Certificate in accordance with the law in Vietnam.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

(12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	2020			2019		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		115,573	213,887	329,460	108,503	195,745	304,248
Labor and health insurance		11,625	19,303	30,928	9,862	14,845	24,707
Pension		3,889	10,098	13,987	3,016	8,197	11,213
Remuneration of directors		-	2,742	2,742	-	4,078	4,078
Others		6,070	10,148	16,218	5,717	8,205	13,922
Depreciation		56,424	26,034	82,458	44,191	17,677	61,868
Amortization		17	2,329	2,346	18	2,039	2,057

Additional information on the number of employees and employee benefits is disclosed as followed:

	For the years ended December 31,	
	2020	2019
Number of employees	<u>516</u>	<u>414</u>
Number of directors who were not employees	<u>4</u>	<u>4</u>
The average employee benefit	<u>\$ 763</u>	<u>864</u>
The average salaries and wages	<u>\$ 643</u>	<u>742</u>
Adjustment percentage of average employee salaries	<u>(13.34)%</u>	<u>12.08 %</u>
Supervisors' remuneration	<u>\$ 817</u>	<u>1,151</u>

The Company's salary and remuneration policies (including directors, supervisors, managers and employees) are as follows:

The Company establishes a remuneration committee to periodically review its performance assessment standards, as well as policies, systems and standards for the remuneration to the directors, supervisors, and managers. The Company takes into account its general employees' salary levels in the same industry, ensuring that its salary policies arrangements are sufficient to recruit outstanding talents.

- (b) Impact assessment of the COVID-19: The Company's subsidiaries, Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. and Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd., are experiencing uncertainty in the operating environment in mainland China due to the COVID-19 outbreak in the beginning of 2020, which has affected their operations, including delays in production, delivery and collection. This incident has prompted both subsidiaries to adjust their production schedules and re-organized their shipment plans after the resumption of their production. The above matter did not have a significant impact on the Company's operating and financial condition.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION

Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Notes
													Item	Value			
0	The Comapany	Nidec Chaun Choung Vietnam Corporation	Other receivables from related parties	Yes	142,400 (USD5,000)	142,400 (USD5,000)	113,920 (USD4,000)	1%	2	-	Operating capital	-	None	-	441,275	1,765,098	-
1	Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.	The Comapany	Other receivables from related parties	Yes	199,360 (USD7,000)	199,360 (USD7,000)	-	USD floating rate	2	-	Operating capital	-	None	-	2,777,014 (RMB634,456)	2,777,014 (RMB634,456)	
2	Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.	Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd.	Other receivables from related parties	Yes	569,010 (RMB130,000)	525,240 (RMB120,000)	372,045 (RMB85,000)	4.35%	2	-	Operating capital	-	None	-	2,777,014 (RMB634,456)	2,777,014 (RMB634,456)	

Note 1: Those with business contact please fill in 1

Those necessary for short-term financing please fill in 2

Note 2: The total amount allowed for financing should not exceed 40% of the Company's net equity. The maximum amount of loans to individual entity should not exceed 10% of the Company's net equity. The maximum amount of loans to the Company's foreign subsidiaries, which directly and indirectly hold 100% of the voting shares, should not exceed the borrower's net equity on its latest financial statements.

Note 3: The total amount allowed for financing of Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. should not exceed 40% of its net equity on its current financial statements.

Note 4: The maximum amount of loans of Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. to individual entity should not exceed 10% of the current financial statements net equity of Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. The maximum amount of loans of Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. to the Company's foreign subsidiaries, which directly and indirectly hold 100% of the voting shares, should not exceed the latest financial statements net equity of Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.

Note 5: The exchange rate of NTD to CNY and NTD to USD at December 31, 2020 are NTD4.377:CNY1 and NTD28.480:USD1, respectively.

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Everflow Technology Corporation	-	Non-current financial assets at fair value through other comprehensive income	1,854	27,983	11.21%	27,983	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase (Sale)	Amount	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd.	Parent-subsiary	Purchase	1,295,797	25.07%	O/A 120 days	-	-	(893,017)	(32.65)%	
The Company	Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.	Parent-subsiary	Purchase	2,163,120	41.85%	O/A 150 days	-	-	(1,180,031)	(43.14)%	
Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.	The Company	Parent-subsiary	(Sales)	(2,163,120)	58.89%	O/A 150 days	-	-	1,180,031	66.62%	
Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd.	The Company	Parent-subsiary	(Sales)	(1,295,797)	45.82%	O/A 120 days	-	-	893,017	60.76%	
Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.	Nidec Seimitsu Motor Technology (Dongguan) Co., Ltd.	Other related parties	Purchase	198,221	8.42%	O/A 120 days	-	-	(130,217)	(10.73)%	
Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.	Nidec (Shenzhen) Co., Ltd.	Other related parties	(Sales)	(267,763)	7.29%	O/A 120 days	-	-	129,301	7.30%	
The Company	Nidec (H.K.) Co., Limited	Other related parties	(Sales)	(764,414)	12.59%	O/A 90 days	-	-	628,191	30.31%	

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.	Parent-subsiary	271,249	1.77	-		55,259	-
The Company	Nidec Chaun Choung Vietnam Corporation	Parent-subsiary	113,920	Note 1	-		-	-
Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.	The Company	Parent-subsiary	1,180,031	5.16	-		261,792	-
Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd.	The Company	Parent-subsiary	893,017	5.82	-		293,426	-
Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.	Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd.	Fellow subsidiary	372,045	Note 1	-		-	-
Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.	Nidec (Shenzhen) Co., Ltd.	Other related parties	129,301	3.39	-		17,391	-
The Company	Nidec (H.K.) Co., Limited	Other related parties	628,191	2.43	-		442,316	-

Note 1: The calculation of turnover rate excludes other receivables from related parties.

- (ix) Trading in derivative instruments: None.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION

Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value			
The Company	Conquer Wisdom Co., Ltd.	British Virgin Islands	Investment activities	737,240	737,240	18,093,265	100.00 %	3,806,546	562,799	576,695	Note 1
The Company	Nidec Chaun Choung Technology America Inc.	Vietnam	Sale of thermal module for smart phones	299,343	-	-	100.00 %	264,158	(21,417)	(21,417)	
Conquer Wisdom Co., Ltd.	Nidec Chaun Choung Technology America Inc.	Hong Kong	Sale of thermal module for computers	8,544 (USD300)	8,544 (USD300)	300,000	100.00 %	10,851 (USD 381)	2,009 (USD 68)	2,009 (USD 68)	Note 2
Conquer Wisdom Co., Ltd.	GLOBE STAR ENTERPRISE Ltd.	Hong Kong	Investment activities	513,836 (USD18,042)	513,836 (USD18,042)	140,407,615	100.00 %	3,797,295 (USD 133,332)	558,476 (USD 18,900)	558,476 (USD 18,900)	Note 2

Note 1: The Company recognized net income of Conquer Wisdom Co., Ltd. \$562,799 thousand, realized gross profit \$60,438 thousand and unrealized gross profit \$46,542 thousand. The Company recognized share of profits of investee \$576,695 thousand in total.

Note 2: The exchange rate of New Taiwan dollars to US dollars as of December 31, 2020 was 28.480 to 1. The average exchange rate of New Taiwan dollars to US dollars for the year ended December 31, 2020 was 29.549 to 1.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020 (note 4)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020 (note 4)	Net income (losses) of the investee (note 4 and 7)	Percentage of ownership	Investment income (losses) (note 5, 6 and 7)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Nidec Jue-Choung Electronics (Kunshan) Co., Ltd.	Manufacture the thermal module for computers	655,040 (USD23,000)	2 Note 1	386,588 (USD13,574)	-	-	386,588 (USD13,574)	185,361 (USD 6,273)	100.00%	184,031 (USD 6,228)	2,750,484 (USD 96,576)	321,430
Nidec Cyun Siang High-Tech (Chongqing) Co., Ltd.	Manufacture the thermal module for computers	227,840 (USD8,000)	2 Note 1	227,840 (USD8,000)	-	-	227,840 (USD8,000)	374,652 (USD 12,679)	100.00%	374,652 (USD 12,679)	1,046,298 (USD 36,738)	-
Nidec Chiuan-Vector Industrial (Dongguan) Co., Ltd.	Research, development and sale of thermal components	16,633 (RMB3,800)	2 Note 1	-	-	-	-	(651) (RMB -152)	100.00%	(651) (RMB -152)	8,767 (RMB 2,003)	-

Note 1: Reinvest in Mainland China by establishing investing companies which is the Company 100% owned subsidiary in third region.

Note 2: Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. transferred US dollar 8,800 thousand from retained earnings to capital in 2007.

Note 3: The difference between accumulated outflow of investment from Taiwan and total amount of paid-in-capital is US Dollar 626 thousand, the primary reason is funds acquired from the shareholders in Taiwan and has not remitted to Mainland China.

Note 4: The exchange rate of New Taiwan dollars to US dollars as of December 31, 2020 was 28.480 to 1. The average exchange rate of New Taiwan dollars to US dollars for the year ended December 31, 2020 was 29.549 to 1.

Note 5: Investment income (losses) is recognized according to the financial statements audited by the CPA of the parent company.

Note 6: The Company recognized net income of Nidec Jue-Choung Electronics (Kunshan) Co., Ltd. USD6,273 thousand, realized gross profit USD887 thousand and unrealized gross profit USD932 thousand. The Company recognized share of profits of investee USD6,228 thousand in total.

Note 7: The exchange rate of New Taiwan dollars to Chinese Yuan as of December 31, 2020 was 4.377 to 1. The average exchange rate of New Taiwan dollars to Chinese Yuan for the year period ended December 31, 2020 was 4.282 to 1.

(Continued)

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
Notes to the Financial Statements

- (ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
614,428 (USD21,574)	891,908 (USD31,317)	2,647,647

Note : The exchange rate of New Taiwan dollars to US dollars as of December 31, 2020 was 28.480 to 1.

- (iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China are disclosed in “Information on significant transactions”.

- (d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Nidec Corporation		57,872,550	67.02 %

- (i) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.
- (ii) If share are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider' s equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider' s equity announcement please refer to the TWSE website.

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2020.

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Statement of cash and cash equivalents

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description (In thousands)</u>	<u>Exchange Rate</u>	<u>Amount</u>	
Cash	NTD	14.01	1.00	\$ 14
	EUR	2.50	35.02	88
	GBP	0.25	38.90	10
	SGD	0.92	21.56	20
	KRW	9.00	0.02644	-
	CAD	1.11	22.35	24
	CNY	12.94	4.377	56
	USD	0.24	28.48	<u>7</u>
	Subtotal		<u>219</u>	
Demand deposits			<u>8,174</u>	
Foreign currency deposits	USD	17,940.83	28.48	510,955
	EUR	0.52	35.02	18
	CNY	6,198.45	4.377	27,131
	HKD	0.06	3.673	<u>-</u>
	Subtotal		<u>538,104</u>	
Total			<u>\$ 546,497</u>	

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Statement of Accounts receivables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Client name	Amount
Non related parties:	
DELCN003	\$ 261,083
CLOSG001	124,713
FUGCN001	109,399
FLEMY001	99,510
PEGTW001	91,427
WISCN003	90,728
Others (the amount of individual client does not exceed 5% of the account balance)	639,401
Subtotal	1,416,261
Less: Loss allowance	250
	\$ 1,416,011

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Statement of inventories

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Cost</u>	<u>Market price</u>	<u>Market price basis</u>
Finished goods	\$ 460,512		
Less: Allowance for inventory market decline and obsolescence	<u>(10,740)</u>		
Subtotal	<u>449,772</u>	449,772	Net realizable value
Work in process	27,382		
Less: Allowance for inventory market decline and obsolescence	<u>-</u>		
Subtotal	<u>27,382</u>	27,382	"
Raw materials	21,297		
Less: Allowance for inventory market decline and obsolescence	<u>(2,421)</u>		
Subtotal	<u>18,876</u>	18,876	"
Merchandise inventory	90,341		
Less: Allowance for inventory market decline and obsolescence	<u>(761)</u>		
Subtotal	<u>89,580</u>	<u>89,580</u>	"
Total	\$ <u>585,610</u>	<u>585,610</u>	

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Name of investee</u>	<u>Beginning balance</u>		<u>Addition</u>		<u>Decrease</u>		<u>Translation</u>	<u>Investment</u>	<u>Others</u>	<u>Ending balance</u>			<u>Pledge or Collateral</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				<u>Adjustment</u>	<u>Income</u>	<u>Shares</u>	
	<u>(thousands)</u>		<u>(thousands)</u>		<u>(thousands)</u>					<u>(thousands)</u>			
Investments accounted for using the equity method:													
Conquer Wisdom Co., Ltd.	18,093	\$ 3,118,771	-	-	-	-	63,773	576,695	47,307	18,093	100.00 %	3,806,546	None
Nidec Chaun Choung Vietnam Corporation	-	-	-	299,343	-	-	(13,768)	(21,417)	-	-	100.00 %	264,158	"
Total		<u>\$ 3,118,771</u>		<u>299,343</u>		<u>-</u>	<u>50,005</u>	<u>555,278</u>	<u>47,307</u>			<u>4,070,704</u>	

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Statement of trade payables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
DELSG002	Operating	\$ 52,564
YOUCN001	"	263,890
WISCN001	"	186,662
Others (the amount of individual vendor does not exceed 5% of the account balance)	"	<u>159,203</u>
Total		<u><u>\$ 662,319</u></u>

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Statement of other payables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Directors' and supervisors' compensation payable and employee remuneration payable	\$ 33,660
Salaries and year-end bonus payable	54,038
Income tax payable	34,191
Payables on equipment	15,333
Sample fees payable	25,607
Other accrued expenses payable	23,230
Others (the amount of individual item does not exceed 5% of the account balance)	47,959
Total	\$ 234,018

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Statement of operating revenue

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Thermal module	26,868 thousand sets	\$ 4,112,168
Thermal products	20,203 thousand pieces	1,371,132
Others	20,841 thousand pieces	<u>590,190</u>
Total		<u><u>\$ 6,073,490</u></u>

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Statement of operating costs

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Subtotal	Total
Balance of merchandise at January 1		\$ 95,625
Add: Purchases		1,048,271
Less: Balance of merchandise at December 31		90,341
Scrapping of merchandise		4
Others		14,184
Transferred into manufacturing		2,624
Cost of sale of merchandise		1,036,743
Direct raw materials		
Balance at January 1	30,230	
Add: Purchases of raw materials	517,533	
Transferred from work in process	41,559	
Less: Balance at December 31	21,297	
Scrapping of raw materials	225	
Sales	18,864	
Others	386,575	
Consumption of raw materials		162,361
Transferred from merchandise		2,624
Transferred from finished goods		350,152
Direct labor		162,878
Transferred to research and development expense		(4,504)
Manufacturing expense		140,975
Conversion costs		407,319
Manufacturing costs		1,221,805
Add: Balance of work in process at January 1		59,212
Less: Transferred to production		72,992
Balance of work in process at December 31		27,382
Cost of finished goods		1,180,643
Add: Balance of finished goods at January 1		520,790
Purchases		3,603,075
Others		56,467
Less: Balance of finished goods at December 31		460,512
Inventory shortage		32
Scrapping of finished goods		99,654
Finished goods feeding		350,152
Others		174,184
Cost of sale of manufacturing		4,276,441
Cost of sale of raw materials		18,864
Other operating costs		131,822
Total operating costs		\$ 5,463,870

NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION
(Original name : CHAUN-CHOUNG TECHNOLOGY CORPORATION)

Statement of operating expenses

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>	<u>Impairment loss determined in accordance with IFRS 9</u>
Salaries	\$ 44,245	66,893	106,308	-
Insurance expense	5,333	6,605	9,994	-
Storage expenses	24,553	-	-	-
Commission expense	13,825	-	-	-
Professional service fee	-	21,318	2,799	-
Sample fees	173	-	64,730	-
Depreciation expense	3,807	9,301	12,926	-
Impairment loss determined in accordance with IFRS 9	-	-	-	181
Others (the amount of individual item does not exceed 5% of the account balance)	16,289	19,421	25,571	-
	<u>\$ 108,225</u>	<u>123,538</u>	<u>222,328</u>	<u>181</u>