



Letter to Shareholders

Dear Shareholders, Ladies and Gentlemen:

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

I. The 2020 Business Report

(I) The implementation results of the 2020 Business Plan

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

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

Besides well-known of cooling devices for the smart phones, laptops and

servers have been getting lighter, slimmer and higher efficiency in performance. Nidec Chaun-Choung has successfully developed a number of cooling solutions for electronic products which are also in mass production in recent years, such as Gaming NB with overclocking thermal modules, Action Cameras with slim and light heat sink components, high-density & High Performance Computing (HPC) workstation-grade server thermal modules and Advanced Driver Assistance Systems (ADAS) with liquid-cooling solutions. Further, the technology of the products with copper vapor chamber developed by Nidec Chaun-Choung, no matter is ultra-slim vapor chamber or high-performance vapor chamber, the technology is maturity and has been recognized by major cell phone and network communication customers around the world with successful launch into the market and mass production. Recently, based on this successful experience, Nidec Chaun-Choung is endeavouring towards the research and development of more stringent requirement cooling solutions, such as vehicle-mounted, electrical and electronic products, which require higher performance in cooling, stronger strength, lighter in weight. The usage of new materials will be based on the successfully developed copper production process, which will further extend to new equipment and new production technology. Refine key welding and vacuum technology to overcome the physical bottleneck of design and manufacturing for different materials. It is expected to achieve ultra-slim thickness of less than 0.3 mm and high performance with a pressure resistance of more than 300 pounds as a unique cooling solution for particular demands.

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

operation costs such as labor and product price competition. The Company will accelerate the optimization of production process to improve production capacity and productivity, continue the innovation in technology, products and applications, with the suitable rearrangement of the production sites for assurance of core competence and synergy to surpass industry peers.

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

(III) Revenue, Expenditure and profitability analysis

Currency unit: NTD thousands

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

(IV) Research and Development

1. Research and Development Expenses in the last two years

Currency unit: NTD thousands

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

2. Research and Development Outcomes

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

- (4) High-end game consoles - The development of the cooling solution was completed.

II. Summary of 2021 Business Plan

(I) Operational Guidelines

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

(II) Expected Sales Volume and Basis

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

(III) Important Production and Sales Policies

1. Production Policies: The industrial characteristics of heat cooling products are few standardization, frequent design changes and urgent orders. Therefore, the Company enforces the strict inventory

management, reducing inventory and increasing inventory turnover. In addition, the Company also invests extensively in automatic production equipment as a mean to reduce labor requirements, and actively explores ways to improve production quality, simplify production process, design common materials for cost reduction in order to offer more competitive price of products.

2. Sales Policies: In addition to expanding market shares in local and foreign markets, the Company will also gradually increase investment in vapor chamber production capacity depending on the market supply and demand situation. In addition, the Company will strengthenly develop overseas distribution channels, establish agency sales channels to further expand the international market exposure.

III. Future Development Strategies

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

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

The Company has been susceptible to impacts of external competition, regulations, and macroeconomic environment since it was first founded. Faced with market competition, new laws issued by the securities authority, foreign environmental protection regulations, and the rapid change of global operating environment, the Company's operating performance has been indeed affected. In response to the above environmental changes, the Company will take actions

to ensure the financial reports are prepared according to new securities laws and request all products produced by suppliers and the Company are compliant with foreign environmental protection regulations. Besides, the Company will endeavor to strengthen the integration of supply chain, enhance the percentage of self-manufacturing components, improve production processes, expand production capacity to make cost reduction, and timely grasp customers' order demands to enable proper planning of raw material purchases, and thereby improve overall competitiveness of the Company.

We give you

Our best regards for the future ahead

Chairman: Junichi Nagai

CEO: Junichi Nagai

Head of Accounting: Mei-Hua Chen