

Innodisk Corporation

2021 Annual report

Publish Date: April 20, 2022

Annual report inquiry website: <http://mops.twse.com.tw/>

The Company's website: <http://www.innodisk.com>

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V. The name of any exchanges where the Company's securities are listed offshore, and the method by which to access information on the offshore securities: None.

VI. Company's website: [http : //www.innodisk.com](http://www.innodisk.com)

Innodisk Corporation
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Business Report

Dear shareholders:

COVID-19 continued its impact around the world in 2021. Even in Taiwan, where the situation is relatively stable, it has been facing severe challenges since May last year, and has implemented an unprecedented high-intensity pandemic alert. Since the outbreak of the pandemic at the end of 2019, although it caused the problem of lack of labor and materials in the initial stage, resulting in the shutdown of the manufacturing industry and the interruption of the supply chain. Fortunately, with the popularization of vaccines, the industry has gradually recovered. The high demand for electronic equipment and telecommunications networks during the period also accelerated the construction of 5G and the popularization of AI applications, and pushed up the price of related products under the market condition of limited production capacity but significantly increased demand. Relying on its years of experience in the field of industrial control and rapid and flexible organizational adaptability, Innodisk Corporation has fully demonstrated the resilience of the Company. Even though the global material shortage problem is serious, Innodisk still makes every effort to maintain smooth global supply and stabilize upstream and downstream industrial relations, and broke its record high annual revenue last year. Looking forward to 2022, the Company will continue to invest in the R&D of products and technology, continue the development strategy of software and hardware integration, and continue to move towards the goal of becoming a high-quality international enterprise.

The Company's operating results for 2021 and outlook for 2022 are described as follows:

I. Implementation results, budgeting, financial results, and achievements of research and development in the business plan for the previous year:

In recent years, Innodisk has established the development direction of AIoT to create an intelligent world, and set the operation policy for 2021 as "software and hardware integration and full implementation," so as to realize AIoT intelligent application and accelerate its implementation through comprehensive product layout. The continuous development of AI and the application of 5G have gradually driven the vigorous development of global intelligent IoT. To this end, Innodisk takes advantage of its existing technology and channels to actively lay out various industrial computer peripheral modules, connect data generation, collection, transmission, storage, operation and application, provide product and technical support for industrial control applications from the cloud to end users, meet the complete solution requirement for various vertical market edge computing ends, and go deep into the fields of 5G netcom, smart city, smart transportation, smart vehicle, smart monitoring and unmanned automatic system. In terms of sales channels, after the establishment of the French office last year, the global business layout has reached as many as 14 business bases, and the Company is further employing business representatives in Russia, Spain and India to expand the local market and implement localized services globally. In terms of marketing, due to the delay of global exhibitions, the Company is actively strengthening digital applications. In addition to striving for global industrial exposure through online exhibitions, the Company continues to deepen the operation of "InnoTV" audio-visual platform and maintain a high degree of market interaction and customer communication. In the meantime, the Company is managing its own brand "Innodisk" with full force, is again elected as the top 35 best international brands in Taiwan, and is gradually moving towards the goal of being a world-class manufacturer and world-class brand.

Last year, the Company's operating revenues were NT\$10,195,658 thousand, an increase of 43% from the previous year, and the net profits attributable to shareholders of the parent company were NT\$1,560,888 thousand, with earnings per share of NT\$18.94; solid profitability was maintained. At the end of last year, the Company's Net receivable was NT\$1,556,625 thousand, an increase of NT\$676,513 thousand from the year before last year. Also, in order to avoid the shortage of raw materials caused by the chaos of the supply chain, the inventory at the end of the year reached NT\$1,664,349 thousand, an increase of NT\$872,676 thousand from the year before last year. At the end of last year, due to the increase in current liabilities, the debt

ratio increased by 5% to 27% compared with the previous year. The financial structure is still stable and the financial revenue and expenditure are normal. On the whole, the revenue and profit have returned to the growth track again due to factors such as economic recovery and rising product prices. The overall budget implementation exceeded the original goal of the Company, which once again shows that the Company can respond to environmental changes in time, grasp business opportunities, take care of the safety and health of all employees and survive the pandemic smoothly.

In terms of product and technology development, as a leading brand of industrial storage, memory module and embedded peripherals, all product business units of the Company launched the world's first attractive products last year. In the field of industrial embedded storage, the Company mastered the development trend of blockchain and launched the patented "InnoBTS™ SSD" (blockchain technology storage) solution, which integrates the digital signature function and blockchain technology to strengthen the data correctness and the highest level of protection of smart IoT devices. The Company's industrial memory module takes the lead in the world by launching the Ultra Temperature DDR4 memory module, which pushes up the past industrial wide temperature standard to 125°C with the characteristics of high speed, strength and ultra high temperature. The whole series adopts the manufacturer's IC and vehicle parts and components of vehicle specifications which passed the AEC-Q200 reliability verification of vehicle electrical parts and components of the International Automotive Electronics Association, and passed the temperature impact and seismic test (MIL-STD810G) of the USA national safety standards, so as to meet all kinds of harsh industrial grade applications with the highest specifications. In view of the DDR5 market which is of high concern to the market, the Company has also fully prepared the inventory under raw material shortage, and provides the most complete industrial grade DDR5 series products in the whole market. On embedded peripheral products, the Company launched the world's first M.2 2280 10GbE network expansion card which integrates the characteristics of high speed, compactness and low power. Through its 10x high-speed and more space-saving M.2 size design, it helps customers painlessly realize high-speed network transmission and avoid institutional interference.

II. This year's business operation strategies, expected sales quantities and key production and sales policies:

Under the AIoT development strategy of creating an intelligent world, Innodisk has accumulated profound, intelligent application know-how and professional technology. On this basis, Innodisk has set the development goal of the next stage to become a global leader in AIoT intelligent applications. The Company's operation goal this year is to lay a solid foundation for working towards this goal. In terms of product application, Innodisk will pay special attention to 5G netcom, 5G-ORAN, edge server, vehicle, edge computing and low orbit satellite products this year, jointly establish eco-systems together with system operators and strategic partners, and launch intelligent solutions for various vertical markets. In terms of business promotion, Innodisk will apply its ability as a large world-class factory in strengthening the delicacy of local services. In terms of marketing strategy, the Company will expand product marketing and marketing layout of the Innodisk brand, and expects to introduce marketing automation tools to improve global product marketing efficiency, strengthen talent layout through industry-academia cooperation, deepen ESG efforts and implement corporate responsibility, so as to enhance brand influence. Innodisk will make every effort to make all preparations in terms of products, business and brand, and provide customers with more complete integration solutions, so as to assist and accelerate the full implementation of customers' AIoT applications and jointly create value.

On product and technology development this year, the Company will continue to launch products with attraction based on its own technology development ability. Among them, with the development of AIoT, many new applications are gradually discovered, and many customer pain points that cannot be satisfied in the market also emerge one by one. In view of this, Innodisk will launch corresponding embedded storage products for the data transmission and

calculation gap between cloud and end users of industrial control applications. In addition, for the industrial control I/O periphery and AIoT periphery, we will focus AIoT applications on the links of data collection, storage, management, transmission, calculation, learning and application to explore business opportunities, launch a new series of products, and expand the layout of overall solution applications.

In response to the drastic industrial changes brought about by the pandemic, the Company has actively improved operational efficiency and promoted internal intelligence, comprehensively improved the intelligence of the management system, and improved the efficiency and accelerated the response speed from delivery estimation, order receiving process, production scheduling to technical services. Meanwhile, the Company's R&D and Manufacturing Center in Yilan Science Park has started the construction project of the second plant, in order to continue to improve R&D ability and production capacity. On sales channels, we will continue to increase overseas sales and service bases to expand services to customers in different regions, deepen our operation as a large world-class factory, strengthen the depth and breadth of cooperation with key customers, and become a strategic partner of key customers. With the industry's continuous development and introduction of new applications, it is expected that the Company's sales volume will continue to grow steadily this year.

III. Company's future development strategy and the impact from competitive environment, regulatory environment and overall operating environment:

The COVID-19 pandemic is still continuing, and the global economic order is challenged. Innodisk will continue to focus on industrial control and AIoT intelligent application, and continue to invest in R&D resources with an innovative entrepreneurial spirit to maintain its leading position in technology. At the same time, it will also continuously improve the service satisfaction of global customers, so as to create the ultimate service value. In addition to business operation and profit growth, the Company attaches great importance to enterprise sustainability, implements ESG operation, comprehensively strengthens corporate governance, attaches importance to environmental issues, complies with green supply chain norms and practices social responsibility. Among them, the company has passed the third-party verification and obtained ISO9001 quality certification, IECQ: QC080000 HSF certification, ISO27001 information security certification and a number of ISO environmental safety and health certification. In addition, the Company has actively participated in social participation. Since 2016 when the Innodisk Education Foundation was established, it has been paying attention to the education problems of disadvantaged students, and encouraging and assisting students to stabilize their schooling and establish their learning direction. On corporate governance, the Company will actively promote and implement the Corporate Governance 3.0 Blueprint proposed by the competent authority. At the same time, the Company continues to pay attention to industrial competition and changes in laws and regulations; it not only abides by the laws, but also maintains high attention and flexibility to possible industrial changes in the future, so as to formulate countermeasures at any time, and cultivate and maintain the Company's long-term and stable competitive advantage. We will adhere to our business philosophy of "Innovation. Discipline. Sharing." and continue to make progress toward our long-term goal of becoming a world-class company.

Chairman:

Manager:

Head of Accounting:

Two. Company Profile

I. Date of establishment: March 16, 2005

II. Company history

Year	Month	Important events
2005	March	<ul style="list-style-type: none"> • Innodisk Corporation was established with a paid-in capital of NT\$53 million.
	August	<ul style="list-style-type: none"> • Increased capital by cash of \$27 million, resulting in a paid-in capital of \$80 million.
2006	April	<ul style="list-style-type: none"> • Increased capital by cash of \$30 million, resulting in a paid-in capital of \$110 million.
	May	<ul style="list-style-type: none"> • Relocated to Nangang and expanded operations.
	September	<ul style="list-style-type: none"> • Implemented ERP systems
2007	June	<ul style="list-style-type: none"> • Acquired Jing Mao Technology Co., Ltd. and issued new shares of \$4 million for the merger, resulting in a paid-in capital of \$114 million after the capital increase.
	August	<ul style="list-style-type: none"> • Increased capital by cash of \$20 million, resulting in a paid-in capital of \$134 million.
2008	July	<ul style="list-style-type: none"> • Increased capital by cash of \$26 million, resulting in a paid-in capital of \$160 million.
	October	<ul style="list-style-type: none"> • Established the U.S. subsidiary.
	October	<ul style="list-style-type: none"> • Obtained ISO 9001.
	November	<ul style="list-style-type: none"> • Constructed SMT line to expand production capacity.
2009	March	<ul style="list-style-type: none"> • nanoUSB won the Taiwan Excellence Award.
	June	<ul style="list-style-type: none"> • SATA DOM won Computex Best Choice ◦
	November	<ul style="list-style-type: none"> • Relocated to Xizhi Oriental Science Park.
	December	<ul style="list-style-type: none"> • Converted stock options of \$10 million, resulting in a paid-in capital of \$170 million after conversion.
2010	February	<ul style="list-style-type: none"> • Established the Japanese subsidiary.
	August	<ul style="list-style-type: none"> • Converted \$45.86 million in shares from 2009 earnings and employee bonuses, resulting in paid-in capital of \$215.86 million after conversion.
	October	<ul style="list-style-type: none"> • Increased capital and converted stock options of \$40 million, resulting in a paid-in capital of \$255.86 million.
	December	<ul style="list-style-type: none"> • EverGreen Series SSD won the 19th Taiwan Excellence Award. • nanoUSB Dual won the 19th Taiwan Excellence Award.
2011	January	<ul style="list-style-type: none"> • Established the Mainland subsidiary, Innodisk Shenzhen Corporation
	April	<ul style="list-style-type: none"> • Acquired Actica Inc.
	May	<ul style="list-style-type: none"> • Increased capital by cash of \$36 million, resulting in a paid-in capital of \$291.86 million.
	May	<ul style="list-style-type: none"> • PCIeDOM II won Computex Best Choice ◦
	August	<ul style="list-style-type: none"> • Converted \$86.72 million in shares from 2010 earnings and employee bonuses, resulting in paid-in capital of \$378.58 million after conversion.
2012	January	<ul style="list-style-type: none"> • Converted stock options of \$15 million, resulting in a paid-in capital of \$393.58 million after conversion.
	April	<ul style="list-style-type: none"> • Established the Netherlands preparatory office.
	June	<ul style="list-style-type: none"> • Converted \$66.04 million in shares from 2011 earnings and employee bonuses, resulting in paid-in capital of \$474.62 million after conversion.

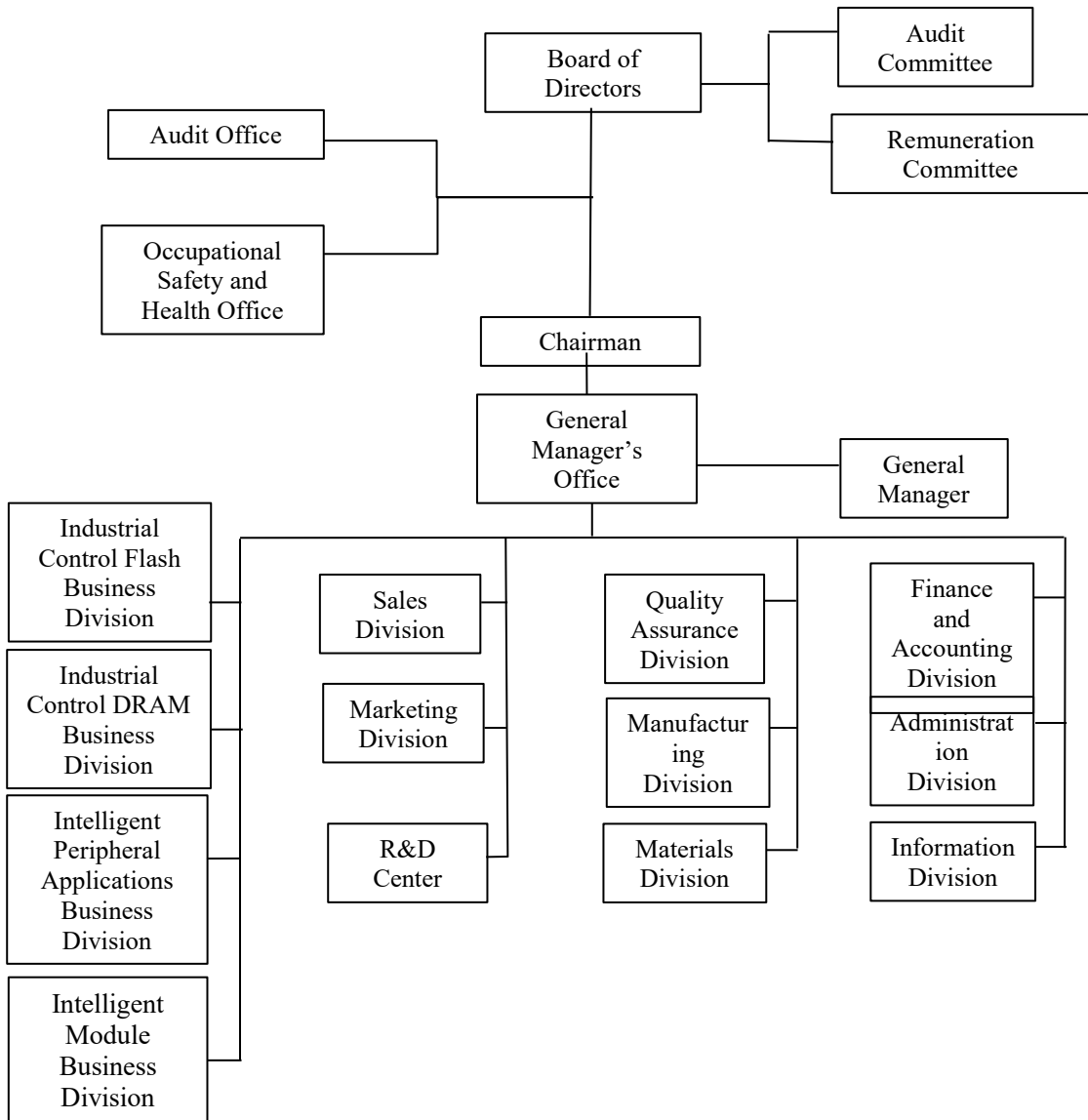
Year	Month	Important events
	August	<ul style="list-style-type: none"> Public offering of stock
	October	<ul style="list-style-type: none"> Stock registered on the Emerging Stock Market.
2013	August	<ul style="list-style-type: none"> Increased capital in 2012 from earnings of \$23.73 million, resulting in a paid-in capital of \$498.36 million.
	November	<ul style="list-style-type: none"> Stock listed on the TPEX and increased capital in cash by \$49.69 million, resulting in a paid-in capital of \$548.04 million.
	August	<ul style="list-style-type: none"> Increased capital in 2012 from earnings of \$23.73 million, resulting in a paid-in capital of \$498.36 million.
	November	<ul style="list-style-type: none"> Stock listed on the TPEX and increased capital in cash by \$49.69 million, resulting in a paid-in capital of \$548.04 million.
2014	May	<ul style="list-style-type: none"> Relocated to Xizhi Taiwan Science Park.
	September	<ul style="list-style-type: none"> Increased capital in 2013 from earnings of \$43.84 million, resulting in a paid-in capital of \$591.88 million.
2015	January	<ul style="list-style-type: none"> The Netherlands preparatory office was changed to the Netherlands subsidiary. ServerDOM™ won Taiwan Excellence Award
	August	<ul style="list-style-type: none"> Increased capital in 2014 from earnings of \$29.59 million, resulting in a paid-in capital of \$621.47 million.
2016	May	<ul style="list-style-type: none"> Carried out the 1st employee stock options of 2013 with the issuance of 397,000 new shares for capital increase, resulting in a paid-in capital of \$625.44 million after the capital increase.
	August	<ul style="list-style-type: none"> Carried out the 1st employee stock options of 2013 with the issuance of 52,000 new shares for capital increase, resulting in a paid-in capital of \$625.96 million after the capital increase.
	September	<ul style="list-style-type: none"> Increased capital in 2015 from earnings of \$31.07 million, resulting in a paid-in capital of \$657.03 million.
	November	<ul style="list-style-type: none"> Carried out the 1st employee stock options of 2013 with the issuance of 126,500 new shares for capital increase, resulting in a paid-in capital of \$658.3 million after the capital increase.
2017	February	<ul style="list-style-type: none"> Carried out the 1st employee stock options of 2013 with the issuance of 110,500 new shares for capital increase, resulting in a paid-in capital of \$659.4 million after the capital increase. Industrial Solid State Drive SATADOM 3ME4 Received 2017 Taiwan Excellence Award
	May	<ul style="list-style-type: none"> Carried out the 1st employee stock options of 2013 with the issuance of 453,500 new shares for capital increase, resulting in a paid-in capital of \$663.94 million after the capital increase.
	August	<ul style="list-style-type: none"> Carried out the 1st employee stock options of 2013 with the issuance of 126,000 new shares for capital increase, resulting in a paid-in capital of \$665.2 million after the capital increase.
	September	<ul style="list-style-type: none"> Increased capital in 2017 from earnings of \$32.97 million, resulting in a paid-in capital of \$698.17 million.
	November	<ul style="list-style-type: none"> Carried out the 1st employee stock options and 1st domestic unsecured convertible bonds of 2013 with the issuance of 2,189,798 new shares for capital increase, resulting in a paid-in capital of \$720.07 million after the capital increase.
2018	February	<ul style="list-style-type: none"> Carried out the 1st employee stock options and 1st domestic unsecured convertible bonds of 2013 with the issuance of 1,871,770 new shares for capital increase, resulting in a paid-in capital of \$738.79 million after the capital increase.
	May	<ul style="list-style-type: none"> Carried out the 1st employee stock options and 1st domestic unsecured convertible bonds of 2013 with the issuance of 1,102,045 new shares

Year	Month	Important events
		for capital increase, resulting in a paid-in capital of \$749.81 million after the capital increase.
	August	<ul style="list-style-type: none"> • The construction of Yilan R&D and manufacturing center was completed. • Carried out the 1st domestic unsecured convertible bonds with the issuance of 559,610 new shares for capital increase, resulting in a paid-in capital of \$755.41 million after the capital increase.
	September	<ul style="list-style-type: none"> • Increased capital in 2018 from earnings of \$22.34 million, resulting in a paid-in capital of \$777.75 million.
	November	<ul style="list-style-type: none"> • Carried out the 1st domestic unsecured convertible bonds with the issuance of 311,134 new shares for capital increase, resulting in a paid-in capital of \$780.87 million after the capital increase.
	November	<ul style="list-style-type: none"> • Top 35 Best International Brands in Taiwan in 2018
2019	February	<ul style="list-style-type: none"> • Carried out the 1st domestic unsecured convertible bonds with the issuance of 79,543 new shares for capital increase, resulting in a paid-in capital of \$781.66 million after the capital increase.
	August	<ul style="list-style-type: none"> • Increased capital in 2019 from earnings of \$15.63 million, resulting in a paid-in capital of \$797.29 million.
	December	<ul style="list-style-type: none"> • Top 35 Best International Brands in Taiwan in 2019
2020	February	<ul style="list-style-type: none"> • Flame-Resistant Solid State Drive 3.5” Fire Shield SSD Received the 2020 Taiwan Excellence Award
	August	<ul style="list-style-type: none"> • Increased capital in 2020 from earnings of \$15.95 million, resulting in a paid-in capital of \$813.24 million.
	November	<ul style="list-style-type: none"> • Top 35 Best International Brands in Taiwan in 2020
2021	February	<ul style="list-style-type: none"> • InnoAGE 2.5” SATA SSD/InnoAGE Received the 2021 Taiwan Excellence Award
	May	<ul style="list-style-type: none"> • Carried out the 1st employee stock options of 2018 with the issuance of 1,135,000 new shares for capital increase, resulting in a paid-in capital of \$824.59 million after the capital increase. • Selected by Gartner as the Industrial-Grade SSD Supplier with the highest market share worldwide
	July	<ul style="list-style-type: none"> • InnoAGE SSD won Computex: Best Choice Award Gold
	August	<ul style="list-style-type: none"> • Carried out the 1st employee stock options of 2018 with the issuance of 57,000 new shares for capital increase, resulting in a paid-in capital of \$825.16 million after the capital increase.
	September	<ul style="list-style-type: none"> • Selected by TrendForce as the top-10 DRAM Suppliers worldwide
	November	<ul style="list-style-type: none"> • Carried out the 1st employee stock options of 2018 with the issuance of 112,000 new shares for capital increase, resulting in a paid-in capital of \$826.28 million after the capital increase.
	December	<ul style="list-style-type: none"> • Top 35 Best International Brands in Taiwan in 2021
2022	February	<ul style="list-style-type: none"> • Carried out the 1st employee stock options of 2018 with the issuance of 40,000 new shares for capital increase, resulting in a paid-in capital of \$826.68 million after the capital increase.

Three. Corporate Governance Report

I. Organizational system

(i) Organizational structure of the Company.



(ii) Businesses of each major department

Unit	Responsibility
Audit Office	<p>A. The establishment, amendment, and execution of the internal audit enforcement rules of the Company and the subsidiaries;</p> <p>B. The formulation, execution, and follow-up of annual audit or project audit plans;</p> <p>C. The formulation, follow-up, inspection, composition, and reporting of the internal control system and self-inspection operation plan of the Company and the subsidiaries;</p> <p>D. The follow-up, inspection, and suggested improvements for nonconformities;</p>
Occupational Safety and Health Office	<p>A. Draft up an occupational disaster prevention plan and instruct the relevant departments to have it executed.</p> <p>B. Plan and supervise each department to conduct safety and health audits and management.</p> <p>C. Plan and supervise the checking points and inspection of the safety and health facilities.</p> <p>D. Plan and implement the operating environment monitoring plan, monitor the results, and take corrective actions.</p> <p>E. Plan and supervise the relevant personnel in performing inspections, regular inspections, key inspections, and hazard communication.</p> <p>F. Plan and implement occupational safety and health education and training.</p> <p>G. Plan labor health checkups and implement health management.</p> <p>H. Plan and supervise the investigation, processing, and statistical analysis of occupational disasters, such as labor diseases, injuries, disability, and death.</p> <p>I. Implement safety and health performance management and assessment; also, provide occupational safety and health consulting services.</p> <p>J. Provide information and advice on occupational safety and health management.</p>
<p>Industrial Control Flash Business Division</p> <p>Industrial Control DRAM Business Division</p> <p>Intelligent Peripheral Applications Business Division</p> <p>Intelligent Module Business Division</p>	<p>A. Collection of market information and analysis of market competition;</p> <p>B. The formulation and execution of new product development plans, and the product life cycle management;</p> <p>C. Professional education and training of the Company's internal technology and products;</p> <p>D. Price policy development;</p>
Sales Division	<p>A. Investigate and collect business information from market peers, market size and supply/demand situation.</p> <p>B. Analysis of relevant product marketing and sales forecasts, preparation and execution of business plans and budgets;</p> <p>C. Development, investigation, and contact of relevant customers;</p> <p>D. Channel policy development;</p> <p>E. Organize, compile and collect customer information;</p> <p>F. Survey and communicate with customers about their product needs.</p>
Quality Assurance Division	<p>A. Product compatibility test and verification;</p> <p>B. Substantiate the management systems (QMS/EMS/HSPM/OHSAS/...), achieve the Company's quality/HSF/environmental goals, quality/HSF/environmental policies, and satisfy customers' requirements.</p> <p>C. Promote various quality/HSF/environmental improvement work to prevent quality/HSF/environmental nonconformities and customer complaints from occurring.</p> <p>D. Convene quality/HSF/environmental meetings regularly to track relevant situations and performance of countermeasures.</p> <p>E. Perform sampling inspection on raw materials, substances, and finished products to prevent nonconforming materials from flowing into the factory and shipping.</p> <p>F. Process customer's complaints about nonconforming quality jointly.</p>

Unit	Responsibility
	G. Repair and maintenance plans for equipment and instrument, calibration plans for test instruments, and the execution of the plans;
Marketing Division	A. Plan for new product launch and draft up marketing strategies. B. Execute product packaging design, and execute marketing and advertising plan. C. Arrange product exhibition operation. D. Maintenance of marketing content on the Company website.
R&D Center	A. Planning, analysis, and evaluation of new product launches, as well as the development and evaluation of product renewal plans; B. Collect, organize, and analyze information on product plans of competing companies; C. Analysis, judgment and correction of market acceptability; D. Research, analysis and development of domestic and international technical data and related product content information; E. Collect and organize information and reports on HSF/environmental requirements of materials/products; F. Confirm feasibility of commercialization and production; G. Research and analysis reports on customer issues; H. Failure product analysis and customer product analysis report response. I. Handling customer complaints; J. Respond to customer and business technical questions. K. Provide customer with technical service reports.
Manufacturing Division	A. Plant planning, design and process development; B. Evaluation, planning and analysis of peripheral equipment for production equipment. C. Technical guidance and data collection from manufacturers of production equipment; D. Production planning execution and production data compilation, analysis and reporting; E. Inventory management of materials, work-in-progress, semi-finished products, and finished products, accounting entries, preparation of inventory reports, and their analysis; F. Relevant procedures and transportation handling of semi-finished products and finished products; G. Perform sampling inspection on raw materials, substances, and finished products to prevent nonconforming materials from flowing into the factory and shipping. H. Quality management of suppliers and outsourcing quality;
Materials Division	A. Outsource vendor development, evaluation and management of third-party vendors and supervision of delivery. B. Preparation, execution and control of annual procurement plan; C. Ensure that supplies from material suppliers or outsource vendors meet our HSF (Green) management standards. D. The execution of the requisition and purchase and the review of the payment process. E. Handling of defective products and slow moving products.
Information Division	A. Responsible for information operation planning, promotion, and management and maintenance of computer software, hardware and network; B. Information security mechanism planning and implementation; C. Major information technology introduction and professional technical services;

Unit	Responsibility
Administration Division	<ul style="list-style-type: none"> A. Plan and formulate various operating measures; B. Document receiving and sending management; C. The preparation and implementation of the general affairs plan and the preparation and execution of the general affairs budget; D. Construction contracting, procurement of common service equipment and payment requests; E. Asset management; F. Examination and processing of personnel selection, appointment, arrival, attendance, appraisal, reward and punishment, promotion, welfare, resignation, retirement and other matters. G. Preparation and execution of salary and other personnel expense budgets; H. Announcement of personnel arrangements and compiling of personnel related records. I. Employee insurance matters and the explanation of questions regarding labor and health insurance. J. Legal advisor window and contract management;
Finance and Accounting Division	<ul style="list-style-type: none"> A. Preparation and implementation of accounting system, preparation of financial statements and financial budgets; B. Planning, analysis, and scheduling of mid-term and short-term financial capital operations; C. Contact and process the deposit, fund appropriation, fund withdrawal, loan, and other related procedures of financial institutions, and handle cash, bills, and other cashier business. D. Review and approve related receipt and payment documents and the collection and payment operations. E. Prepare and report various accounting and final statements. F. Prepare general vouchers and compile related supporting documents. G. Business tax, income tax, and other tax return filing; H. Plan and implement cost accounting system. I. Review of subsidiaries' accounting statements and preparation of consolidated statements. J. Stock affairs related operation;

II. Information on directors, supervisors, general managers, vice presidents, assistant general managers, and officers of departments and branches

(i) Information on directors and supervisors

1. Directors and supervisors

April 20, 2022

Title	Nationality or place of registration	Name	Gender Age	Date elected or appointed	Term of office	Date first elected or appointed	Shareholding when elected or appointed Shareholding.		Shareholding now Number of Shares Held		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in the Company and other companies now	Spouse or relatives within the second degree of kinship who are officers, directors or supervisors of the Company			Remarks
							Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor	
Chairman	ROC	Chien, Chuan-Sheng	Male 41-50	07.08.2021	3 years	06.08.2010	1,365,746	1.66%	1,430,746	1.71	-	-	-	-	Department of Mechanical Engineering, Tamkang University Master of Mechanical Engineering, National Central University Entrepreneur Class, National Chengchi University General manager of Innodisk Corporation	General manager of Innodisk Corporation Chairman of Innodisk Shenzhen Corporation Director of Innodisk USA Corporation Representative and Director of Innodisk Japan Corporation Director of Innodisk Europe B.V. Director of Innodisk France SAS Chairman of Mauritius Innodisk Global-M Representative of a corporate director/Chairman of Actina Corporation Representative of a corporate director of Millitronic Co., Ltd. Representative of a corporate director of SysInno Technology Inc. Independent Director of Anpec Electronics Corporation	-	-	-	Note 1
Director	ROC	Lee, Chung-Liang	Male 51-60	07.08.2021	3 years	03.16.2005	1,887,701	2.29%	1,887,701	2.25	686,024	0.82	-	-	Department of Management Science, National Chiao Tung University Graduate School of Management Research, Tamkang University General manager of Power Quotient International	Chairman of Rui Ding Investment Co., Ltd. Director of I-MEDIA TECH CO., LTD.	-	-	-	-
Director	ROC	Hsu, Shan-Ke	Male 61-70	07.08.2021	3 years	12.17.2012	0	0.00%	0	0.00%	-	-	-	-	Department of Management Science, National Chiao Tung University MBA, National Chengchi University Deputy Chief Executive Officer of the General Management Office of Yulon Group Chairman of Xinyang Management Consulting (Stock) Company	Chairman of 3R LIFE SCIENCES TAIWAN LTD Independent Director of NUVOTON TECHNOLOGY CORPORATION Director of PARPRO CORPORATION Representative of Corporate Director of Acme Electronics Corporation Independent Director of Winbond Electronics Corp.	-	-	-	-
Director	ROC	Jhu, Cing-Jhong	Male 51-60	07.08.2021	3 years	12.17.2012	1,609,827	1.95%	1,609,827	1.92	13,365	0.02	-	-	Department of Management Science, National Chiao Tung University Master of Management Science, National Chiao Tung University General Manager of Kobayashi Optical Co., Ltd.	Associate Professor of the Department of Management Science, National Yang Ming Chiao Tung University	-	-	-	-

Title	Nationality or place of registration	Name	Gender Age	Date elected or appointed	Term of office	Date first elected or appointed	Shareholding when elected or appointed		Shareholding now		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in the Company and other companies now	Spouse or relatives within the second degree of kinship who are officers, directors or supervisors of the Company			Remarks
							Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor	
Corporate director	ROC	Rui Ding Invest Co., Ltd.	-	07.08.2021	3 years	06.08.2010	6,107,037	7.41%	6,318,037	7.55	-	-	-	-	-	-	-	-	-	-
	ROC	Wu, Hsi-Hsi	Male 41-50	07.08.2021	3 years	07.08.2021	349,387	0.42%	349,387	0.42	-	-	-	-	Department of Information Engineering, Fu Jen University Engineer of Power Quotient International Engineer of Jizhi Technology	Vice President of industrial control flash business division Innodisk Corporation	-	-	-	-
Independent Director	ROC	Wang, Yin-Tien	Male 51-60	07.08.2021	3 years	07.08.2021	0	0.00%	0	0.00%	-	-	-	-	PhD in Mechanical Engineering, University of Pennsylvania, USA Associate Professor of the Department of Mechanical and Mechatronic Engineering, Tamkang University	Professor of the Department of Mechanical and Electrical Engineering and Dean of the Department of Artificial Intelligence, Tamkang University Independent Director of Chant Sincere Co. Ltd.	-	-	-	-
Independent Director	ROC	Lin, Wei-Li	Male 51-60	07.08.2021	3 years	07.08.2021	0	0.00%	0	0.00%	-	-	-	-	PhD, Graduate School of Information Management, National Chiao Tung University Chief Technology Officer of TAILYN TECHNOLOGIES, INC. Vice President of GOOD WAY TECHNOLOGY CO., LTD Vice President Chief Technical Officer of R&D General Management Office of New Jinpo Group Vice President of Business and Chief Assistant to General Manager of Unizyx Holding Corp./MitraStar Technology Corp. Vice President/Executive Vice President of Greater China of Groundhog Vice President Senior Manager of Asia Pacific Telecom	General Counsel of Lane 55 Slow Workshop Chief Counsel of NUWA ROBOTICS.	-	-	-	-
Independent Director	ROC	Young, Kai-Charn	Female 61-70	07.08.2021	3 years	07.08.2021	0	0.00%	0	0.00%	-	-	-	-	Department of Business Administration, National Chengchi University MBA, Kansas State University, USA Entrepreneur Class, National Chengchi University Senior Vice President and Head of Entrepreneurship and Industrial Investment Department of CDIB Capital Group. General Manager of CDIB CAPITAL MANAGEMENT CORPORATION General Manager of CDIB Venture Capital Corporation Vice President and Department Head of the Direct Investment Department of China Development Industrial Bank	Representative of corporate director of CDIB & Partners Investment Holding Corporation Independent Director of Sinopower Semiconductor Inc. Independent Director of WPG Holdings	-	-	-	-
Independent Director	ROC	Lo, Su-Shun	Male 61-70	07.08.2021	3 years	07.08.2021	0	0.00%	0	0.00%	-	-	-	-	Department of Medicine, National Yang Ming University Professor of Surgery, National Yang-Ming University Attending Physician of General Surgery of Taipei Veterans General Hospital Associate Dean of Yang-Ming University Hospital Dean of Yang-Ming University Hospital	Appointment Physician of National Yang Ming Chiao Tung University Hospital Director of Taiwan Surgical Association Supervisor Taiwan Society for Metabolic and Bariatric Surgery Director of Taiwan Peritoneal Oncological Association	-	-	-	-

Note 1: There is one person to serve as the Chairman and General Manager of the Company due to the needs of the business operation; therefore, there are four independent directors appointed to serve; also, a majority of the directors is not a managerial office or an employee of the Company that helps the Board of Directors maintain objectivity and keep supervisory power intact.

2. Major shareholders of corporate shareholders

April 20, 2022

Names of corporate shareholders	Major shareholders of corporate shareholders
Rui Ding Investment Co., Ltd.	Lee, Chung-Liang(27.97%), Huang, Su-Fen(23.74%), Li, Li-Hsuan(16.15%), Li, Tai-Ju(15.25%), and Li, Cheng-Jui(16.15%)

3 Information on directors and supervisors

(1) Information on directors and supervisors

Criteria Name	Professional qualification and experience	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Chien, Chuan-Sheng	<ol style="list-style-type: none"> 1. Possess leadership (Chairman) and experience that needs by the Board of Directors and more than five years of experience in business operation. (Please refer to P11~12 for the information of Directors) 2. Possess the ability and professional experience in business judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market perspective, leadership, and decision-making. 3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Spouse or relatives within the second degree of kinship are not directors or employees of the Company or the Company's affiliates. 2. The principal, spouse, or a relative within the second degree of kinship who is not providing auditing service to the Company or affiliated enterprises, or a professional individual who provides business, legal, finance, accounting service or consultation, proprietorship, partnership, shareholders of a company or institution, partner, director (executive), supervisor, managerial officers and their spouses who received less than NT\$500,000 remuneration accumulatively in the last 2 years. 	1
Lee, Chung-Liang	<ol style="list-style-type: none"> 1. Possess leadership (Chairman) and experience that needs by the Board of Directors and more than five years of experience in business operation. (Please refer to P11~12 for the information of Directors) 2. Possess the ability and professional experience in business judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market perspective, leadership, and decision-making. 3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act. 	<ol style="list-style-type: none"> 3. Not a director (executive), supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (however, if the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company; also, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company, the parent or subsidiary company, or a subsidiary of the same parent, this restriction does not apply). 	0
Hsu, Shan-Ke	<ol style="list-style-type: none"> 1. Possess leadership (Chairman) and experience that needs by the Board of Directors and more than five years of experience in business operation. (Please refer to P11~12 for the information of Directors) 2. Possess the ability and professional experience in business judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market perspective, leadership, and decision-making. 3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act. 	<ol style="list-style-type: none"> 4. Please refer to P11~12 for Director Information on the shareholding and shareholding ratio of the principal, spouse, and relatives within the second degree of kinship. 	2
Jhu, Cing-Jhong	<ol style="list-style-type: none"> 1. Possess leadership and experience that needs by the Board of Directors and more than five years of experience in business operation. (Please refer to P11~12 for the information of Directors) 2. Possess the ability and professional experience in business judgment, accounting and financial analysis, business management, crisis management, international market perspective, leadership, and decision-making. 3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act. 		0
Rui Ding Invest Co., Ltd. Representative: Wu, Hsi-Hsi	<ol style="list-style-type: none"> 1. Possess leadership and experience in business operation for more than 5 years. (Please refer to P11~12 for the information of Directors) 2. Possess the ability and professional experience in business judgment, business management, crisis 		0

	management, industry knowledge, international market perspective, leadership, and decision-making. 3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.		
Wang, Yin-Tien	1. Possess leadership and experience that needs by the Board of Directors/remuneration committee/audit committee and more than five years of experience in business operation. (Please refer to P11~12 for the information of Directors) 2. Possess the ability and professional experience in business judgment, business management, crisis management, industry knowledge, international market perspective, leadership, and decision-making. 3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.		1
Lin, Wei-Li	1. Possess more than five years of leadership and experience in business operation (Please refer to P11~12 for the information of Directors) 2. Possess the ability and professional experience in business judgment, business management, crisis management, industry knowledge, international market perspective, leadership, and decision-making. 3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.		0
Young, Kai-Charn	1. Possess leadership and experience that needs by the Board of Directors and more than five years of experience in business operation. (Please refer to P11~12 for the information of Directors) 2. Possess the ability and professional experience in business judgment, accounting and financial analysis, business management, crisis management, international market perspective, leadership, and decision-making. 3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.		2
Lo, Su-Shun	1. Possess leadership and experience in business operation for more than 5 years. (Please refer to P11~12 for the information of Directors) 2. Possess the ability and professional experience in business judgment, business management, crisis management, international market perspective, leadership, and decision-making. 3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.		0

(2) Diversity and Independence of the Board of Directors:

A. Diversity of the Board of Directors: According to the “Procedure for Election of Directors” that is formulated in accordance with Article 20 of the Company’s “Corporate Governance Best Practice Principle,” the composition of the Board of Directors should be with the factor of diversity taking into consideration. The number of directors who also serve as managerial officers of the Company shall not be more than one-third of the Board of Directors; also, an appropriate diversification policy should be formed by referring to the Company’s business operation, operation pattern, and development needs, which should include but not limited to the following two aspects:

- (A) Basic requirements and values: Gender, age, nationality, culture, etc.
- (B) Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing, and/or technology), professional skills, industry experience, etc.

The members of the Board of Directors should generally have the necessary knowledge, skill, and experience to perform their duties; in order to achieve the desired objectives of corporate governance, it is desirable that the Board of Directors as a whole have the following competencies:

- (A) The ability to make judgments about operation;
- (B) Accounting and financial analysis ability;
- (C) Business management ability;
- (D) Crisis management ability;

- (E) Industry knowledge;
- (F) An international market perspective;
- (G) Leadership;
- (I) Decision-making ability.

Substantiation: The Company's independent directors account for 44% of the 7th Board of Directors; directors who are also an employee of the Company account for 22%, and female directors account for 11%; therefore, the Company has achieved the goal of having at least one female director. There are three directors in the age group of 61~70 years old (accounted for 33%), four directors in the age group of 51~60 years old (accounted for 44%), and 2 directors in the age group of 41~50 years old (accounted for 22%).

Core items of diversity Director's name	Nationality	Gender	An employee of the Company	Age			Seniority of being an independent director			The ability to make judgments about operations.	Accounting and financial analysis ability.	Business management ability.	Crisis management ability.	Industry Knowledge	An international market perspective.	Leadership ability.	Decision-making ability.
				41~50	51~60	61~70	Under 3 years	3~9 years	More than 9 years								
Chien, Chuan-Sheng	ROC	Male	√	√						√	√	√	√	√	√	√	√
Lee, Chung-Liang	ROC	Male			√					√	√	√	√	√	√	√	√
Rui Ding Invest Co., Ltd. Representative: Wu, Hsi-Hsi	ROC	Male	√	√						√		√	√	√	√	√	√
Jhu, Cing-Jhong	ROC	Male			√					√	√	√	√	√	√	√	√
Hsu, Shan-Ke	ROC	Male				√				√	√	√	√	√	√	√	√
Wang, Yin-Tien	ROC	Male			√		√			√		√	√	√	√	√	√
Lin, Wei-Li	ROC	Male			√		√			√		√	√	√	√	√	√
Young, Kai-Charn	ROC	Female				√	√			√	√	√	√	√	√	√	√
Lo, Su-Shun	ROC	Male				√	√			√		√	√	√	√	√	√

B. Independence of the Board of Directors: There are 9 directors in the 7th Board of Directors of the Company (including 4 independent directors). The Company has 4 independent directors out of the 9 directors elected. The requirements as specified in Article 26-3, Paragraph 3 and Paragraph 4 of the Security and Exchange Act is not found between the directors. Please refer to “(1) Information disclosure of directors and supervisors.”

(ii). Information on general managers, vice presidents, assistant general managers, and officers of departments and branches

April 20, 2022; Unit: Shares

Title	Nationality	Name	Gender	Date elected or appointed	Shareholding.		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in other companies now	Managerial officers with spouses or relatives with second degree of kinship			Remarks
					Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor	
General Manager	ROC	Chien, Chuan-Sheng	Male	06.23.2010	1,430,746	1.71	-	-	-	-	Department of Mechanical Engineering, Tamkang University Master of Mechanical Engineering, National Central University Entrepreneur Class, National Chengchi University General Manager of Innodisk Corporation	General manager of Innodisk Corporation Chairman of Innodisk Shenzhen Corporation Director of Innodisk USA Corporation Representative and Director of Innodisk Japan Corporation Director of Innodisk Europe B.V. Director of Innodisk France SAS Chairman of Mauritius Innodisk Global-M Representative of a corporate director/Chairman of Aetina Corporation Representative of a corporate director of Millitronic Co., Ltd. Representative of a corporate director of SysInno Technology Inc. Independent Director of ANPEC ELECTRONICS CORPORATION	-	-	-	Note 1
Chief Operating Officer	ROC	Wang, Chia-Ying	Male	11.01.2011	90,312	0.11	66,000	0.08	-	-	Attended Zhongyuan University Business Management Institute Department of Industrial Engineering, Xinpu Industrial College Marketing Vice President and Sales Division Vice President of Innodisk Corporation Overseas Operations Center Manager and Peripheral Products Sales Division Manager of Advantech Co., Ltd. Sales Division Chief of IBASE TECHNOLOGY INC. Sales Division Deputy Chief of VIA Technologies Industrial Computer Systems Product Division Assistant Vice Manager of AAEON Technology Inc.	Director of Innodisk Japan Corporation	-	-	-	-
Sales Division - Vice President	ROC	Fu, Hao	Male	01.01.2022	20,000	0.02	-	-	-	-	Institute of Industrial Engineering and Management, National Chiao Tung University Department of Mechanical Engineering, National Taipei University of Technology Special Assistant to General Manager of Innodisk Corporation	No	-	-	-	-
Industrial Control Flash Business Division - Vice President	ROC	Wu Cheng-hsi	Male	08.01.2012	349,387	0.42	-	-	-	-	Department of Information Engineering, Fu Jen University International engineer of Power Quotient Engineer of Jizhi Technology	Representative of corporate director of Innodisk Corporation	-	-	-	-
Information Division Vice President	ROC	Liao, Te-Chang	Male	10.07.2013	67,115	0.08	-	-	-	-	Master of Information Management, Tamkang University Department of Industrial Engineering, Taipei Institute of Technology Assistant Vice Manager of AAEON Technology Inc. Vice President of ATECH OEM INC. Vice President EVA Air System Development and Integration Team Leader	No	-	-	-	-
Industrial Control DRAM Business Division - Vice President	ROC	Zhang, Wei-Min	Male	02.10.2014	87,150	0.10	7,470	0.01	-	-	National Chengchi University Global Operations and Management Longhua University of Science and Technology	No	-	-	-	-

Title	Nationality	Name	Gender	Date elected or appointed	Shareholding		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in other companies now	Managerial officers with spouses or relatives with second degree of kinship			Remarks
					Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor	
											General Manager of PATRIOT MEMORY INC. General manager of EVERYDAYCHINA.COM. CORP. Assistant Vice Manager of Synnex Technology International Corporation.					
R&D Center Senior Assistant Vice Manager	ROC	Guo, Jin-Zhong	Male	05.18.2009	221,424	0.26	-	-	-	-	Department of Mechanical Engineering, National Ocean University Master's Program of Control Group, National Taiwan University Institute of Mechanical Engineering Doctoral Program of Control Group, National Taiwan University Institute of Mechanical Engineering RD Technical Chief of UNION BASE TECHNOLOGY LIMITED RD Senior Manager of Ultima Electronics Corporation RD Associate Manager of ASUSTEK COMPUTER INCORPORATION	No	-	-	-	-
Manufacturing Division Vice President	ROC	Tsai, Han-Tsang	Male	06.27.2011	68,173	0.08	151,884	0.18	-	-	Department of Motivation, Tsinghua University Institute of Mechanical Engineering, National Central University Manager of UNIFORM INDUSTRIAL CORP. Assistant Vice Manager of TRANSCEND INFORMATION INC.	No	-	-	-	-
Vice President of Materials Division	ROC	Ke, Yu-Jun	Male	03.22.2005	262,349	0.31	233,952	0.28	-	-	Department of Philosophy, Soochow University University of Dallas Business Research Institute Special Assistant to Chairman of Jui Cheng Precision Technology Co., Ltd. Product Manager of POWER QUOTIENT INTERNATIONAL CO., LTD. Sales Chief of LEO SYSTEMS, INC. Senior Sales Specialist of WAL SIN TECHNOLOGY CORP. Senior Sales Specialist of Nankang Rubber Tire Corp., Ltd.	No	-	-	-	-
Intelligent Module Business Division Vice President	ROC	Wei, Ting-Huang	Male	05.10.2021	0	0	-	-	-	-	Bachelor of the Department of Mechanical Engineering, National Taiwan University Studied at the Department of Mechanical Engineering, Siegen University in Germany Vice President of NCG/DMSO/ISG/ECG of Advantech Co., Ltd. General Manager of DFI Inc.	Representative of a corporate director/Chairman of Antzer Tech Co., Ltd. Chairman of FRANZ INVESTMENT CO., LTD.	-	-	-	-
Sales Division Assistant Vice Manager	ROC	Yu, Li-Yin	Male	07.01.2014	159,019	0.19	223,230	0.27	-	-	Department of Asset Management, Zhongyuan University Sales division manager of GIGABYTE Technology	No	-	-	-	-
Finance Division / Administration Division / Corporate Governance Vice President	ROC	Wang, Li-Cheng	Male	04.14.2012	180,884	0.22	-	-	-	-	Department of Industrial Management Science, Chenggong University Master of Business Administration, Rotterdam School of Management Finance Manager of BROWAVE CORPORATION Finance Senior Manager of LPROLIFIC TECHNOLOGY INC. Litigation and non-litigation representative of Coland Pharmaceutical Co., Ltd.	Director of Innodisk USA Corporation Supervisor of Innodisk Japan Corporation Supervisor of Innodisk Shenzhen Corporation Supervisor of Aetina Corporation Supervisor of MilliTronic CO., LTD. Supervisor of SysInno Technology Inc.	-	-	-	-
Accounting Senior Manager	ROC	Liao, Shu-Nu	Female	07.25.2012	47,674	0.06	-	-	-	-	Deming Business Management Division Accounting Associate Manager of DATA IMAGE CORPORATION Accounting Manager of TRIDENT MEDICAL CORP.	Head of Accounting of Aetina Corporation	-	-	-	-

Note 1: There is one person to serve as the Chairman and General Manager of the Company due to the needs of the business operation; therefore, there are four independent directors appointed to serve; also, a majority of the directors is not a managerial office or an employee of the Company that helps the Board of Directors maintain objectivity and keep supervisory power intact.

III. Remuneration for directors, supervisors, general managers and vice presidents

1. Remuneration paid by the Company to directors (including independent directors) in the most recent year

December 31, 2021; Unit: Thousand NTD / Thousand shares

Title	Name	Directors' remuneration								A, B, C, and D as a % of the net profits after tax		Remuneration for a concurrent position as an employee								A, B, C, D, E, F and G as a % of the net profits after tax		Remuneration from invested enterprises outside subsidiaries or from the parent company
		Base remuneration (A)		Severance and pension (B)		Remuneration for directors (C)		Business execution expenses (D)				Salary, bonus, allowance (E)		Severance and pension (F)		Remuneration for employees (G)						
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	Cash bonus amount	Dividend bonus amount	Cash bonus amount	Dividend bonus amount	The Company	All companies in the financial statements	
Chairman	Chien, Chuan-Sheng	637	637	-	-	14,060	14,060	99	99	0.95	0.94	12,596	12,596	49	49	6,188	-	6,188	-	2.15	2.13	No
Director	Lee, Chung-Liang																					
Director	Lo, Wen-Chi (Note 1)																					
Director	Jhu, Cing-Jhong																					
Corporate director	Rui Ding Invest Co., Ltd.																					
Representative of corporate director	Huang, Su-Fen (Note 1)																					
Representative of corporate director	Wu, Hsi-Hsi (Note 2)																					
Director	Hsu, Shan-Ke																					
Independent Director	Jow, En-Min (Note 1)	815	815	-	-	4340	4340	42	42	0.33	0.33	-	-	-	-	-	-	-	-	0.33	0.33	No
Independent Director	Lin, Tsung-Te (Note 1)																					
Independent Director	Li, Kuang-Pin (Note 1)																					
Independent Director	Wang, Yin-Tien (Note 2)																					
Independent Director	Lin, Wei-Li (Note 2)																					
Independent Director	Young, Kai-Charn (Note 2)																					
Independent Director	Lo, Su-Shun (Note 2)																					

1. Please describe the policy, system, criteria and structure for the remuneration for independent directors, and the correlation to the amount of remuneration in terms of their responsibilities, risks, time spent and other factors: The Company has established the "Measures for the Distribution of Directors' Remuneration," which stipulates the calculation of remuneration. In addition, the Remuneration Committee is required to make recommendations to the Board of Directors for approval after considering the extent of participation in the Company's operations and the value of contributions.

2. Except for the aforementioned disclosure, the remuneration received by the directors of the Company in the most recent year for providing services (such as serving as an independent consultant to the parent company/all companies included in the financial report/invested companies): None.

Note 1: The director was dismissed after the full re-election of directors on July 8, 2021.

Note 2: The director was appointed after the full re-election of directors on July 8, 2021.

Remuneration ranges

Remuneration ranges paid to each director of the Company	Director's name			
	Total amount of the first four remunerations (A+B+C+D)		Total amount of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company	All companies in the financial statementsI	The Company	All companies in the financial statementsJ
Less than NT\$1,000,000	Rui Ding Investment Co., Ltd. Representative: Huang, Su-Fen Rui Ding Investment Co., Ltd. Representative: Wu, Hsi-Hsi Jow, En-Min Lin, Tsung-Te Li, Kuang-Pin Wang, Yin-Tien Lin, Wei-Li Young, Kai-Charn Lo, Su-Shun	Rui Ding Investment Co., Ltd. Representative: Huang, Su-Fen Rui Ding Investment Co., Ltd. Representative: Wu, Hsi-Hsi Jow, En-Min Lin, Tsung-Te Li, Kuang-Pin Wang, Yin-Tien Lin, Wei-Li Young, Kai-Charn Lo, Su-Shun	Rui Ding Investment Co., Ltd. Representative: Huang, Su-Fen Jow, En-Min Lin, Tsung-Te Li, Kuang-Pin Wang, Yin-Tien Lin, Wei-Li Young, Kai-Charn Lo, Su-Shun	Rui Ding Investment Co., Ltd. Representative: Huang, Su-Fen Jow, En-Min Lin, Tsung-Te Li, Kuang-Pin Wang, Yin-Tien Lin, Wei-Li Young, Kai-Charn Lo, Su-Shun
NT\$1,000,000 (inclusive)- NT\$2,000,000 (exclusive)	-	-	-	-
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Lee, Chung-Liang Lo, Wen-Chi Jhu, Cing-Jhong Rui Ding Invest Co., Ltd. Hsu, Shan-Ke	Lee, Chung-Liang Lo, Wen-Chi Jhu, Cing-Jhong Rui Ding Invest Co., Ltd. Hsu, Shan-Ke	Lee, Chung-Liang Lo, Wen-Chi Jhu, Cing-Jhong Rui Ding Invest Co., Ltd. Hsu, Shan-Ke	Lee, Chung-Liang Lo, Wen-Chi Jhu, Cing-Jhong Rui Ding Invest Co., Ltd. Hsu, Shan-Ke
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Chien, Chuan-Sheng	Chien, Chuan-Sheng	Rui Ding Investment Co., Ltd. Representative: Wu, Hsi-Hsi	Rui Ding Investment Co., Ltd. Representative: Wu, Hsi-Hsi
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	-	-	-	-
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-	Chien, Chuan-Sheng	Chien, Chuan-Sheng
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-	-	-
More than NT\$100,000,000	-	-	-	-
Total	15	15	15	15

2. Remuneration paid to the supervisor in the most recent year: The Company elected three additional independent directors at the extraordinary shareholders' meeting on December 17, 2012, and established an audit committee at the same time, and the supervisors were naturally dismissed.

3. Remuneration paid to the general manager and vice president by the Company in the most recent year

December 31, 2021; Unit: Thousand NTD / Thousand shares

Title	Name	Salary (A)		Severance and pension (B)		Bonus and allowance (C)		Remuneration for employees (D)				A, B, C and D as a % of the net profits after tax (%)		Remuneration from invested enterprises outside subsidiaries or from the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash bonus amount	Dividend bonus amount	Cash bonus amount	Dividend bonus amount			
General Manager	Chien, Chuan-Sheng	15,729	15,789	745	745	32,492	32,492	15,852	0	15,852	0	4.15	4.10	No
Chief Operating Officer	Wang, Chia-Ying													
Vice President	Zhang, Wei-Min													
Vice President	Wu, Hsi-Hsi													
Vice President	Liao, Te-Chang													
Vice President	Tsai, Han-Tsang													
Vice President	Wei, Ting-Huang													
Vice President	Ke, Yu-Jun													
Vice President	Wang, Li-Cheng													

Remuneration ranges

Remuneration ranges paid to each general manager and vice president of the Company	Name of general manager or vice president	
	The Company	All companies in the financial statementsE
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Wei, Ting-Huang	Wei, Ting-Huang
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Wang, Chia-Ying Wu, Hsi-Hsi Zhang, Wei-Min Liao, Te-Chang Tsai, Han-Tsang Ke, Yu-Jun Wang, Li-Cheng	Wang, Chia-Ying Wu, Hsi-Hsi Zhang, Wei-Min Liao, Te-Chang Tsai, Han-Tsang Ke, Yu-Jun Wang, Li-Cheng
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Chien, Chuan-Sheng	Chien, Chuan-Sheng
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-
More than NT\$100,000,000	-	-
Total	9	9

4. The name of the managerial officer in charge of the distribution of employee remuneration and the status of the distribution for the most recent year

December 31, 2021; Unit: Thousand NTD

Title		Name	Stock amount	Cash amount	Total	Total amount as a % of the net profits after tax (%)
Managerial Officer::	General Manager	Chien, Chuan-Sheng	0	18,974	18,974	1.20
	Chief Operating Officer	Wang, Chia-Ying				
	Vice President	Wu, Hsi-Hsi				
	Vice President	Liao, Te-Chang				
	Vice President	Zhang, Wei-Min				
	Vice President	Tsai, Han-Tsang				
	Vice President	Wei, Ting-Huang				
	Vice President	Ke, Yu-Jun				
	Vice President (Supervisor of Finance Division / Administration Division / Corporate Governance)	Wang, Li-Cheng				
	Senior Manager (Accounting)	Liao, Shu-Nu				
	Senior Vice Manager	Guo, Jin-Zhong				
	Assistant Vice Manager	Yu, Li-Yin				

5. Compare and describe the total remuneration paid to directors, supervisors, general managers, and vice presidents in the most recent 2 years by the Company and all companies in the consolidated financial statements as a % of the net profits after tax, and explain the policies, criteria, combination, the procedures for determining remuneration and the correlation to operating performances and future risks.

(1) Analysis of the total remuneration paid to the Company’s directors, supervisors, general manager and vice president as a percentage of net profits after tax for the last two years by the Company and all companies in the consolidated financial statements

December 31, 2021; Unit: Thousand NTD

Year	Total remuneration for directors, supervisors, general managers and vice presidents		Total amount as a % of the net profits after tax (%)	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
2020	69,213	69,213	7.43	7.36
2021	76,792	77,218	4.92	4.88

(2) The Company’s policy, criteria and composition for the payment of remuneration, the procedures for setting remuneration, and the correlation with operating performance and future risks.

- A. Directors and supervisors: The Company has remuneration paid to the directors in accordance with Article 19 of the Articles of Incorporation. The net income before tax for the current year and before the distribution of remuneration, but after making up for losses, should be applied to pay remuneration to directors for an amount less than 2% of the remaining net income, if any. Furthermore, a reasonable remuneration shall be given depending on the Company’s overall operational performance, the future operational needs and development of the industry, and their personal contribution to the Company’s operations in accordance with the Company’s “Measures for the Distribution of Directors’ Remuneration,” which should be considered by the Remuneration Committee and approved by the Board of Directors.
- B. Managerial officers: According to Article 19 of the Company’s Articles of Incorporation, the Company shall set aside at least 3% of the profits before tax for the current year before the distribution of remuneration with employees and directors as remuneration to employees if there is any remaining balance after making up for losses. The remuneration paid by the Company to the managerial officers is based on the overall consideration of the officer’s participation in the Company’s operations and performance evaluation, as well as other special contributions and market conditions. Such payments will be submitted to the Remuneration Committee for consideration and then to the Board of Directors for approval.
- C. The relevance of future risks: The Company’s remuneration payments are evaluated and adjusted with future changes in the environment and operating performance taken into consideration, and the Company has established the “Operating Procedures for Ethical Management and Guidelines for Conduct” and the “Code of Ethical Conduct” to remind directors and managerial officers not to engage in behavior that exceeds the Company’s risk appetite in pursuit of remuneration, so as to avoid improper situations where the Company suffers losses after paying remuneration. If a director or employee is involved in a wrongful act that results in a loss to the Company, he or she may be disciplined as necessary by law.

IV. Implementation of corporate governance

(i). The operation of the board of directors

The Board of Directors held 10 meetings (A) in the most recent year (2021) and as of the publication date of the annual report with the attendance of directors and supervisors as follows:

Title	Name	Number of attendance in person (B)	Number of attendance by proxy	Attendance in person (%) [B/A]	Remarks
Chairman	Chien, Chuan-Sheng	10	0	100%	Elected in the full re-election on July 8, 2022.
Director	Lee, Chung-Liang	10	0	100%	Elected in the full re-election on July 8, 2022.
Director	Lo, Wen-Chi	4	0	100%	Dismissed after the full re-election on July 8, 2022 (4 meetings were held during the term of office)
Director	Jhu, Cing-Jhong	8	0	100%	Elected in the full re-election on July 8, 2022.
Director	Rui Ding Invest Co., Ltd. Representative: Huang, Su-Fen	8	0	100%	Dismissed after the full re-election on July 8, 2022 (4 meetings were held during the term of office)
Director	Rui Ding Invest Co., Ltd. Representative: Wu, Hsi-Hsi	5	1	83.33%	Elected in the full re-election on July 8, 2022 (6 meetings were held during the term of office)
Director	Hsu, Shan-Ke	10	0	100%	Elected in the full re-election on July 8, 2022.
Independent Director	Jow, En-Min	2	0	75.00%	Dismissed after the full re-election on July 8, 2022 (4 meetings were held during the term of office)
Independent Director	Lin, Tsung-Te	3	1	75.00%	Dismissed after the full re-election on July 8, 2022 (4 meetings were held during the term of office)
Independent Director	Li, Kuang-Pin	4	0	100%	Dismissed after the full re-election on July 8, 2022 (4 meetings were held during the term of office)
Independent Director	Wang, Yin-Tien	6	0	100%	Elected in the full re-election on July 8, 2022 (6 meetings were held during the term of office)
Independent Director	Lin, Wei-Li	6	0	100%	Elected in the full re-election on July 8, 2022 (6 meetings were held during the term of office)
Independent Director	Young, Kai-Charn	6	0	100%	Elected in the full re-election on July 8, 2022 (6 meetings were held during the term of office)
Independent Director	Lo, Su-Shun	6	0	100%	Elected in the full re-election on July 8, 2022 (6 meetings were held during the term of office)

Other matters required to be recorded.

I. If the operation of the Board of Directors is under any of the following circumstances, the date, period, proposal content, all independent directors' opinions and the Company's handling of their opinions should be described:

- (i) Matters addressed in Article 14-3 of the Securities and Exchange Act: Please refer to Page 52 for details.
- (ii) In addition to the previous matters, other board meeting resolutions that have been opposed or reserved by independent directors with records or written statements: No such situation.

II. In the implementation of a director's recusal for being an interested party in a proposal, the director's name, the proposal

content, the recusal reasons and his or her participation in voting should be stated:

Board of Directors meeting date	Director's name	Motion content	Reason for recusal	Participation in voting
02.05.2021	Chien, Chuan-Sheng	Proposal to pass the 2020 year-end bonus for the managerial officers of the Company.	Concurrently serving as the Company's general manager	The remaining directors present did not object to the passing of the motion, except for those who recused themselves from the discussion and vote in accordance with the law.
05.07.2021	Chien, Chuan-Sheng Lin, Tsung-Te	Proposal to invest in Antzer Tech Co., Ltd.	A shareholder of Antzer Tech Co., Ltd.	The remaining directors present did not object to the passing of the motion, except for those who recused themselves from the discussion and vote in accordance with the law.
08.05.2021	Chien, Chuan-Sheng Wu, Hsi-Hsi	Plan to pass the proposal for the 2020 remuneration to the managerial officers of the Company.	Concurrently serves as the Company's General Manager/employee	The remaining directors present did not object to the passing of the motion, except for those who recused themselves from the discussion and vote in accordance with the law.
		Plan to pass the proposal for the adjustment of remuneration to the managerial officers of the Company		
01.24.2022	Chien, Chuan-Sheng Wu, Hsi-Hsi	Plan to pass the proposal for the 2021 year-end bonus to the managerial officers of the Company	Concurrently serving as the Company's general manager	The remaining directors present did not object to the passing of the motion, except for those who recused themselves from the discussion and vote in accordance with the law.
	Chien, Chuan-Sheng Lee, Chung-Liang	Proposal to make donation to Innodisk Foundation by the Company	A director of Innodisk Foundation	

III. Listed companies should disclose information on the periodicity and duration, scope, method and content of the self-evaluation (or peer evaluation) by the board of directors:

Evaluation frequency	Evaluation duration	Evaluation scope	Evaluation method	Evaluation content
Once a year	01/01/2021 ~ 12/31/2021	Board of Directors	Board of Directors' Internal Evaluation	A. The extent of participation in the Company's operations B. Improvement in the quality of the board's decision-making. C. Composition and structure of the board. D. Election and continuing education of directors. E. Internal control
		Individual board member	Board member self-evaluation	A. Alignment of the Company's objectives and tasks. B. Perception of directors' responsibilities. C. The extent of participation in the Company's operations. D. Internal relationship management and communication. E. Professionalism and continuing education of directors. F. Internal control

		Each functional committee	Functional committee members' self-evaluation	A. The extent of participation in the Company's operations. B. Perception of functional committees' responsibilities. C. Improvement in the quality of the functional committee's decision-making. D. Composition and member appointment of functional committees. E. Internal control
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Evaluation results:

- (i) Board of Directors: The Board of Directors has fulfilled the responsibility of guiding and supervising the Company's strategy, major business, and risk management; also, has established an appropriate internal control system and improved the overall operation in compliance with the requirements of corporate governance.
 - (ii) Individual board member: The efficiency and effectiveness of the operational indicators of each director is recognized and affirmed.
 - (iii) Functional committees: The overall operation of the functional committees is satisfactory and meets the requirements of corporate governance that helps effectively enhanced the functions of the Board of Directors.
- The performance evaluation of the Board of Directors for 2021 in the preceding paragraph was reported by the Board of Directors on February 23, 2022 with the relevant information filed accordingly.

IV. Evaluation of the objective for enhancing the functions of the Board of Directors (e.g., establishing an audit committee, enhancing information transparency, etc.) and its implementation in the current year and the most recent year:

- (i) Enhancing the functions of the Board of Directors: The Company has formulated the "Procedures for Board of Directors Meetings" in accordance with the "Regulations Governing Procedures for Board of Directors Meetings of Public Companies." The Company also executes the functions of the Board of Directors in accordance with relevant regulations with the Audit Committee formed on December 17, 2012.
- (ii) Improve information transparency: The Company has the financial information, major resolutions, and relevant information announced on the Market Observation Post System in accordance with regulations. The Company's website is designed with an "Investor Relations" page available to disclose financial, business, and corporate governance related information for the knowledge of the investors in a timely manner.

V. Attendance of Independent Directors at each Board Meeting:

◎ : Attended in person ☆ : Attended by proxy * : Did not attend

Date (meeting) Name	02/05/2021 (1st meeting)	02/25/2021 (2nd meeting)	2021/05/07 (3rd meeting)	06/10/2021 (4th meeting)	07/08/2021 (5th meeting)	07/21/2021 (6th meeting)	08/05/2021 (7th meeting)	11/05/2021 (8th meeting)	01/24/2022 (1st meeting)	02/23/2022 (2nd meeting)
Jow, En-Min	◎	◎	*	◎	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)
Lin, Tsung-Te	◎	◎	◎	☆	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)
Li, Kuang-Pin	◎	◎	◎	◎	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)
Wang, Yin-Tien	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	◎	◎	◎	◎	◎	◎
Lin, Wei-Li	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	◎	◎	◎	◎	◎	◎
Young, Kai-Charn	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	◎	◎	◎	◎	◎	◎
Lo, Su-Shun	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	◎	◎	◎	◎	◎	◎

Note 1: Jow, En-Min, Lin, Tsung-Te, and Li, Kuang-Pin were dismissed after the full director re-election on July 8, 2021; Wang, Yin-Tien, Lin, Wei-Li, Young, Kai-Charn, and Lo, Su-Shun were elected in the director election.

(ii) Information on the operations of the Audit Committee

The Audit Committee held 8 meetings (A) in the most recent year (2021) and as of the publication date of the annual report with the attendance of independent directors as follows:

Title	Name	Number of attendance in person (B)	Number of attendance by proxy	Attendance in person (%) [B/A]	Remarks
Independent Director	Jow, En-Min	4	0	100%	Dismissed after the full re-election on July 8, 2022 (4 meetings were held during the term of office)
Independent Director	Lin, Tsung-Te	4	0	100%	Dismissed after the full re-election on July 8, 2022 (4 meetings were held during the term of office)

Independent Director	Li, Kuang-Pin	4	0	100%	Dismissed after the full re-election on July 8, 2022 (4 meetings were held during the term of office)
Independent Director	Wang, Yin-Tien	4	0	100%	Elected in the full re-election on July 8, 2022 (4 meetings were held during the term of office)
Independent Director	Lin, Wei-Li	4	0	100%	Elected in the full re-election on July 8, 2022 (4 meetings were held during the term of office)
Independent Director	Young, Kai-Charn	4	0	100%	Elected in the full re-election on July 8, 2022 (4 meetings were held during the term of office)
Independent Director	Lo, Su-Shun	4	0	100%	Elected in the full re-election on July 8, 2022 (4 meetings were held during the term of office)

Other matters required to be recorded.

I. If the operation of the Audit Committee is under any of the following circumstances, the date, term, proposal content, all independent directors' dissented opinions, qualified opinion, or material suggestion content, the resolution of the Audit Committee, and the Company's handling their opinions should be described:

(i) Matters addressed in Article 14-5 of the Securities and Exchange Act:

Date/Term	Motion content	Resolutions of the Audit Committee	Independent directors' dissented opinions, qualified opinion, or material suggestion content	The Company's handling of the Audit Committee members' opinions
02/05/2021 3 rd term – 15 th meeting	1. Evaluation of the independence and competency of the CPAs	Passed unanimously.	Not applicable.	Passed as proposed.
02/25/2021 3 rd term – 16 th meeting	1. Issuance of the Company's "Statement of Internal Control System" for 2020. 2. The Company's financial statements for 2020	Passed unanimously.	Not applicable.	Passed as proposed.
2021/05/07 3 rd term – 17 th meeting	1. Schedule the base date for the Company's issuing new shares in a capital increase from the employee's exercising their stock warrants in the 1 st quarter of 2021. 2. Plan to amend the Company's "Internal control system".	Passed unanimously.	Not applicable.	Passed as proposed.
08/05/2021 4 th term – 1 st meeting	1. Schedule the base date for the Company's issuing new shares in a capital increase from the employee's exercising their stock warrants in the 2 nd quarter of 2021. 2. The Company plans to construct a factory in Yilan Science Park.	Passed unanimously.	Not applicable.	Passed as proposed.
11/05/2021 4 th term – 2 nd meeting	1. Schedule the base date for the Company's issuing new shares in a capital increase from the employee's exercising their stock warrants in the 3 rd quarter of 2021. 2. The Company plans to purchase real estate.	Passed unanimously.	Not applicable.	Passed as proposed.
01/24/2022 4 th term – 3 rd meeting	1. Schedule the base date for the Company's issuing new shares in a capital increase from the employee's exercising their stock warrants in the 4 th quarter of 2021. 2. The Company plans to construct a factory in Yilan Science Park. 3. Evaluation of the independence and competency of the CPAs	Passed unanimously.	Not applicable.	Passed as proposed.
02/23/2022 4 th term – 4 th meeting	1. The Company's issuing the 2021 "Statement of Internal Control System" 2. The Company's 2021 Financial Statements 3. The Company's increased capital in 2021 from earnings with new shares issued 4. Amendments to the Company's "Procedures for the Acquisition and Disposal of Assets"	Passed unanimously.	Not applicable.	Passed as proposed.

(ii) In addition to the previous matters, other matters that have not been approved by the Audit

Committee but approved by more than two-thirds of all directors: No such situation.

II. In the implementation of an independent director’s recusal for being an interested party in a proposal, the independent director’s name, the proposal content, the recusal reasons and his or her participation in voting should be stated: No such situation.

III. Communication between independent directors, internal audit officer and CPA (major matters, methods and results of communication on the Company’s financial and business conditions, etc. should be included):

(i) After the audit report and tracking report are reported to the chairman of the board of directors, the internal audit officer of the Company sends them to each independent director for review via e-mail on a monthly basis, and communicates with and replies to each independent director’s inquiries in person on a quarterly basis, and there is no objection after communication.

(ii) The Company’s internal audit officer sits in the Board of Directors’ meetings and presents audit reports. Each independent director keeps abreast of the Company’s internal audits in a timely manner, so the Company’s independent directors have good communication with the audit officer.

(iii) CPAs reported to the independent directors on the audit results of the Company’s financial reports and other communication matters required by the relevant laws and regulations, and the finance officer and the audit officer were also present at each meeting, and the independent directors were able to raise and receive responses to any questions they had immediately. Therefore, the communication between the independent directors and the CPAs of the Company is good.

- (iii) Supervisors’ participation in the operation of the Board of Directors: The Company elected three additional independent directors at the extraordinary shareholders’ meeting on December 17, 2012, and established an Audit Committee at the same time; therefore, the supervisors were naturally dismissed.
- (iv) The Company’s implementation of corporate governance and the differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reason.

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
I. Has the Company formulated and disclosed its corporate governance practice principles in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has formulated a set of “Corporate Governance Best Practice Principles” and disclosed it on the Market Observation Post System and the Company website.	In compliance with the Corporate Governance Best Practice Principles
II. The Company’s equity structure and shareholder equity (i) Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes, litigations, and implemented them according to the procedures?	V		(i) The Company has a spokesperson system formulated to collect relevant questions raised by shareholders. The shareholder’s suggestions and doubts are to be handled and responded to by the spokesperson. The disputes and	In compliance with the Corporate Governance Best Practice Principles

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
<p>(ii) Does the Company have a list of the major shareholders who actually control the Company and those who ultimately have control over the major shareholders?</p> <p>(iii) Has the Company established and implemented risk control and firewall mechanisms between affiliated companies?</p> <p>(iv) Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market?</p>	V		<p>litigation matter with the shareholders shall be handled by the legal department. However, the relationship between the Company and its shareholders is harmonious and no dispute or litigation has occurred.</p> <p>(ii) The Company maintains good relations and contacts with its major shareholders, directors, employees and corporate shareholders, and is able to keep track of their shareholdings.</p> <p>(iii) The Company has established an internal control system-subsidary supervision and management practices to regulate related matters and comply with them.</p> <p>(iv) The Company has established “Procedures for Handling Material Inside Information” and requires those who are informed of material internal information to refrain from disclosing material internal information to others and using the information not publicly available to trade in marketable securities by means of a disclosure or confidentiality agreement.</p>	In compliance with the Corporate Governance Best Practice Principles
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(i) Does the board of directors formulate diversified policies, and specific management objectives and implementation?</p> <p>(ii) Does the Company voluntarily establish functional committees other than the Remuneration Committee and the Audit Committee?</p>	V		<p>(i) The Company has established a diversity policy in the “Corporate Governance Best Practice Principles” and “Procedure for Election of Directors” and has them disclosed on the Company’s website and on Page 13 of the annual report.</p> <p>(ii) The Company currently has only a Remuneration Committee and an Audit Committee. Other functional committees will be established in the future depending on the legal requirements or practical needs.</p>	In compliance with the Corporate Governance Best Practice Principles

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
(iii) Does the Company formulate a performance evaluation method for the Board of Directors, conduct performance evaluation annually and regularly, and report the performance evaluation results to the Board of Directors and apply it as a reference for the consideration of remuneration and nomination of each director?	V		(iii) The Company has established the “Board of Directors’ Performance Evaluation Measures.” Please refer to P.24 [III. Listed OTC companies should disclose the evaluation cycle and period, evaluation scope, methods, and evaluation contents of the board of directors’ self-evaluation (or peer-evaluation) and other information] for the evaluation items and results, which together with the directors’ self-assessment are used as a reference for nominating directors and determining their salary and remuneration; also, it was reported to the Board of Directors on February 23, 2022.	In compliance with the Corporate Governance Best Practice Principles
(iv) Does the Company regularly evaluate the independence of the attesting CPAs?	V		(iv) The Company’s Audit Committee and the Board of Directors made an independent assessment of the CPAs on 01/24/2022, and required the CPAs to issue an independent statement. The Company confirmed that the CPAs and the Company have no other financial interests and business relationships except for certification and tax cases. The CPA’s family members do not violate the independence requirements before the appointment of the CPAs. Please refer to (Note 1) for the evaluation of the independence and competency of the CPAs.	
IV. Does the Company as a listed company have a suitable and appropriate number of corporate governance personnel and appoint a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors in	V		On May 7, 2021, the Board of Directors approved the establishment of a dedicated corporate governance unit, with the Vice President of Finance Division/Administration Division of the Company, who has the qualification, as the corporate governance officer. The main duties of the unit are to administer matters related to Board of Directors meetings and shareholders’	In compliance with the Corporate Governance Best Practice Principles

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
complying with laws and regulations, conducting board meeting and shareholder meeting related matters in accordance with law, handling company registration and alteration registration, and preparing minutes of board meetings and shareholder meetings, etc.)?			meetings, prepare minutes of the Board of Directors and shareholders' meetings, assist directors in their appointment and continuing education, provide information necessary for directors to carry out their business, and assist directors in complying with laws and regulations. Please refer to (Note 2) for the continuing education of the corporate governance officer.	In compliance with the Corporate Governance Best Practice Principles
V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and a special section for stakeholders on the Company's website, and responded appropriately to important corporate social responsibility issues that are of concern to stakeholders?	V		The Company has a spokesperson and an acting spokesperson. It has identified and set up a stakeholder section on the Company's official website to respond to important CSR issues of concern to stakeholders through various communication channels.	In compliance with the Corporate Governance Best Practice Principles
VI. Has the Company appointed a professional stock affairs agency to handle matters for shareholder meetings?	V		The Company's stock affairs agency is KGI Securities Co., Ltd.	In compliance with the Corporate Governance Best Practice Principles
VII. Information Disclosure (i) Has the Company set up a website to disclose finance and business matters and corporate governance information? (ii) Has the Company adopted other means of information disclosure (such as setting up an English website, appointing dedicated personnel responsible for the collection and disclosure of Company information, implementing a spokesperson system, posting the Company's earnings calls on its website, etc.)?	V V		(i) The Company has set up an investor section on its official website with links to the Public Information Observation Post System to facilitate investors' access. (ii) The Company has designated personnel to be responsible for the collection and disclosure of corporate information. It has also appointed a spokesperson to make external statements and implement the spokesperson system. In addition, information and presentation materials for the Company's earnings calls or corporate briefings have been compiled and posted on the	In compliance with the Corporate Governance Best Practice Principles In compliance

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
(iii) Does the Company publicly announce and file annual financial statements within two months after the end of the fiscal year? The financial statements for the first, second and third quarters and the monthly operating status before the prescribed deadline?	V		Company's website for public reference. (iii) The Company had the 2021 financial statements announced and reported on February 23, 2022, including financial statements for the first, second, and third quarters and the monthly operating status before the prescribed deadline.	with the Corporate Governance Best Practice Principles
VIII. Does the Company have any other important information that helps understand the corporate governance operation (including but not limited to employee rights, employee care, investor relations, supplier relations, rights of stakeholders, advanced study of directors and supervisors, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, the acquisition of the liability insurance by the Company for directors and supervisors, etc.)?	√		(i) Employee rights and benefits: The Company protects the basic rights and benefits of employees (work rules) in accordance with the Labor Standards Act and related laws and regulations, such as establishing an employee welfare committee, encouraging employees to participate in various training courses and technical seminars and planning both domestically and internationally, arranging employee group insurance and regular health checkups, etc., emphasizing labor relations and providing equal employment opportunities. (ii) Employee Care: The Company has established an "Occupational Safety and Health Committee" in accordance with the "Occupational Safety and Health Act" to formulate employee emergency care measures, employee maternity subsidies, and employee child scholarship measures. The Administration Division arranges employee satisfaction survey periodically and hosting employee luncheon meeting to understand employees in-depth; also, the Employee Benefits Committee provides subsidies and organizes travel activities to care for the	In compliance with the Corporate Governance Best Practice Principles

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
			<p>physical and mental health of employees.</p> <p>(iii) Investor relations: The Company has information disclosure made honestly in accordance with the governing laws and regulations to protect the basic rights and interests of investors. Investors may acquire the Company's information on the Market Observation Post System or the "Investor Relations" section on the Company's website, including financial, business, and corporate governance information. The Company also has a spokesperson appointed to serve the investors or to handle the suggestions proposed by the investors at any time.</p> <p>(iv) Supplier relations: Through our green product management platform, we have smooth communication channels with our suppliers, maintain good relations, and uphold the principle of honesty and reciprocity in dealing with them.</p> <p>(v) Stakeholders' rights: Maintain smooth communication channels with stakeholders and fully respect and protect their legitimate rights and interests. Please refer to (Note 3) for issues of concern to the Company's stakeholders and the channels of communication and response.</p> <p>(vi) Advanced study of directors and supervisors: The Company's directors (including independent directors) were fully re-elected in 2021. In addition to the three first-time directors having completed 12 hours of advanced study for their initial appointment, the other directors had also completed 6 hours of advanced study for the year.</p>	In compliance with the Corporate Governance Best Practice Principles

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
			<p>Please refer to (Note 4) for detailed information.</p> <p>(vii) Implementation of risk management policies and risk measurement standards: The Company focuses on its own business and has established various operating rules and internal control systems to reduce risks in accordance with various laws and regulations and business activities.</p> <p>(viii) Implementation of customer policy: The company upholds high quality and high efficiency to serve customers and create maximum benefits for customers.</p> <p>(ix) The Company is a computer peripheral manufacturer and is engaged in downstream assembly, which is a non-polluting industry and has not polluted the environment and has fulfilled its corporate social responsibility.</p> <p>(x) The Company's acquisition of liability insurance for directors is stipulated in the Company's Articles of Incorporation. Also, the Company had acquired the said liability insurance for the first time in December 2018, and had the insurance renewed successfully and reported to the Board of Directors in November 2021.</p>	In compliance with the Corporate Governance Best Practice Principles
<p>IX. Please describe the improvements that have been made in response to the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and propose priorities and measures for those not yet improved:</p> <p>The Company has prepared improvement plans for each indicator of the results of the past corporate governance evaluations and has implemented the following improvement plans.</p> <p>(i) Prepare significant information in English too.</p> <p>(ii) Enhance the disclosure of corporate governance matters in the annual report and official website.</p> <p>(iii) Publish the annual financial statements within two months after the end of the fiscal year.</p> <p>The Company intends to continue to improve and propose the following.</p> <p>(i) Enhance the comprehensiveness of the disclosure of corporate governance matters in English on the official website.</p>				

Note 1: Evaluation of the independence of the CPAs:

Evaluation Items	Evaluation result	Status of independence
Has the CPAs recused themselves from the assignment if they have a direct or material indirect interest that would affect their impartiality and independence?	Yes	Yes
Do CPAs maintain formal independence in addition to substantive independence when they perform audits, reviews, verification or project examination of financial statements and render an opinion?	Yes	Yes
Do members of the audit services, other CPAs or corporate accounting firm shareholders, CPA firms, their affiliates, and alliances maintain independence from the Company?	Yes	Yes
Do the CPAs perform professional services with integrity and rigor?	Yes	Yes
Do the CPAs maintain an impartial and objective position in performing professional services and have they avoided bias, conflict of interest or interest that would affect professional judgment?	Yes	Yes
Do the CPAs have a disciplinary record with the CPA Disciplinary Board for the last two years? Has the CPA firm been involved in any significant litigation in the last two years or currently?	Yes	Yes
Does the CPA firm have sufficient scale, resources and regional coverage to handle corporate audit services?	Yes	Yes
Does the CPA firm have a clear quality control process? Does the coverage include the level and key points of the audit process, the manner in which audit issues and judgments are handled, independent quality control reviews, and management of risk?	Yes	Yes
Has the CPA firm notified the Board of any significant issues and developments in risk management, corporate governance, financial accounting and related risk controls in a timely manner?	Yes	Yes

Note 2: The advanced study of the corporate governance officer:

Name	Advanced study date	Course organizer	Course name	Training hours
Wang, Li-Cheng	08/31/2021	Digital Governance Association	The international trend of net zero carbon emissions and Taiwan's efforts in promoting zero carbon transition	3
	09/01/2021	Taipei Exchange (TPEX)	The 2021 TPEs Sustainable Upgrade Online Forum	2
	03/11/2022	Securities and Futures Institute	Protection of business secrets	3
	03/15/2022		How should directors and supervisors supervise corporate risk management and crisis management?	3

Note 3: issues of concern to stakeholders and the channels of communication and response.

Stakeholder	Issues of concern	Channels of communication and response.	The 2021 Stakeholder Communication Performance
Customer	<ul style="list-style-type: none"> Completed annual satisfaction surveys in response to customer requests Completed the annual conflict mineral source survey and complied with the customer's requirement to declare that no mineral from the conflict area will be used. Implemented confidential information protection measures as required by customers Made Declaration of Prohibition of Child Labor and Declaration of Product Origin as requested by the customer Conducted Audits of suppliers as requested by customers Customer factory production flow guide 	<ul style="list-style-type: none"> Annual Customer Satisfaction Survey with Google Questionnaires Impromptu meetings for unexpected issues Conference calls for specific issues External communication mailbox Regular customer visits every year Computex VIP Conference Customer field audits/visits <p>Contact Information: sales@innodisk.com Foreign Sales Department / Manager Gao</p>	<ul style="list-style-type: none"> Visiting customers from time to time Accepting customer to factory audit for 10 times so far Completed Communication Questionnaires in March 2021
Employees	<ul style="list-style-type: none"> Set up staff suggestion boxes in the cafeteria for staff to provide feedback at any time Organized labor-management meetings 	<ul style="list-style-type: none"> Recurring settings Quarterly meetings with representatives from both management and employees <p>Contact Information: inno_members@innodisk.com</p>	<ul style="list-style-type: none"> Held 8 labor-management meetings (Taipei + Yilan), on a quarterly basis

Stakeholder	Issues of concern	Channels of communication and response.	The 2021 Stakeholder Communication Performance
		Administration Division / Senior Manager Lo	<ul style="list-style-type: none"> Employee satisfaction statistics of all anonymous employees Promoted employee health promotion program and shared and interacted with employees through the company intranet platform
Investors / Shareholders	<ul style="list-style-type: none"> Convened the shareholders' meeting, in which the chairman, directors and senior management reported the financial statements and operations of the Company to all shareholders. At the meeting, the earnings distribution proposal was adopted and important resolutions were approved. Financial statements and significant financial business information of the Company announced and disclosed on the Market Observation Post System 	<ul style="list-style-type: none"> Convene regular shareholders' meeting every year Regular disclosure of finance and business information Disclosure of significant information on the "Market Observation Post System" from time to time Established a spokesperson system to answer shareholders' questions Contact Information: inno_shareholders@innodisk.com Stock affairs/Miss Yang	<ul style="list-style-type: none"> Held 1 shareholders' meeting Invited to participate in 1 corporate presentation Completed Communication Questionnaires in March 2021
Suppliers	<ul style="list-style-type: none"> Qualified supplier certification Green Supply Chain GPM IQC inspection status 	<ul style="list-style-type: none"> New product acknowledgement Related quality document updates Occasional phone and email communication Field audits/year Audit of questionnaires/semi-annually Contact Information: inno_vendor@innodisk.com Purchasing / Miss Gao	<ul style="list-style-type: none"> Completed Communication Questionnaires in March 2021 5 on-site audits at suppliers'
Outsourcers	<ul style="list-style-type: none"> Quality control of outsourced products Trial production of new models Output confirmation Technical Exchange 	<ul style="list-style-type: none"> Quality meeting/month Plant field audits/year Occasional phone and email communication Contact Information: inno_vendor@innodisk.com Purchasing / Miss Gao	<ul style="list-style-type: none"> Occasional phone and email communication
Government agencies	<ul style="list-style-type: none"> Filed work safety practices and occupational safety and health personnel Reporting of waste cleanup plans 	<ul style="list-style-type: none"> Environmental Protection Bureau/Labor Inspection Department Occasional Official Documents Contact Information: inno_members@innodisk.com Administration Division / Senior Manager Lo	<ul style="list-style-type: none"> Environmental Protection Bureau/Labor Inspection Department Occasional Official Documents and communications
Local community building	<ul style="list-style-type: none"> Power outage. Construction. Machinery room. Notification of specific conditions such as fire drills Participated in community affairs as a member of the management committee 	<ul style="list-style-type: none"> Occasional phone and email communication Regular participation in meetings and events Contact information: walker_chiu@innodisk.com Administration Division / Associate Manager Qiu	<ul style="list-style-type: none"> Attended 6 Management Committee meetings Attended 1 owner meetings Held one blood donation activity in the park Completed Communication Questionnaires in March 2021
Media	<ul style="list-style-type: none"> Product information release (including new products and technologies) Release of company information (relocation, awards, social welfare, etc.) 	<ul style="list-style-type: none"> From time to time, interview and have dinner with the media. On average, a press release is issued once a month to the relevant media. Contact information: yvonne_liu@innodisk.com Marketing Department/Associate Manager Liu	<ul style="list-style-type: none"> 11 press releases

Note 4: The advanced study of directors (including independent directors) in 2021:

Title	Name	Advanced study date	Course organizer	Course name	Training hours
Chairman	Chien, Chuan-Sheng	09/22/2021	Securities and Futures Institute	Corporate Mergers and Acquisitions Practices - Focusing on Hostile Mergers and Acquisitions	3
		11/12/2021		The key to become a sustainable enterprise: ESG actual practices	3
Director	Lee, Chung-Liang	12/01/2021	The Institute of Internal Auditors	War and Protection of Invisibility Assets - Trade Secrets and Non-Competition	6
Director	Jhu, Cing-Jhong	11/17/2021	Securities and Futures Institute	Discussion on Remuneration of Employees and Directors -From the amendments made to Article 14 of the Securities and Exchange Act	3
				Discussion of intellectual property management from the perspective of the Board of Directors	3
Director	Hsu, Shan-Ke	09/01/2021	Securities and Futures Institute	The value of information security in the post-pandemic era and under the Sino-US trade war	3
		10/07/2021		Insider Trading Case Study	3

Title	Name	Advanced study date	Course organizer	Course name	Training hours
Director	Rui Ding Investment Co., Ltd. Representative: Wu, Hsi-Hsi	08/27/2021	Securities and Futures Institute	Early Warning of Enterprise Financial Crisis and Classification Analysis	3
		09/24/2021		Analysis and case study of unconventional transactions of directors and supervisors	3
		10/01/2021		Global Risk Perception - Opportunities and Challenges in the Next Decade	3
		11/12/2021		Analysis and case study of unconventional transactions of directors and supervisors	3
Independent Director	Wang, Yin-Tien	09/14/2021	Securities and Futures Institute	Corporate Social Responsibility (CSR, ESG) Case study and Analysis of Corporate Governance Evaluation	3
		10/01/2021		Global Risk Perception - Opportunities and Challenges in the Next Decade	3
Independent Director	Lin, Wei-Li	10/19/2021 10/20/2021	Securities and Futures Institute	Practical Workshop for Directors and Supervisors (Independent) and Corporate Governance Officers –Taipei	12
Independent Director	Young, Kai-Charn	08/10/2021	Taiwan Institute Of Directors	Risks and Opportunities in Climate Action - Carbon Neutrality Promotional Strategies and Processes	3
		09/01/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum	3
Independent Director	Lo, Su-Shun	10/19/2021 10/20/2021	Securities and Futures Institute	Practical Workshop for Directors and Supervisors (Independent) and Corporate Governance Officers –Taipei	12

(v) If the Company has established a Remuneration Committee or Nomination Committee, it is necessary to disclose their composition, responsibilities, and operations:

1. Information on the members of the Remuneration Committee:

Conditions		Professional qualification and experience	Independence	Number of other public companies in which the individual is concurrently serving as a remuneration committee member
Identity	Name			
Independent director (convener)	Lin, Wei-Li	1. Possess leadership and experience in business operation for more than 5 years. (Please refer to P.12 for Director Information) 2. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.	1. Spouse or relatives within the second degree of kinship are not directors or employees of the Company or the Company's affiliates. 2. The principal, spouse, or a relative within the second degree of kinship who is not providing auditing service to the Company or affiliated enterprises, or a professional individual who provides business, legal, finance, accounting service or consultation, proprietorship, partnership, shareholders of a company or institution, partner, director (executive), supervisor, managerial officers and their spouses who received less than NT\$500,000 remuneration accumulatively in the last 2 years.	0
Independent Director	Wang, Yin-Tien	1. Possess leadership and experience in business operation for more than 5 years. (Please refer to P.12 for Director Information) 2. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.	3. Not a director (executive), supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (however, if the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company; also, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company, the parent or subsidiary company, or a subsidiary of the same parent, this restriction does not apply).	1
Independent Director	Young, Kai-Charn	1. Possess leadership and experience in business operation for more than 5 years. (Please refer to P.12 for Director Information) 2. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.	4. Please refer to P.12 for Director Information on the shareholding and shareholding ratio of the principal, spouse, and relatives within the second degree of kinship (on shares held in the name of others).	2
Independent Director	Lo, Su-Shun	1. Possess leadership and experience in business operation for more than 5 years. (Please refer to P.12 for Director Information) 2. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.		0

2. Information on the operations of the Remuneration Committee

- (1) There are three members of the Remuneration Committee of the Company.
- (2) Current term of office: From July 21, 2021 to July 7, 2024. There were 4 Remuneration Committee meetings (A) held in the most recent year (2021) up to the publication date of the annual report. The qualifications and attendance of the Remuneration Committee members are as follows:

Title	Name	Number of attendance in person (B)	Number of attendance by proxy	Attendance in person (%) (Note)	Remarks
Convener	Lin, Wei-Li	4	0	100%	
Member	Wang, Yin-Tien	4	0	100%	
Member	Young, Kai-Charn	4	0	100%	
Member	Lo, Su-Shun	4	0	100%	

Other matters required to be recorded.

I. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, the date, term, proposal content, the resolution of the Board of Directors, and the Company's handling of the opinions of the Remuneration Committee members (such as the remuneration resolved by the Board of Directors is superior to the suggestion made by the Remuneration Committee should be described, including the deviation and the reasons): None.

II. For the proposals by the Remuneration Committee. If any members have objections or reservations with records or written statements, the date, period, proposal content, and opinions of all members, its handling of the members' opinions should be stated: None.

III. The operations of the Remuneration Committee in the most recent year

Term - Meeting Date (MM/DD/YY)	Important discussion topics	Resolution	The Company's Handling of Members' Opinions
5 th term - 1 st meeting 08/05/2021	<ol style="list-style-type: none"> 1. Plan to pass the proposal for the Company's 2020 remuneration to directors. 2. Plan to pass the proposal for the Company's 2020 remuneration to managerial officers. 3. Plan to pass the proposal for the Company's adjustment of remuneration to the managerial officers. 	Approved by the Remuneration Committee members present unanimously.	Submitted to the Board of Directors for approval in accordance with the resolution.
5 th term - 2 nd meeting 11/05/2021	<ol style="list-style-type: none"> 1. Plan to amend the Company's "Measures for the Distribution of Directors' Remuneration." 2. Plan to pass the proposal for the Company's reassigning managerial officers. 	Approved by the Remuneration Committee members present unanimously.	Submitted to the Board of Directors for approval in accordance with the resolution.
5 th term - 3 rd meeting 01/24/2022	<ol style="list-style-type: none"> 1. Plan to approve the remuneration proposal for the newly appointed managerial officer of the Company. 2. Plan to pass the proposal for the year-end bonus to the managerial officers of the Company for 2021. 	Approved by the Remuneration Committee members present unanimously.	Submitted to the Board of Directors for approval in accordance with the resolution.
5 th term - 4 th meeting 02/23/2021	<ol style="list-style-type: none"> 1. Discussion of distribution of 2021 employees' and directors' remuneration 	Approved by the Remuneration Committee members present unanimously.	Submitted to the Board of Directors for approval in accordance with the resolution.

3. Information on members of the Nomination Committee and its operation: The Company has not established a Nomination Committee yet.

(vi) The implementation of the sustainable development and its deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:

Promotion items	Status of implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No	Summary Description	
I. Has the Company established a governance structure to promote sustainable development, and designated a full-time (part-time) unit to promote sustainable development, which is to be handled by the senior management with the authorization of the Board of Directors, and the actual supervision of the Board of Directors?	V		<p>The Company has commissioned the Quality Assurance Department to promote CSR-related activities and begin to prepare CSR reports since 2015. The Chairman had assigned and setup the “Sustainable Development Officer” position at the end of 2021 that is to be assumed by the senior managerial officer with a project team formed so to handle the following duties and responsibilities:</p> <ol style="list-style-type: none"> 1. Formulate the goals, strategies, and action plans for the Company’s sustainable development policies, and guide and track the progress, performance, and improvement of each action plan. 2. Identify sustainable issues of concern to stakeholders and formulate a communication plan. 3. Supervise the compilation of the Sustainability Report to be completed on time. <p>The “Sustainable Development Officer” is to report the progress of sustainable development to the Chairman at the monthly meeting regularly and to report the implementation results and future work plans to the Board of Directors at least once a year. The recent implementation of the sustainable development is scheduled to be reported to the Board of Directors in May, 2022.</p>	No significant difference
II. Does the company conduct risk assessments on environmental, social, and corporate governance issues related to the Company’s operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	V		<p>The “principle of materiality” defined by the Company mainly focuses on the head office, factories, and upstream and downstream operation, and it does not fully cover the data of affiliates and overseas information.</p> <p>The Company conducts risk assessment after understanding the ESG issues concerned by stakeholders and senior executives through questionnaires. Please refer to (Note 1) for the relevant</p>	No significant difference.

Promotion items	Status of implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No	Summary Description	
			risk management policies or strategies formulated based on the assessed risks.	
<p>III. Environmental issues</p> <p>(i) Has the Company set up an appropriate environmental management system based on the characteristics of its industry?</p> <p>(ii) Is the Company committed to improving energy efficiency and using recycled materials with low impact on the environment?</p>	<p>V</p> <p>V</p>		<p>(i) The Company is committed to maintaining the cleanliness and hygiene of the surrounding environment, promoting the reuse of resources and continuously carrying out energy saving and carbon reduction actions. Meanwhile, the Company obtained ISO-14001 certification on December 19, 2020, valid until September 29, 2023. (Please refer to the official website of the Company for the certificate: https://www.innodisk.com)</p> <p>(ii) The Company strives to promote and implement resource recycling, including recycling of various resources and wastes. In 2021, the Yilan Plant recycled 86.4 kgs of waste iron cans, 36.2 kgs of waste aluminum cans, 103 kgs of waste plastic bottles, and 19,184 kgs of waste paper cartons. Promote the secondary use of waste paper photocopying in offices, set up water-saving devices such as water faucets in pantries and sensor faucets in toilets. The central air-conditioning ice water host adopts the flow rate and time control, and the ice water host automatically shuts down when the load becomes small at night or after work. In addition, the newly installed remote monitoring system will help improve the management efficiency. The office is equipped with a light and air conditioning master cut-off switch. When the last colleague leaves the office, press the master cut-off power to turn off the office light and air conditioning. The Company has signed a contract with Taipower for a contracted</p>	No significant difference.

Promotion items	Status of implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No	Summary Description	
(iii) Does the Company evaluate the potential risks and opportunities of climate change to the Company now and in the future, and take corresponding measures to respond to climate related issues?	V		<p>capacity of power supply. In addition to the contracted capacity of power supply in the laboratory and the manufacturing plant, there is also the time price for the power supply. The contracted capacity of power supply is reviewed annually and is adjusted according to the current situation to achieve energy-saving effect. We also promote the habit of saving water and electricity to our employees in order to achieve the purpose of energy saving, carbon reduction and energy conservation.</p> <p>(iii) The Company supported and responded to the government’s green energy policy by purchasing solar power generation at the National Renewable Energy Certification Center in 2021 Certificate 95,000 kWh (equivalent to 3% of the total annual electricity consumption of the Company and a total of 48,358 kg CO₂ e/kWh reduction in CO₂ emissions.)</p> <p>At the same time, promote digitized documentation, such as internal receipts, fixed asset requisitions, payable vouchers, application form for affixation of seals, etc. so as to achieve the goal of reducing paper consumption.</p> <p>In the third quarter of each year, we conduct a risk assessment for internal and external hazards, including contingency measures for major disasters, off-site backup of data, and setting up uninterruptible power supply system to maintain the operation of the server room so as to minimize the risk of hazards as much as possible.</p>	

Promotion items	Status of implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:									
	Yes	No	Summary Description										
(iv) Does the Company make statistics on greenhouse gas emissions, water consumption and the total weight of waste for the past two years and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?	V		<p>(iv) The CO2 emissions of the power purchased from the company’s Xizhi plant are as follows: The company’s environmental indicators and reduction target.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Externally purchased power consumption</th> <th>CO2 emissions (kg CO2 e/degree)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>3,128,773</td> <td>1,749,182</td> </tr> <tr> <td>2021</td> <td>3,041,920</td> <td>1,527,158</td> </tr> </tbody> </table> <p>Annual water consumption reduction target (%): 1% reduction from the previous year Annual power consumption reduction target (%): 1% reduction from the previous year Annual waste reduction target (%): 1% reduction from the previous year The Company’s energy saving policy: improve energy efficiency, increase the proportion of renewable energy use, reduce environmental pollution and social impact, and continue to promote waste separation, recycling and reduction in line with government policy, promote the secondary use of waste paper photocopying in the office, and promote the habit of saving water and electricity to employees. In addition, we will replace all of our LED flat panel lights this year to achieve energy saving, carbon reduction and energy conservation.</p>	Year	Externally purchased power consumption	CO2 emissions (kg CO2 e/degree)	2020	3,128,773	1,749,182	2021	3,041,920	1,527,158	No significant difference.
Year	Externally purchased power consumption	CO2 emissions (kg CO2 e/degree)											
2020	3,128,773	1,749,182											
2021	3,041,920	1,527,158											
<p>IV. Social issues</p> <p>(i) Has the company formulated relevant management policies and procedures according to relevant laws and regulations and the International Bill of Human Rights?</p>	V		<p>(i) The Company has formulated the “Work Rules” and “Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace” to protect the rights and interests of employees in accordance with the labor law and the Act of Gender Equality in Employment; also, the pension is appropriated and</p>	No significant difference.									

Promotion items	Status of implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No	Summary Description	
<p>(ii) Whether the Company has formulated and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits, etc.), and appropriately reflects operating performance or results in employee remuneration?</p> <p>(iii) Operating performance or results are also appropriately reflected in the compensation of employees (annual salary adjustment and promotion based on performance appraisal).</p> <p>(iv) Does the company have an effective career development training program planned for employees?</p>	V		<p>deposited into the personal account of each employee.</p> <p>(ii) The Company has established a vacation system that is superior to Labor Standards Act, including a reasonable remuneration structure and group insurance, and appropriation of year-end prize money and employee bonuses according to the annual earnings. Please refer to P.64 (i) of the Company’s Articles of Incorporation regarding the percentage or range of the remuneration to employees, directors, and supervisors.</p> <p>(iii) The Company maintains and supervises the working environment of the factory area and office in accordance with the relevant occupational safety and health laws and regulations. Perform regular inspection according to the updated regulations on a quarterly basis to meet the latest requirements. At the same time, perform on-site inspections of environmental safety and health, including factory operation safety inspections, personal protective gear inspections, first-aid kit inspections, emergency response equipment inspections, etc. The Company has obtained ISO-045001 certification on February 25, 2022 that is valid till February 25, 2025. Implement the Company’s annual health inspections and special work health inspections in 2021, safety and health education and training sessions for 11 times, corporate quick screening for Covid-19 1 time, and providing quick screening reagents to colleagues for home testing from time to time to ensure Workplace Safety.</p> <p>(iv) To implement the concept of human resources training, the Company has established a complete human resources training system to make the professional knowledge and skills of</p>	No significant difference.

Promotion items	Status of implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No	Summary Description	
<p>(v) Does the Company comply with relevant laws and international standards, and formulate relevant right and interest protection policies and grievance procedures to deal with customers for products and services, such as customer health and safety, customer privacy, marketing and labelling, etc.?</p> <p>(vi) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and monitor their implementation?</p>	V	V	<p>all employees more solid and further cultivate a better management team. The Company has set up an educational platform with general courses (including training for new recruits, introduction of new trends, etc.), technical colleges (including production, sales, personnel, R&D, and finance, and other majors), management colleges, language colleges, and international colleges so as to help improve the competence of staff in all units. Please refer to P.91 (v) Labor Relations for the advanced study and training information of the staff in 2021.</p> <p>(v) The Company’s marketing and labeling of products and services are in accordance with relevant laws and regulations and international standards. In addition, in order to provide customers with more convenient grievance procedures, the Company has formulated QPCS000300 “Customer complaint management procedures.” We will document each customer complaint into the system through system control and will respond to customers within the required time limit.</p> <p>(vi) The Company’s environmental safety and health policy: Enhance environmental protection education Substantiate energy conservation and carbon reduction Enterprise sustainable operation Improve safety awareness Promote employee health Control hazard risks Implement laws and regulations Continuously improve to achieve waste reduction, Zero-disaster goal The Company intends to establish Innodisk’s International Supplier Code of Conduct, including environmental, environmental, energy,</p>	No significant difference.

Promotion items	Status of implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No	Summary Description	
			human rights, and occupational disasters in its communications with suppliers. (Please refer to the Company’s corporate sustainability website at https://esg.innodisk.com/environment/supply-chain for the supplier management)	
V. Does the Company refer to the internationally accepted reporting standards or guidelines to prepare the sustainability reports for disclosing the Company’s non-financial information? Has the assurance or opinion from third-party certifying institutions been obtained for the aforementioned reports?	V		The Company has prepared a sustainability report and placed it on the official website with reference to the internationally accepted reporting standards (GRI Standard 2021) or guidelines. In addition, the sustainability report has been verified by a third party (SGS) to increase the credibility of information disclosure since April 2022. The scope of verification is mainly based on the Xizhi headquarters and Yilan factory.	No significant difference.
<p>VI. If the Company has the sustainable development best practice principles formulated in accordance with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies,” please describe the differences between its operation and the principles.</p> <p>The Company has not yet formulated the corporate social responsibility best practice principles, but in order to demonstrate the Company’s commitment to employees, shareholders, and the general public, in addition to implementing information transparency, the Company will also actively participate in environmental protection and charity activities, which demonstrates the Company’s fulfilling the spirit of the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies.”</p>				
<p>VII. Other important information that helps understand the promotion of sustainable development:</p> <p>The Company’s fulfillment of the social responsibilities has been disclosed in this annual report.</p>				

Note 1: Risk management policy or strategy

Major issues	Risk assessment items	Description
Environment	Environmental impact and management	<ol style="list-style-type: none"> 1. The Company is mainly engaged in market of industrial control; therefore, in addition to product quality, the Company values the importance of environmental protection. The Company has obtained ISO14001 Environmental Management Systems and IECQ QC080000 Hazardous Substance Process Management System since 2012, and regularly obtains third-party certification. 2. The Company has been implementing ISO14064-1 Greenhouse Gas on the parent company since 2020, and entrusted SGS to perform inspections in 2021. The Company continues to implement carbon reduction measures based on the inspection results to effectively reduce the risk of Category 1 emissions and the risk of indirect emission of greenhouse gas in Category 2 caused by the use of electricity. For Category 3 greenhouse gas emission, the Company also voluntarily discloses it and recommends the supplier to provide the correlation coefficient. Currently, the Company plans to expand the scope of the inspection to those subsidiaries included in the consolidated financial statements before 2025. 3. The Company has the climate risk identification process constructed by utilizing the TCFD structure in 2022 before the official request from the Financial Supervisory Commission; also, it is disclosed in the 2022 Sustainability Report. 4. The routine annual internal audit plan aims at the Company's compliance with various relevant environmental laws and regulations, and auditing the operating procedures in compliance with the requirements.
Social	Occupational safety	<ol style="list-style-type: none"> 1. The verification of the "ISO 45001 Occupational Health and Safety Management Systems" was completed in 2021. 2. Fire drills and occupational safety education and training are held regularly every year to cultivate employees' ability to respond to emergencies and manage personal safety. 3. Innodisk invites external fire brigade to conduct fire education training at the Company's premise and to share cases from a professional perspective.
	Product safety	<ol style="list-style-type: none"> 1. The Company's products comply with the laws and governmental regulations, the EU RoHS specifications, and do not contain any hazardous substances. Also, a customer service hot line and communication website is setup to ensure the quality of customer service. 2. Take the initiative to conduct customer satisfaction surveys regularly every year so as to enhance the cooperative relationship with customers.
Corporate governance	Socioeconomic and legal compliance	<ol style="list-style-type: none"> 1. The Company establishes and implements an internal control system in accordance with relevant policies and regulations so as to ensure that all personnel and operations of the Company in compliance with relevant norms. 2. Formulate various ethical code of conduct, establish a good corporate governance and risk control mechanism, and substantiate the policy of ethical corporate management. 3. The Company has introduced the "ISO27001 Information Security Management System" with the relevant enforcement rules formulated. According to the verification specifications, an internal audit is carried out on a regular basis every year, and an external audit will be conducted by a third party subsequently. At the same time, a complete backup mechanism is constructed. 4. The Company continues product research and development, maintains the innovation and research and development achievements, and continuously enhances the management of intellectual property rights so as to ensure the Company's rights and interests.
	Reinforce the functions of the Board of Directors	<ol style="list-style-type: none"> 1. The Company acquires liability insurance policy for directors every year. 2. The Company arranges advanced study programs for directors so as to help them understand the latest laws, systems, and policies. 3. The Company's Board of Directors shall perform an internal performance evaluation within the Board of Directors at least once a year to ensure that the execution of the Board of Directors is effective.
	Communication with stakeholder	<ol style="list-style-type: none"> 1. The Company regularly distributes questionnaires to stakeholders every year so as to analyze their needs and expectations for improvements. The relevant information is announced on the website and in the sustainability report. 2. The Company also has a spokesperson appointed to serve the investors or to handle the suggestions proposed by the investors at any time.

(vii) The Practice of Ethical Corporate Management and Related Policies and Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies:

Evaluation Items	The State of Operations			Deviation From the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company” and the Reasons.
	Yes	No	Summary Description	
<p>I. Establishment of ethical corporate management policy and proposal</p> <p>(i). Has the Company formulated an ethical corporate management policy approved by the Board of Directors, and are the policy and practice of ethical corporate management stated in the Company’s regulations and external documents, as well as the commitment of the Board of Directors and the senior management to actively implement the policy?</p> <p>(ii) Whether the Company has established a mechanism for evaluating the risk of unethical conduct, regularly analyzes and evaluates the activities in the scope of business with a higher risk of unethical conduct, and on the basis of this, has formulated a plan to prevent unethical conduct, which covers at least the preventive measures for the conduct set out in Paragraph 2 of Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?</p> <p>(iii) Whether the Company has specified operating procedures, conduct guidelines, and disciplinary and complaint systems for violations in the plan to prevent unethical conduct and implemented the plan as well as regularly reviews and amends it?</p>	V		<p>(i) The Company has established the “Operating Procedures for Ethical Management and Guidelines for Conduct” to implement its policy on ethical corporate management. It requires all directors and managerial officers, senior management and employees to comply with the procedures when engaging in any activity.</p> <p>(ii) The “Operating Procedures for Ethical Management and Guidelines for Conduct” and the “Code of Ethical Conduct” specify the scope of the prevention program and the authority and responsibility units, with solid implementation.</p> <p>(iii) In addition to the prohibition of unethical conduct as specified in the “Operating Procedures for Ethical Management and Guidelines for Conduct,” it also discloses the procedures that comply with laws and policies.</p>	No significant difference.

Evaluation Items	The State of Operations			Deviation From the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company” and the Reasons.
	Yes	No	Summary Description	
<p>II. Implementation of Ethical Corporate Management</p> <p>(i) Does the Company evaluate the ethical records of its counterparties and specify the ethical conduct clauses in the contracts signed with the counterparties?</p> <p>(ii) Does the Company have a dedicated unit under the Board of Directors to promote ethical corporate management and regularly report (at least once a year) to the Board of Directors on its ethical management policy and plan to prevent unethical conduct and monitor their implementation?</p> <p>(iii) Does the Company have the policy to prevent conflict of interest, provide appropriate channels for an explanation, and implement it?</p> <p>(iv) Whether the Company has established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit draws up relevant audit plans based on the evaluation results of risk of unethical conduct, and audits the compliance of the plan to</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(i) The Company’s “Operating Procedures for Ethical Management and Guidelines for Conduct” stipulates that when entering into a contract with another party, the Company should fully understand the other party’s integrity management status and should include integrity management in the contract terms or specify integrity matters.</p> <p>(ii) The Company’s “Operating Procedures for Ethical Management and Guidelines for Conduct” stipulates that the management office is responsible for the formulation of integrity management policies and prevention programs. Internal auditors are responsible for monitoring their implementation and preparing audit reports for the Board of Directors.</p> <p>(iii) The Operating Procedures for Ethical Management provides for the avoidance of relevant regulations, and each business has a window of authority and responsibility. The relevant regulations are announced on the official website for easy access and compliance.</p> <p>(iv) The Company has a dedicated audit unit that conducts regular internal control audits and controls, and the relevant operating rules are announced on the official website.</p>	<p>No significant difference.</p>

Evaluation Items	The State of Operations			Deviation From the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company” and the Reasons.
	Yes	No	Summary Description	
<p>prevent unethical conduct or entrusts a CPA to perform the audit?</p> <p>(v) Does the Company regularly organize internal and external education and training on ethical corporate management?</p>	V		(v) The Company regularly arranges education and training on ethical corporate management. Please refer to P.91 (v) Labor Relations for details.	
<p>III. The operation of the Company’s whistleblower reporting system</p> <p>(i) Has the Company set up a specific whistleblower reporting and reward system and a convenient reporting channel, and designated appropriate personnel to deal with the reported matters?</p> <p>(ii) Has the Company formulated standard operating procedures for the investigation of the reported matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms?</p> <p>(iii) Whether the Company takes measures to protect whistleblowers from being improperly handled due to reporting?</p>	V		<p>(i) The Company’s “Operating Procedures for Ethical Management and Guidelines for Conduct” provide a specific reporting and reward system and establish reporting channels and assign dedicated staff to receive reports.</p> <p>(ii) The Company’s “Operating Procedures for Ethical Management and Guidelines for Conduct” set forth the standard operating procedures to investigate the reported matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms.</p> <p>(iii) The Company’s “Operating Procedures for Ethical Management and Guidelines for Conduct” specifies measures to protect whistleblowers from improper treatment as a result of whistleblowing.</p>	No significant difference.
<p>IV. Intensification of Disclosure</p> <p>Does the Company disclose the content and effectiveness of its Ethical Corporate Management Principles on its website and the Market Observation Post System?</p>	V		The Company discloses the “Operating Procedures for Ethical Management and Guidelines for Conduct” on the Company’s website and Market Observation Post System, and the effectiveness of implementation.	No significant difference.
<p>V. If the Company has related practice principles of its own in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” please state the differences between the two and the state of implementation: The Company works with various vendors and</p>				

Evaluation Items	The State of Operations			Deviation From the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company” and the Reasons.
	Yes	No	Summary Description	
			organizations based on the principle of ethical corporate management. The Company has established and approved by the Board of Directors the “Operating Procedures for Ethical Management and Guidelines for Conduct” and has implemented them in internal management and external business activities.	
			VI. Any other essential information that may help us to under the ethical corporate management of the Company better: (such as the review and revision of the ethical corporate management best practice principles): The Company takes honesty and integrity as the foundation, and we make sure that all of our employees uphold the spirit of honesty and integrity and are responsible to our investors, customers and society. In addition, the Company has long-term cooperation with relevant manufacturers and partners, and we have dedicated staff to participate in them to maintain long-term and stable cooperation.	

(viii) If the company has formulated corporate governance principles and related articles, it shall disclose the way of inquiry:

1. In order to establish a sound system of good corporate governance, the Company has established the following corporate governance-related rules and regulations.

- | | |
|--|--|
| (1) Articles of Incorporation | (11) Remuneration Committee Charter |
| (2) Procedures for Acquisition or Disposal of Assets | (12) Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises |
| (3) Rules of Procedure for Shareholders’ Meeting | (13) Operating Procedures for Group Enterprises, Specific Companies and Related Party Transactions |
| (4) Operating Procedures for Endorsement and Guarantee | (14) Rules Governing the Scope of Powers of Independent Directors |
| (5) Procedure for Election of Directors and Supervisors | (15) Internal control system, internal audit implementation rules and internal control system self-inspection operating procedures |
| (6) Procedures for Board of Directors Meetings | (16) Procedures for halt and resumption applications |
| (7) Operating Procedures for Ethical Management and Guidelines for Conduct | (17) Procedures for Handling Material Inside Information |
| (8) Procedures for Lending Funds to Others | (18) Standard practice for handling requests from directors |
| (9) Code of ethical conduct | (19) Corporate Governance Best Practice Principles |
| (10) Audit Committee Charter | |

2. The above rules and regulations are amended in accordance with the letters issued by the competent securities authorities and approved by the board of directors or shareholders’ meeting of the Company. The Company discloses significant financial and business information on the public website in a timely manner in accordance with the laws and regulations for review by the general public. It maintains a corporate website for the public to understand the Company. The Company also has a website for the public to understand the Company and discloses the implementation of its social responsibility in its annual report and prospectus.

(ix) Other important information for understanding the operations of corporate governance may be disclosed: None.

(x) Implementation of the internal control system:

1. Statement of internal control:

Innodisk Corporation
Statement of internal control system

Date: **February 23, 2022**

The Company bases on the result of the self-assessment performed on the 2021 internal control system to make declaration as follows:

- I. The Company knows that establishing, implementing and maintaining an internal control system is the responsibility of the Company's Board of Directors and managerial officers, and the Company has established this system. Its purpose is to provide reasonable assurance of the achievement of objectives such as the effectiveness and efficiency of operations (including profitability, performance and asset security, etc.), the reliability, timeliness, and transparency of reporting, as well as compliance with relevant rulings, laws and regulations, etc.
- II. Internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance of the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once a defect is identified, the Company will take corrective actions.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the criteria of the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria of the internal control system adopted in the "Regulations" are based on the process of managerial control and divide the internal control system into five components: 1. control environment, 2. risk evaluation, 3. control operations, 4. Information and communication, and 5. Monitoring operations. Each component consists of a number of items. Please refer to the "Regulations" for these items.
- IV. The Company has adopted the aforementioned criteria of the internal control system to evaluate the effectiveness of the design and implementation of its internal control system.
- V. The Company bases on the evaluation results in the preceding paragraph to conclude that the internal control system on December 31, 2021 (including the supervision and management of subsidiaries), including understanding the operational effect and the extent of efficiency realization, the reporting is reliable, timely, transparent, and complying with the relevant norms and relevant laws and regulations, the compliance with governing laws and regulations, and other design and implementation, is effective, which can reasonably ensure the achievement of the aforementioned objectives.
- VI. This statement will become the main content of the Company's annual report and prospectus and will be made public. If the above-mentioned disclosures have falsehood or concealment, legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act will be incurred.
- VII. This statement was approved by the Company's Board of Directors on February 23, 2022. Of the 8 directors present, 0 had objections, and the rest all agreed with the content of this statement and declare here.

Innodisk Corporation
Chairman: Chien, Chuan-Sheng
Managerial Officer: Chien, Chuan-Sheng

2. The review report of the CPAs should be disclosed if the internal control system is reviewed by the CPAs: None.

(xi) Where the Company and its insiders receive penalties for violations or the Company's punishment on its internal personnel for violating internal control system, and where the punishment may have a material impact on shareholders' equity or securities price, the penalty, main mistake and improvement shall be expressly listed: None.

(xii) Major resolutions of the shareholder and board meetings in the most recent year to the day this Annual Report was printed:

1. Major Resolutions at Shareholders' Meetings as follows:

Meeting Items	Meeting date	Resolutions at Shareholders' Meetings	Status of implementation															
Regular shareholders' meeting	07/08/2021	1. The 2020 Business Report and Financial Statements	<p>1. The voting results are as follows, and the motion was adopted as proposed. Total number of rights represented by the attending shareholders: 63,697,389 voting rights, passed with 97.68% approving voting rights.</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Number of approving voting rights</th> <th>Number of objecting voting rights</th> <th>Number of invalid voting rights</th> <th>Number of abstaining/non-voting rights</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>62,223,017</td> <td>4,059</td> <td>0</td> <td>1,470,313</td> </tr> <tr> <td>Among them, electronic voting</td> <td>29,675,308</td> <td>4,059</td> <td>0</td> <td>1,470,313</td> </tr> </tbody> </table>	Item	Number of approving voting rights	Number of objecting voting rights	Number of invalid voting rights	Number of abstaining/non-voting rights	Total	62,223,017	4,059	0	1,470,313	Among them, electronic voting	29,675,308	4,059	0	1,470,313
		Item	Number of approving voting rights	Number of objecting voting rights	Number of invalid voting rights	Number of abstaining/non-voting rights												
		Total	62,223,017	4,059	0	1,470,313												
		Among them, electronic voting	29,675,308	4,059	0	1,470,313												
2. The 2020 Earnings Distribution Proposal	<p>2. The voting results are as follows, and the motion was adopted as proposed. Total number of rights represented by the attending shareholders: 63,697,389 voting rights, passed with 97.69% approving voting rights.</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Number of approving voting rights</th> <th>Number of objecting voting rights</th> <th>Number of invalid voting rights</th> <th>Number of abstaining/non-voting rights</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>62,226,773</td> <td>4,323</td> <td>0</td> <td>1,466,293</td> </tr> <tr> <td>Among them, electronic voting</td> <td>29,679,064</td> <td>4,323</td> <td>0</td> <td>1,466,293</td> </tr> </tbody> </table> <p>The distribution base date is scheduled on August 13, 2021 and the payment date is scheduled on August 27, 2021 (for a cash dividend of NT\$6.69560253 per share).</p>	Item	Number of approving voting rights	Number of objecting voting rights	Number of invalid voting rights	Number of abstaining/non-voting rights	Total	62,226,773	4,323	0	1,466,293	Among them, electronic voting	29,679,064	4,323	0	1,466,293		
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Total	62,226,773	4,323	0	1,466,293														
Among them, electronic voting	29,679,064	4,323	0	1,466,293														
3. Amendments to the Company's "Rules of Procedure for Shareholders' Meetings"	<p>3. The voting results are as follows, and the motion was passed as proposed. Total number of rights represented by the attending shareholders: 63,697,389 voting rights, passed with 95.41% approving voting rights.</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Number of approving voting rights</th> <th>Number of objecting voting rights</th> <th>Number of invalid voting rights</th> <th>Number of abstaining/non-voting rights</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>60,776,007</td> <td>6,172</td> <td>0</td> <td>2,915,210</td> </tr> <tr> <td>Among them, electronic voting</td> <td>28,228,298</td> <td>6,172</td> <td>0</td> <td>2,915,210</td> </tr> </tbody> </table>	Item	Number of approving voting rights	Number of objecting voting rights	Number of invalid voting rights	Number of abstaining/non-voting rights	Total	60,776,007	6,172	0	2,915,210	Among them, electronic voting	28,228,298	6,172	0	2,915,210		
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4. Amendments to the Company's "Procedure for Election of Directors"	<p>4. The voting results are as follows, and the motion was passed as proposed. Total number of rights represented by the attending shareholders: 63,697,389 voting rights, passed with 95.41% approving voting rights.</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Number of approving voting rights</th> <th>Number of objecting voting rights</th> <th>Number of invalid voting rights</th> <th>Number of abstaining/non-voting rights</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>60,778,088</td> <td>4,091</td> <td>0</td> <td>2,915,210</td> </tr> <tr> <td>Among them, electronic voting</td> <td>28,230,379</td> <td>4,091</td> <td>0</td> <td>2,915,210</td> </tr> </tbody> </table>	Item	Number of approving voting rights	Number of objecting voting rights	Number of invalid voting rights	Number of abstaining/non-voting rights	Total	60,778,088	4,091	0	2,915,210	Among them, electronic voting	28,230,379	4,091	0	2,915,210		
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Meeting Items	Meeting date	Resolutions at Shareholders' Meetings	Status of implementation																																	
		5. The re-election of directors (including independent directors) of the Company	5. Election results are as follows: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">Innodisk Corporation The List of Directors (including independent directors) elected in the 2021 general shareholders' meeting</th> </tr> <tr> <th style="width: 15%;">Title</th> <th style="width: 60%;">Name</th> <th style="width: 25%;">Number of voting rights received to be elected</th> </tr> </thead> <tbody> <tr> <td>Director</td> <td>Chien, Chuan-Sheng</td> <td>75,151,593</td> </tr> <tr> <td>Director</td> <td>Lee, Chung-Liang</td> <td>64,946,385</td> </tr> <tr> <td>Director</td> <td>Hsu, Shan-Ke</td> <td>61,309,551</td> </tr> <tr> <td>Director</td> <td>Jhu, Cing-Jhong</td> <td>61,107,341</td> </tr> <tr> <td>Director</td> <td>Rui Ding Investment Co., Ltd. Representative: Wu, Hsi-Hsi</td> <td>61,000,479</td> </tr> <tr> <td>Independent Director</td> <td>Wang, Yin-Tien</td> <td>41,180,043</td> </tr> <tr> <td>Independent Director</td> <td>Lin, Wei-Li</td> <td>41,082,717</td> </tr> <tr> <td>Independent Director</td> <td>Young, Kai-Charn</td> <td>41,047,698</td> </tr> <tr> <td>Independent Director</td> <td>Lo, Su-Shun</td> <td>41,020,010</td> </tr> </tbody> </table>	Innodisk Corporation The List of Directors (including independent directors) elected in the 2021 general shareholders' meeting			Title	Name	Number of voting rights received to be elected	Director	Chien, Chuan-Sheng	75,151,593	Director	Lee, Chung-Liang	64,946,385	Director	Hsu, Shan-Ke	61,309,551	Director	Jhu, Cing-Jhong	61,107,341	Director	Rui Ding Investment Co., Ltd. Representative: Wu, Hsi-Hsi	61,000,479	Independent Director	Wang, Yin-Tien	41,180,043	Independent Director	Lin, Wei-Li	41,082,717	Independent Director	Young, Kai-Charn	41,047,698	Independent Director	Lo, Su-Shun	41,020,010
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Independent Director	Young, Kai-Charn	41,047,698																																		
Independent Director	Lo, Su-Shun	41,020,010																																		
		6. The release of restrictions on the non-compete clause of the Company's newly elected directors (including independent directors)	6. The voting results are as follows, and the motion was passed as proposed. Total number of rights represented by the attending shareholders: 63,697,389 voting rights, passed with 95.34% approving voting rights. <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Item</th> <th style="width: 15%;">Number of approving voting rights</th> <th style="width: 15%;">Number of objecting voting rights</th> <th style="width: 15%;">Number of invalid voting rights</th> <th style="width: 15%;">Number of abstaining/non-voting rights</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>60,730,371</td> <td>12,854</td> <td>0</td> <td>2,954,164</td> </tr> <tr> <td>Among them, electronic voting</td> <td>28,182,662</td> <td>12,854</td> <td>0</td> <td>2,954,164</td> </tr> </tbody> </table>	Item	Number of approving voting rights	Number of objecting voting rights	Number of invalid voting rights	Number of abstaining/non-voting rights	Total	60,730,371	12,854	0	2,954,164	Among them, electronic voting	28,182,662	12,854	0	2,954,164																		
Item	Number of approving voting rights	Number of objecting voting rights	Number of invalid voting rights	Number of abstaining/non-voting rights																																
Total	60,730,371	12,854	0	2,954,164																																
Among them, electronic voting	28,182,662	12,854	0	2,954,164																																

2. Major Resolutions at Board Meetings as follows:

Term - Meeting Date (MM/DD/YY)	Important resolutions	Matters listed in Paragraph 14-3 of the Securities and Exchange Act	Independent Directors' Opinion and The Company's Handling of the Opinion	Resolutions of the Board of Directors
6th term - 15th meeting 02/05/2021	1. The Company's 2021 business plan		No	Passed by the directors present unanimously.
	2. Evaluation of the independence and competency of the CPAs	✓	No	Passed by the directors present unanimously.
	3. Proposal to pass the 2020 year-end bonus for the managerial officers of the Company.	✓	No	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.
	4. The Company's donation to the Innodisk Foundation.		No	Passed by the directors present unanimously.
	5. Application for renewal of the Company's current banking facilities.		No	Passed by the directors present unanimously.
6th term - 16th meeting 02/25/2021	1. Issuance of the Company's "Statement of Internal Control System" for 2020.		No	Passed by the directors present unanimously.
	2. Discussion of distribution of 2020 employees' and directors' remuneration		No	Passed by the directors present unanimously.
	3. The Company' 2020 financial statements		No	Passed by the directors present unanimously.
	4. The Company's 2020 business report.		No	Passed by the directors present unanimously.
	5. The Company's 2020 earnings distribution proposal.		No	Passed by the directors present unanimously.
	6. Amendment to the "Rules of Procedure for Shareholders' Meetings"		No	Passed by the directors present unanimously.
	7 Proposal to amend the Company's "Procedure for Election of Directors"		No	Passed by the directors present unanimously.
	8. Amendment to the "Rules of Procedure for Board of Directors Meetings."		No	Passed by the directors present unanimously.
	9. Amendments to the Company's "Rules Governing the Scope of Powers of Independent Directors."		No	Passed by the directors present unanimously.
	10. Amendments to the Company's "Audit Committee Charter."		No	Passed by the directors present unanimously.
	11. Amendments to the Company's "Remuneration Committee Charter."		No	Passed by the directors present unanimously.
	12. Proposal to formulate the Company's "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises."		No	Passed by the directors present unanimously.

Term - Meeting Date (MM/DD/YY)	Important resolutions	Matters listed in Paragraph 14-3 of the Securities and Exchange Act	Independent Directors' Opinion and The Company's Handling of the Opinion	Resolutions of the Board of Directors
	13 Proposal to amend the Company's "Board of Directors' Performance Evaluation Measures."		No	Passed by the directors present unanimously.
	14 Proposal to formulate the Company's "Corporate Governance Best Practice Principles."		No	Passed by the directors present unanimously.
	15. The full re-election of directors (including independent directors) of the Company.		No	Passed by the directors present unanimously.
	16. Nomination of candidates for election as directors (including independent directors) at the 2021 regular shareholder meeting of the Company and reviewing the independence of independent directors.		No	Passed by the directors present unanimously.
	17 The proposal of releasing the newly elected directors (including independent directors) and their representatives from the non-compete clause.		No	Passed by the directors present unanimously.
	18. Matters related to the convening of the 2021 regular shareholder meeting.		No	Passed by the directors present unanimously.
	19. Application for renewal of the Company's current banking facilities.		No	Passed by the directors present unanimously.
	20. The release of restrictions on the non-compete clause of the Company's managerial officers.		No	Passed by the directors present unanimously.
6 th term – 17 th meeting 05/07/2021	1. The amendments to the Company's 2021 business operation plan are hereby presented for discussion.		No	Passed by the directors present unanimously.
	2. The scheduled base date for the Company's issuing new shares in a capital increase from the employee's exercising their stock warrants in the 1st quarter of 2021 is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	3. The amendments to the Company's "Internal Control System" are hereby presented for discussion.		No	Passed by the directors present unanimously.
	4. The proposal of investing in Antzer Tech Co., Ltd. is hereby presented for discussion.		No	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.
	5. The remuneration proposal for the newly appointed managerial officer of the Company is hereby presented for discussion.		No	This proposal is passed by the directors present unanimously.
	6. The proposal for the appointment of the Company's corporate governance officer is hereby presented for discussion.		No	Passed by the directors present unanimously.
	7. The proposal for the purchase of manufacturing equipment is hereby presented for discussion.		No	Passed by the directors present unanimously.
6 th term – 18 th meeting 06/10/2021	1. The proposal for delaying the convention of the Company's 2021 regular shareholders' meeting due to the prevalence of COVID-19 pandemic is hereby presented for discussion.		No	Passed by the directors present unanimously.
6 th term – 19 th meeting 07/08/2021	1. The proposal of inviting the directors of the 7th term to elect the Chairman and Vice Chairman is hereby presented. Please vote.		No	Mr. Chien, Chuan-Sheng was elected to be the Chairman by all the directors present unanimously; also, they agreed unanimously not to elect the Vice Chairman temporarily.
7 th term – 1 st meeting 07/21/2021	1. The proposal for the amendments to the Company's "Remuneration Committee Charter" is hereby presented for discussion.		No	Passed by the directors present unanimously.
	2. The proposal for the appointment of the 5th Remuneration Committee members is hereby presented for discussion.		No	Passed by the directors present unanimously.
7 th term – 2 nd meeting 08/05/2021	1. The scheduled base date for the Company's issuing new shares in a capital increase from the employee's exercising their stock warrants in the 2nd quarter of 2021 is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	2. The proposal for the Company's construction of a factory in Yilan Science Park is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	3. The proposal for Aetina Corporation's, the subsidiary, purchasing real estates is hereby presented for discussion.		No	Passed by the directors present unanimously.
	4. The proposal for the Company's 2020 remuneration to directors is hereby presented for discussion.		No	Passed by the directors present unanimously.
	5. The proposal for the Company's 2020 distribution of remuneration to the managerial officers is hereby presented for discussion.		No	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.
	6. The proposal for the adjustment of remuneration to the managerial officers of the Company is hereby presented for discussion.		No	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.
	7. The application for renewal of the Company's current banking facilities is hereby presented for discussion.		No	Passed by the directors present unanimously.
	8. The proposal for the Company's application to Chinatrust Commercial Bank for financial derivatives transactions is hereby presented for discussion.		No	Passed by the directors present unanimously.

Term - Meeting Date (MM/DD/YY)	Important resolutions	Matters listed in Paragraph 14-3 of the Securities and Exchange Act	Independent Directors' Opinion and The Company's Handling of the Opinion	Resolutions of the Board of Directors
	9. The proposal for the Company's application to Chinatrust Commercial Bank for Company card limit is hereby presented for ratification.		No	Passed by the directors present unanimously.
7 th term – 3 rd meeting 11/05/2021	1. The scheduled base date for the Company's issuing new shares in a capital increase from the employee's exercising their stock warrants in the 3rd quarter of 2021 is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	2. The proposal for the Company's acquisition of real estate is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	3. The proposal for the amendments to the Company's "Measures for the Distribution of Directors' Remuneration," is hereby presented for discussion.		No	Passed by the directors present unanimously.
	4. The proposal for the Company's passing reassigning managerial officers is hereby presented for discussion.		No	Passed by the directors present unanimously.
	5. The proposal for the Company's enacting the 2022 auditing plan is hereby presented for discussion.		No	Passed by the directors present unanimously.
	6. The application for renewal of the Company's current banking facilities is hereby presented for discussion.		No	Passed by the directors present unanimously.
7 th term – 4 th meeting 01/24/2022	1. The scheduled base date for the Company's issuing new shares in a capital increase from the employee's exercising their stock warrants in the 4th quarter of 2021 is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	2. The proposal for the Company's construction of a factory in Yilan Science Park is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	3. The Company's 2022 business plan is hereby presented for discussion.		No	Passed by the directors present unanimously.
	4. The evaluation of the independence and competency of the CPAs is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	5. The remuneration proposal for the newly appointed managerial officer of the Company is hereby presented for discussion.		No	Passed by the directors present unanimously.
	6. The proposal for passing the year-end bonus to the managerial officers of the Company for 2021 is hereby presented for discussion.		No	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.
	7. The proposal for making donation to Innodisk Foundation by the Company is hereby presented for discussion.		No	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.
	8. The Company's application for bank loans to purchase real estate is hereby presented for ratification.		No	Passed by the directors present unanimously.
	9. The proposal for designating the custodian for the corporate seal and responsible person's stamp as requested by the Ministry of Economic Affairs is hereby presented for discussion.		No	Passed by the directors present unanimously.
7 th term – 5 th meeting 02/23/2022	1. The proposal for the Company's issuing the 2021 "Statement of Internal Control System" is hereby presented for discussion.		No	Passed by the directors present unanimously.
	2. The proposal for the Company's issuing the 2021 distribution of remuneration to the employees and directors is hereby presented for discussion.		No	Passed by the directors present unanimously.
	3. The proposal for the Company's 2021 financial statements is hereby presented for discussion.		No	Passed by the directors present unanimously.
	4. The proposal for the Company's 2021 business report is hereby presented for discussion.		No	Passed by the directors present unanimously.
	5. The proposal for the Company's 2021 earnings distribution is hereby presented for discussion.		No	Passed by the directors present unanimously.
	6. The Company's 2021 capital increase from earnings with news shares issued is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	7. The proposal for the amendments to the Company's "Procedures for the Acquisition or Disposal of Assets" is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	8. The proposal for the Company's convening the 2022 regular shareholders' meeting is hereby presented for discussion.		No	Passed by the directors present unanimously.
	9. The proposal for the Company's investment in Supreme Electronics Co., Ltd. is hereby presented for discussion.		No	Passed by the directors present unanimously.
	10. The application for renewal of the Company's current banking facilities is hereby presented for discussion.		No	Passed by the directors present unanimously.

(xiii). During the most recent year or the current year up to the date of publication of the annual report, if board directors or supervisors had different opinions on important resolutions approved by the Board of Directors with records or written statements, the main content of the opinions: None.

(xiv). For the most recent year or the current year up to the date of publication of the annual report, a summary of the resignation and dismissal of the Company's chairman, general manager, head of accounting, finance officer, internal audit officer, corporate governance officer, and R&D officer: None.

V. Information on the CPA's audit fees:

Amount unit: NT\$ Thousand

CPA firm	CPA name	CPA audit period	Audit fee	Non-audit fee	Total	Remarks
PricewaterhouseCoopers, Taiwan	Yeh, Tsui-Miao	01/01/2021 ~ 12/31/2021	3,277	1,823	5,100	
	Huang, Shih-Chun	01/01/2021 ~ 12/31/2021				

Please specify the non-audit service fees in details:

1. Non-audit service fees are paid for the services of industrial and commercial registration, tax consultation, issuance of transfer pricing reports, etc.

(i) If the accounting firm for audit service is changed and the audit fee paid in the year of change is lower than the audit fee of the year before the change, please disclose the audit fee paid before and after the change and the reasons: None.

(ii) If the audit service fee is reduced by more than 10% from the year before, please disclose the amount, proportion, and reason for the reduction of the audit service: None.

VI. Information on the replacement of CPAs: None.

VII. Any of The Company's Chairman, President, or managers involved in financial or accounting affairs being employed by the auditor's firm or any of its affiliated company within the recent year; disclose their names, job titles, and the periods during which they were employed by the auditor's firm or any of its affiliated company: None.

VIII. Equity transfer and changes in equity pledge of directors, supervisors, managers, and shareholders who have more than 10% shareholdings:

(i) Changes in the transfer of shares by directors, supervisors, managerial officers and shareholders with more than 10% shareholding:

Unit: shares

Title	Name	2021		As of April 20, 2022	
		Number of Shares Held Increase/decrease in the number of shares	Increase/decrease in the number of shares pledged	Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged
Chairman/General Manager	Chien, Chuan-Sheng	65,000	0	65,000	0
Director	Lee, Chung-Liang	0	0	0	0
Director	Jhu, Cing-Jhong	0	0	0	0
Corporate director Representative of Corporate Director/Vice President	Rui Ding Invest Co., Ltd. Wu, Hsi-Hsi	305,000 37,500	0 0	66,000 0	0 0
Director	Hsu, Shan-Ke	0	0	0	0
Independent Director	Wang, Yin-Tien (Note 1)	0	0	0	0
Independent Director	Lin, Wei-Li (Note 1)	0	0	0	0
Independent Director	Young, Kai-Charn (Note 1)	0	0	0	0
Independent Director	Lo, Su-Shun (Note 1)	0	0	0	0
Chief Operating Officer	Wang, Chia-Ying	(43,500)	0	37,500	0
Vice President	Liao, Te-Chang	35,000	0	0	0
Vice President	Zhang, Wei-Min	30,000	0	25,000	0
Vice President	Ke, Yu-Jun	(5,000)	0	30,000	0
Vice President	Tsai, Han-Tsang	25,000	0	25,000	0
Vice President	Wei, Ting-Huang (Note 2)	0	0	0	0
Vice President	Fu, Hao (Note 3)	NA	NA	0	0
Vice President	Wang, Li-Cheng	35,000	0	20,000	0

Title	Name	2021		As of April 20, 2022	
		Number of Shares Held Increase/decrease in the number of shares	Increase/decrease in the number of shares pledged	Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged
Senior Assistant Vice Manager	Guo, Jin-Zhong	30,000	0	0	0
Assistant Vice Manager	Yu, Li-Yin	30,000	0	30,000	0
Accounting Senior Manager	Liao, Shu-Nu	17,500	0	0	0

Note 1: Elected in the full re-election on July 8, 2021.

Note 2: Elected in the election on May 10, 2021.

Note 3: Elected in the election on January 1, 2022.

(ii) The counterparty to whom the shares are transferred is a related party: No such situation

(iii) The counterparty to whom the shares are pledged is a related party: No such situation

IX. Information on the top ten shareholders who are related to each other or as spouses or relatives within the second degree of kinship

April 2, 2022 Unit: Shares

Name	Shareholdings of the Principal		Shareholding of spouse and minor children now		Shares held in the name of others		The title or names and relationships of the top-ten shareholders who are related parties, spouse, and relatives within the second degree of kinship as defined in the R.O.C. Financial Accounting Standards No. 6 should be disclosed		Remarks
	Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership	Title (or name)	Relationship with the endorser/guarantor	
Rui Ding Invest Co., Ltd. Representative: Lee, Chung-Liang	6,318,037	7.55%	-	-	-	-	Lee, Chung-Liang	Director	
Kabouter International Opportunities Fund II, LLC	6,159,861	7.36%	-	-	-	-			
Swedbank Robur Technology	3,600,000	4.30%	-	-	-	-			
PineBridge Global Funds - PineBridge Asia Ex Japan Small Cap Equity Fund	2,373,660	2.84%	-	-	-	-			
RBC Emerging Markets Dividend Fund	2,188,826	2.61%							
Picchu Investment Co., Ltd. Representative: Huang, Pi-Hua	2,036,977	2.43%	-	-	-	-	Jhu, Cing-Jhong	Spouse of representative	
Lee, Chung-Liang	1,887,701	2.25%	686,024	0.82%	-	-	Rui Ding Invest Co., Ltd.	Representative	
RBC Emerging Markets Small-Cap Equity Fund	1,870,323	2.23%	-	-	-	-	-	-	
Jhu, Cing-Jhong	1,609,827	1.92%	13,365	0.02%	-	-	Representative of Picchu Investment Co., Ltd.: Huang, Pi-Hua	Spouse	
NT Asian Discovery Master Fund	1,531,000	1.83%	-	-	-	-	-	-	

X. The total number of shares and the consolidated equity stake percentage held in any single reinvested enterprise by the Company, its directors, supervisors, managerial officers, or any companies controlled either directly or indirectly by the Company

Unit: shares; %

Invested company (Note)	The Company's investment		Investment of the directors, supervisors, managers and business under direct or indirect control		Total investments	
	Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership
Innodisk Global-M Corporation	665,000	100%	-	-	665,000	100%
Innodisk USA Corporation	2,046,511	100%	-	-	2,046,511	100%
Innodisk Japan Corporation	196	100%	-	-	196	100%
Aetina Corporation	13,361,737	74.78%	985,437	5.51%	14,347,174	81.29%
Innodisk Shenzhen Corporation	- (Note 1)	100%	-	-	- (Note 1)	100%
Innodisk Europe B.V.	50,000,100	100%	-	-	50,000,100	100%
Innodisk France SAS	- (Note 1)	100%	-	-	- (Note 1)	100%
Millitronic Co., Ltd.	5,415,720	33.55%	936,360	5.81%	6,352,080	39.36%
AccelStor Inc.	16,652,700	40.37%	3,360,900	8.15%	20,013,600	48.52%
Antzer Tech Co., Ltd.	58,400,000	100%	-	-	58,400,000	100%
Systemo Technology Inc.	645,000	43%	-	-	645,000	43%
AETINA USA CORPORATION	- (Note 1)	100%	-	-	- (Note 1)	100%
Aetina Europe B.V.	- (Note 1)	100%	-	-	- (Note 1)	100%

Note 1: No shares issued

Four. Capital raising

I. Source of capital

(i) Type of share

April 2, 2022 Unit: Shares

Type of share	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock	83,722,540	16,277,460	100,000,000	Over the Counter

(ii) Capital formation

April 02, 2021 Unit: Shares

Year/Month	Issue price	Authorized capital		Paid-in capital		Source of capital	Remarks	Using property other than cash as payment of shares	Others
		Number of Shares	Amount	Number of Shares	Amount				
2005.03	@10	8,000,000	80,000,000	5,300,000	53,000,000	Established			
2005.05	@10	8,000,000	80,000,000	8,000,000	80,000,000	Capital increase of \$27,000,000 by cash			
2006.04	@10	20,000,000	200,000,000	11,000,000	110,000,000	Capital increase of \$30,000,000 by cash			
2007.07		20,000,000	200,000,000	11,400,000	114,000,000	Capital increase of \$4,000,000 for merger			Note 1
2007.08	@12	20,000,000	200,000,000	13,400,000	134,000,000	Capital increase of \$20,000,000 by cash			Note 2
2008.08	@25	20,000,000	200,000,000	16,000,000	160,000,000	Capital increase of \$26,000,000 by cash			Note 3
2010.01	@12	20,000,000	200,000,000	17,000,000	170,000,000	Capital increase of \$10,000,000 for employee subscription			Note 4
2010.08		30,000,000	300,000,000	21,586,000	215,860,000	Capital increase of \$45,860,000 from earnings			Note 5
2010.11	@12	30,000,000	300,000,000	22,586,000	225,860,000	Capital increase of \$10,000,000 for employee subscription			Note 6
2010.11	@25	30,000,000	300,000,000	25,586,000	255,860,000	Capital increase of \$30,000,000 by cash			Note 7
2011.05	@50	60,000,000	600,000,000	29,186,000	291,860,000	Capital increase of \$36,000,000 by cash			Note 8
2011.09		60,000,000	600,000,000	37,858,080	378,580,800	Capital increase of \$86,720,800 from earnings			Note 9
2012.01	@17	60,000,000	600,000,000	39,358,080	393,580,800	Capital increase of \$15,000,000 for employee subscription			Note 10
2012.07		60,000,000	600,000,000	45,961,792	459,617,920	Capital increase of \$66,037,120 from earnings			Note 11
2012.07	@17	60,000,000	600,000,000	47,461,792	474,617,920	Capital increase of \$15,000,000 for employee subscription			Note 12
2013.08		60,000,000	600,000,000	49,834,881	498,348,810	Capital increase of \$23,730,890 from earnings			Note 13
2013.12	@62	60,000,000	600,000,000	54,803,881	548,038,810	Capital increase of \$49,690,000 by cash		No	Note 14
2014.09		80,000,000	800,000,000	59,188,191	591,881,910	Capital increase of \$43,843,100 from earnings			Note 15
2015.08		80,000,000	800,000,000	62,147,600	621,476,000	Capital increase of \$29,594,090 from earnings			Note 16
2016.05	@55.98	80,000,000	800,000,000	62,544,600	625,446,000	Capital increase of \$3,970,000 for employee stock option conversion			Note 17
2016.08	@55.98	80,000,000	800,000,000	62,596,600	625,966,000	Capital increase of \$520,000 for employee stock option conversion			Note 18
2016.09		80,000,000	800,000,000	65,703,980	657,039,800	Capital increase of \$31,073,800 from earnings			Note 19
2016.11	@51	80,000,000	800,000,000	65,830,480	658,304,800	Capital increase of \$1,265,000 for employee stock option conversion			Note 20
2017.02	@51	80,000,000	800,000,000	65,940,980	659,409,800	Capital increase of \$1,105,000 for employee stock option conversion			Note 21
2017.05	@51	80,000,000	800,000,000	66,394,480	663,944,800	Capital increase of \$4,535,000 for employee stock option conversion			Note 22
2017.08	@51	80,000,000	800,000,000	66,520,480	665,204,800	Capital increase of \$1,260,000 for employee stock option conversion			Note 23
2017.09		80,000,000	800,000,000	69,817,529	698,175,290	Capital increase of \$32,970,490 from earnings			Note 24
2017.11	@47	80,000,000	800,000,000	72,007,327	720,073,270	Capital increase of \$1,155,000 for employee stock option conversion			Note 25

Year/Month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of capital	Using property other than cash as payment of shares	Others
2018.02	@84.7					Capital increase of \$20,742,980 for 1st unsecured corporate bonds conversion		
	@47	80,000,000	800,000,000	73,879,097	738,790,970	Capital increase of \$265,000 for employee stock option conversion		Note 26
	@84.7					Capital increase of \$18,452,700 for 1st unsecured corporate bonds conversion		
2018.05	@47	80,000,000	800,000,000	74,981,142	749,811,420	Capital increase of \$1,670,000 for employee stock option conversion		Note 27
	@84.7					Capital increase of \$9,350,450 for 1st unsecured corporate bonds conversion		
2018.08	@84.7	80,000,000	800,000,000	75,540,752	755,407,520	Capital increase of \$5,596,100 for 1st unsecured corporate bonds conversion		Note 28
2018.09		80,000,000	800,000,000	77,775,452	777,754,520	Capital increase of \$22,347,000 from earnings		Note 29
2018.11	@84.7	80,000,000	800,000,000	78,086,586	780,865,860	Capital increase of \$1,558,340 for 1st unsecured corporate bonds conversion		Note 30
	@79.2					Capital increase of \$1,553,000 for 1st unsecured corporate bonds conversion		
2019.02	@79.2	80,000,000	800,000,000	78,166,129	781,661,290	Capital increase of \$795,430 for 1st unsecured corporate bonds conversion		Note 31
2019.09		100,000,000	1,000,000,000	79,729,451	797,294,510	Capital increase of \$15,633,220 from earnings		Note 32
2020.09		100,000,000	1,000,000,000	81,324,040	813,240,400	Capital increase of \$15,945,890 from earnings		Note 33
2021.05	@92.8	100,000,000	1,000,000,000	82,459,040	824,590,400	Employee stock option conversion of \$11,350,000		Note 34
2021.08	@92.8	100,000,000	100,000,000	82,516,040	825,160,400	Employee stock option conversion of \$570,000		Note 35
2021.11	@89.8	100,000,000	100,000,000	82,628,040	826,280,400	Employee stock option conversion of \$1,120,000		Note 36
2022.02	@89.8	100,000,000	100,000,000	82,668,040	826,680,400	Employee stock option conversion of \$400,000		Note 37

Note 1 : 2007.07.20 Approval Document No. : Fu-Jian-Shang-Zi No. 09687115200
Note 2 : 2007.08.22 Approval Document No. : Fu-Jian-Shang-Zi No. 09688352700
Note 3 : 2008.08.18 Approval Document No. : Fu-Chan-Shang-Zi No. 09787722110
Note 4 : 2010.01.20 Approval Document No. : Fu-Chan-Ye-Shang-Zi No. 09980339710
Note 5 : 2010.08.31 Approval Document No. : Bei-Fu-Jing-Deng-Zi No. 0993151965
Note 6 : 2010.11.23 Approval Document No. : Bei-Fu-Jing-Deng-Zi No. 0993171053
Note 7 : 2010.11.23 Approval Document No. : Bei-Fu-Jing-Deng-Zi No. 0993171053
Note 8 : 2011.05.26 Approval Document No. : Bei-Fu-Jing-Deng-Zi No. 1005030508
Note 9 : 2011.09.15 Approval Document No. : Bei-Fu-Jing-Deng-Zi No. 1005057332
Note 10 : 2012.01.16 Approval Document No. : Bei-Fu-Jing-Deng-Zi No. 1015003145
Note 11 : 2012.07.18 Approval Document No. : Bei-Fu-Jing-Deng-Zi No. 1015041804
Note 12 : 2012.07.18 Approval Document No. : Bei-Fu-Jing-Deng-Zi No. 1015041804
Note 13 : 2013.08.26 Approval Document No. : Bei-Fu-Jing-Si-Zi No. 1025054039
Note 14 : 2013.12.17 Approval documents: Jing-Shou-Shang-Zi No. 10201252970
Note 15 : 2014.09.25 Approval documents: Jing-Shou-Shang-Zi No. 10301193020
Note 16 : 2015.08.27 Approval documents: Jing-Shou-Shang-Zi No. 10401184420
Note 17 : 05.17.2016 Approval number: Jing-Shou-Shang-Zi No. 10501100030
Note 18 : 08.10.2016 Approval number: Jing-Shou-Shang-Zi No. 10501199180
Note 19 : 09.10.2016 Approval number: Jing-Shou-Shang-Zi No. 10501222990

Note 20: 11.29.2016 Approval number: Jing-Shou-Shang-Zi No. 10501273320
Note 21: 02.06.2017 Approval number: Jing-Shou-Shang-Zi No. 10601014250
Note 22: 05.18.2017 Approval number: Jing-Shou-Shang-Zi No. 10601063850
Note 23: 08.18.2017 Approval number: Jing-Shou-Shang-Zi No. 10601116930
Note 24: 09.14.2017 Approval number: Jing-Shou-Shang-Zi No. 10601131520
Note 25: 11.23.2017 Approval number: Jing-Shou-Shang-Zi No. 10601159130
Note 26: 02.12.2018 Approval number: Jing-Shou-Shang-Zi No. 10701017920
Note 27: 05.15.2018 Approval number: Jing-Shou-Shang-Zi No. 10701051270
Note 28: 08.20.2018 Approval number: Jing-Shou-Shang-Zi No. 10701102920
Note 29: 09.21.2018 Approval number: Jing-Shou-Shang-Zi No. 10701118470
Note 30: 11.27.2018 Approval number: Jing-Shou-Shang-Zi No. 10701147520
Note 31: 02.20.2019 Approval number: Jing-Shou-Shang-Zi No. 10801014930
Note 32: 09.17.2019 Approval number: Jing-Shou-Shang-Zi No. 10801125890
Note 33: 09.14.2020 Approval number: Jing-Shou-Shang-Zi No. 10901171470
Note 34: 05.21.2021 Approval number: Jing-Shou-Shang-Zi No. 11001086400
Note 35: 08.18.2021 Approval number: Jing-Shou-Shang-Zi No. 11001149360
Note 36: 11.24.2021 Approval number: Jing-Shou-Shang-Zi No. 11001215080
Note 37: 02.15.2022 Approval number: Jing-Shou-Shang-Zi No. 11101017690

II. Shareholder structure

April 2, 2022 Unit: Person; Shares

Shareholder structure Quantity	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Total
Number of people	0	24	204	15,915	147	16,290
Number of Shares Held	0	4,900,307	11,202,891	35,463,843	32,155,499	83,722,540
Ownership	0.00%	5.86%	13.38%	42.36%	38.40%	100%

III. Equity dispersion profile

April 2, 2022 Unit: Shares

Classification of shareholdings	Number of shareholders	Shareholdings	Shareholding ratio
1 ~ 9 9 9	12,341	515,763	0.62%
1 , 0 0 0 ~ 5 , 0 0 0	2,865	5,425,567	6.48%
5 , 0 0 1 ~ 1 0 , 0 0 0	454	3,266,938	3.90%
1 0 , 0 0 1 ~ 1 5 , 0 0 0	177	2,182,160	2.61%
1 5 , 0 0 1 ~ 2 0 , 0 0 0	89	1,584,204	1.89%
2 0 , 0 0 1 ~ 3 0 , 0 0 0	95	2,350,127	2.81%
3 0 , 0 0 1 ~ 4 0 , 0 0 0	55	1,900,628	2.27%
4 0 , 0 0 1 ~ 5 0 , 0 0 0	42	1,917,008	2.29%
5 0 , 0 0 1 ~ 1 0 0 , 0 0 0	68	4,983,496	5.95%
1 0 0 , 0 0 1 ~ 2 0 0 , 0 0 0	41	6,021,103	7.19%
2 0 0 , 0 0 1 ~ 4 0 0 , 0 0 0	33	9,069,580	10.83%
4 0 0 , 0 0 1 ~ 6 0 0 , 0 0 0	7	3,229,284	3.86%
6 0 0 , 0 0 1 ~ 8 0 0 , 0 0 0	6	4,219,490	5.04%
8 0 0 , 0 0 1 ~ 1 , 0 0 0 , 0 0 0	3	2,647,234	3.16%
More than 1,000,001	14	34,409,958	41.10%
Total	16,290	83,722,540	100%

IV. Name of major shareholders

Name, amount, and percentage of shareholding of the top ten shareholders or shareholders holding 5% or more shares.

April 2, 2022 Unit: Shares

Names of major shareholders	Shares Number of Shares Held	Ownership
Rui Ding Investment Co., Ltd.	6,318,037	7.55%
Kabouter International Opportunities Fund II, LLC	6,159,861	7.36%
Swedbank Robur Technology	3,600,000	4.3 %
PineBridge Global Funds - PineBridge Asia Ex Japan Small Cap Equity Fund	2,373,660	2.84%
RBC Emerging Markets Dividend Fund	2,188,826	2.61%
Picchu Investment Co., Ltd.	2,036,977	2.43%
Lee, Chung-Liang	1,887,701	2.25%
RBC Emerging Markets Small-Cap Equity Fund	1,870,323	2.23%
Jhu, Cing-Jhong	1,609,827	1.92%
NT Asian Discovery Master Fund	1,531,000	1.83%

V. Information on market price, net worth, earnings, dividend per share for the most recent two years

Unit: Thousand NTD/Thousand shares

Item		Year	2020	2021	Current year up to April 20, 2022
		Market Price Per Share	Highest		203.5
Lowest			128.0	151.0	187.5
Average			170.94	189.77	204.29
Net worth per share	Before distribution		59.22	72.11	77.14
	After distribution (Note 1)		52.42	Undecided	Undecided
Earnings per share	Weighted average shares (Unit: Thousand shares)		81,324	82,426	82,545
	Earnings per share (Note 2)	Before retrospective adjustment	11.46	18.94	4.64
		After retrospective adjustment	11.46	Undecided	Undecided
Dividends Per Share	cash dividends		6.8	11.7	-
	Stock dividends	Stock dividends from earnings	-	0.3	-
		Stock dividends from capital surplus	-	-	Undecided
	Cumulative undistributed dividends (Note 3)		-	-	-
Analysis of return on investment	Price to earnings ratio		14.92	10.02	11.04
	Price to dividends ratio		25.14	(Note 4):	(Note 4):
	Cash dividends yield		3.98	(Note 4):	(Note 4):

Note 1: To be distributed upon the resolution of the next year's shareholders' meeting.

Note 2: If there is a retroactive adjustment due to circumstances such as stock dividend, etc., earnings per share before and after the adjustment should be shown.

Note 3: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the Company makes a profit, the amount of cumulative undistributed dividends up till the current year is disclosed separately.

Note 4: The distribution has not been resolved by the shareholders' meeting.

VI. Company dividend policy and implementation

(i) Dividend policy: In accordance with Article 19-1 of the Company's Articles of Incorporation, as follows
1: The earnings according to the Company's annual final accounts shall be distributed in the following order:

- (1) Withholding taxes.
- (2) Make up for past losses.
- (3) The profits from annual final accounts shall have 10% allocated for legal reserve, but if the legal reserve has reached the total share capital, no further allocations will be conducted. Special reserve is then allocated or reversed in accordance with the law or regulations of the authority.
- (4) With respect to the balance and the accumulated undistributed surplus of the previous year, the board proposes a surplus distribution to the shareholders meeting for resolution.

The Company considers future needs for business operation, long-term financial planning and shareholders' interest in the dividend policy. As the Company is currently in the growing stage, considering the future capital expenditure budget and the need for cash, the annual cash dividends will not be less than 10% of the total of cash and stock dividends. The Company's surplus distribution and shareholders' equity shall not be less than 30% of the current year's surplus.

(ii) Dividend distribution resolved for the current year

The Company's 2021 dividend distribution was based on the earnings distribution proposed by the Board of Directors on February 23, 2022. The Company distributed cash dividends for NT\$11.7 per share and stock dividends for NT\$0.03 per share for a total of NT\$992,016,478.

(iii) Expected significant changes in dividend policy: None.

VII. The effect of the proposed stock dividends of shares at the shareholders' meeting on the Company's operating results and earnings per share

Item		Year	2021 (estimated)
Opening Paid-In Capital			826,280,400
Stock and Cash Dividends for the Year	Cash dividend per share		11.7 (note 1)
	Stock dividends to issue new stock (Share)		0.03 (note 1)
	Number of shares issued due to capitalization of capital surplus (shares)		—
Changes in business performance	Operating profit		Not applicable (note 2)
	Year-on-year % increase (decrease) in operation profits		
	Net income after taxes		
	Year-on-year % increase (decrease) in net income after taxes		
	Earnings per share		
	Year-on-year % increase (decrease) in earnings per share		
Pro forma earnings per share and a price-to-earnings ratio	If all of the capital increase from earnings is changed to cash dividends	Pro forma earnings per share	Not applicable (note 2)
		Pro forma annual average return on investment (%)	
	Without capitalization of capital surplus	Pro forma earnings per share	
		Pro forma annual average return on investment (%)	
	Without capitalization of capital surplus and the Stock dividends is distributed in cash dividends	Pro forma earnings per share	
		Pro forma annual average return on investment (%)	

Note 1: Pending the approval of the 2022 general shareholders' meeting.

Note 2: Not applicable, because the Company did not announce the financial forecast information for 2022.

VIII. Remuneration for employees, directors and supervisors

- (i) The percentage or range of remuneration for employees, directors and supervisors as set forth in the Articles of Incorporation.

Pursuant to Article 19 of the Company's Articles of Incorporation, the Company shall allocate the following amounts as employee bonuses and director remunerations if the income before taxes after the deduction to make up for losses still has a balance:

- (1) More than 3% as employee bonuses.
- (2) Less than 2% as remunerations for directors.

Employee compensation mentioned in the preceding paragraph shall be in the form of stocks or cash and shall be determined by the board resolution and reported to the shareholders' meeting. The recipients include the employees of subsidiaries in which the Company holds more than half of the shares with voting power or the total capital of the subsidiaries. Article 19-1: The Company considers future needs for business operation, long-term financial planning and shareholders' interest in the dividend policy. As the Company is currently in the growing stage, considering the future capital expenditure budget and the need for cash, the annual cash dividends will not be less than 10% of the total cash and stock dividends. The Company's surplus distribution and shareholders' equity shall not be less than 30% of the current year's surplus.

- (ii) The basis for estimating the amount of remuneration to employees, directors and supervisors, the basis for calculating the number of shares for employee remuneration distributed in stock, and the accounting treatment if the actual amount distributed differs from the estimated amount.

The remuneration to employees and directors and supervisors is calculated in accordance with the Company's Articles of Incorporation. The basis for calculating the number of shares to be distributed as stock dividends is based on the fair value per share as estimated by professional valuation technique reports, with the effect of ex-rights taken into account. If the actual distribution amount subsequently resolved by the shareholders' meeting differs from the estimated amount, the difference is accounted for as a change in accounting estimate and recorded as profit or loss in the year of actual distribution.

- (iii) Distribution of remuneration as approved by the Board of Directors.

- (1) The amount of employees' remuneration and directors' and supervisors' remuneration distributed in cash or stock. If the amount differs from the amount estimated in the year in which the expense is recognized, the difference, the reasons for the difference, and the circumstances under which the difference was handled should be disclosed.

The Company's Board of Directors had resolved the distribution of employees' remuneration for an amount of NT\$105,000,000 in cash and the directors' remuneration for an amount of NT\$18,400,000 in cash on February 23, 2022. The aforementioned distribution amounts are consistent with the amounts recognized in the financial statements for the year ended on December 31, 2021, and there is no difference.

- (2) The percentage of the amount of employee remuneration distributed in stock to the total net profits after tax and total employee remuneration for the period: There was no employee stock bonus distribution for the period, so it is not applicable.

- (iv) The actual distribution of remuneration to employees, directors and supervisors in the previous year (including the number of shares distributed, the amount and the price of the shares), the difference between the distribution and the recognition of remuneration to employees, directors and supervisors, and the amount of the difference, the reasons for the difference and the circumstances under which the difference was handled should be stated

- (1) The remuneration distributed to employees was NT\$66,270,000 in cash and the remuneration distributed to directors was NT\$12,000,000 in cash in 2020. The Company has an Audit Committee established; therefore, there was no remuneration for supervisors. The aforementioned distribution amounts are consistent with the amounts recognized in the financial statements for the year ended December 31, 2020, and there is no difference.

- (2) The actual distribution amount is the same as the originally proposed amount approved by the

Board of Directors.

IX. Repurchase of the Company's shares: None.

X. Disclosure of corporate bonds: None.

XI. Disclosure of preferred stocks: None.

XII. Disclosure of overseas depository receipts: None.

XIII. Disclosure of employee stock options

(i) The Company's employee stock options that have not yet expired.

April 20, 2022

Type of employee stock options	2018 1st employee stock options
Filing Effective Date	December 11, 2018
Issue date	January 29, 2019
Duration	4 years after issuance
Number of units issued	3,000,000 units
Number of subscribed shares as a percentage of the total number of shares issued Ratio to the total shares	3.7627%
Period of subscription	For option holders, from the date of expiration of two years from the date of issue to the expiration of four years from the date of issue
Contract Performance Method	Issuance of new shares
Restricted stock period and percentage (%)	The stock options exercisable by the stock option holders after two years from the date of grant of the employee stock options are 50% of the grant, and the stock options exercisable after three years are the full amount of the grant.
Number of shares exercised	2,398,500 shares
Amount of shares exercised	NT\$219,189,300
Number of unexercised stock options	601,500 units
Price per share for unexercised stock options	NT\$89.8
Number of the unexercised stock options as a percentage of the total number of shares issued (%)	0.7184%
Effect on shareholders' equity	After the expiration of two years from the issuance date, the stock options will be executed according to the above schedule and percentage. The dilution effect on the original shareholders' equity is limited year by year.

- (ii) The names of managerial officers and the top ten employees who acquired stock options as of the date of publication of the annual report and the acquisition and subscription status of the stock options.
April 20, 2022 Unit: Thousand NTD/Thousand shares

	Title	Name	Number of stock options acquired	Number of stock options acquired as a percentage of the total number of shares issued	Executed				Unexecuted			
					Number of stock options	Price of stock options	Amount of stock options	Number of stock options as a percentage of the total number of shares issued	Number of stock options	Price of stock options	Amount of stock options	Number of stock options as a percentage of the total number of shares issued
Managerial Officers:	General Manager	Chien, Chuan-Sheng	860	1.03%	370	92.8	56,786	0.74%	240	89.8	21,552	0.29%
	Chief Operating Officer	Wang, Chia-Ying										
	Vice President	Wu, Hsi-Hsi										
	Vice President	Liao, Te-Chang										
	Vice President	Zhang, Wei-Min										
	Vice President	Tsai, Han-Tsang			250	89.8						
	Vice President	Wang, Li-Cheng										
	Vice President	Ke, Yu-Jun										
	Vice President	Fu, Hao										
	Senior Assistant Vice Manager	Guo, Jin-Zhong										
	Assistant Vice Manager	Yu, Li-Yin			365	0.44%						
Senior Manager	Liao, Shu-Nu											
Senior Manager	Li, Zong-Jie											
Senior Manager	Luo, Mei-Juan											
Senior Manager	Dai, Dong-Qian											
Manager	Weng, Shi-Jie	160	89.8									
Manager	Chen, Ming-Sheng											
Manager	Bo, Lu-Hua											
Manager	Wu, Zhi-Qing											
Manager	Gao, Zhi-Jie											
Manager	Su, Chun-Hua	Special assistant	Chen, Qiu-Xiong									

XIV. Disclosure of employee restricted stock: None.

XV. Issuance of new shares in connection with merger and acquisition of shares of other companies: None.

XVI. Disclosure on use of funds:

As of the quarter up to the publication date of the annual report, previous issues or private placements of marketable securities that have not yet been completed or have been completed within the last three years and the benefits of the plans have not yet been realized: Not applicable.

Five. Operation Overview

Operation of the Company

Innodisk is a global leading brand for industrial storage devices with a service-oriented operation implemented to provide customers worldwide with industrial embedded storage devices, dynamic random-access memory modules, embedded peripheral modules, and related technical services. Innodisk focuses on enterprise-level, Industrial, aerospace, AIoT, and other application markets.

I. Business activities

1. Business scope

(1) The main contents of the business products

- A. Industrial embedded storage devices
- B. Industrial dynamic random-access memory module
- C. Industrial control embedded I/O peripheral expansion module

(2) Sales percentage of major products

Unit: Thousand NTD

Item	2021	
	Sales	%
Industrial embedded storage devices	4,972,304	48.77
Industrial dynamic random-access memory module	4,574,580	44.87
Others	648,774	6.36
Total	101,195,658	100.00

(3) Current products of the Company

A. Industrial embedded storage devices

- ◆ 1.8" and 2.5" SSD
- ◆ SATADOM
- ◆ OCuLinkDOM
- ◆ SATA Slim
- ◆ CFast
- ◆ CFexpress
- ◆ mSATA/mSATA mini
- ◆ M.2 SATA
- ◆ M.2 NVMe : 2242 、 2280
- ◆ U.2 SSD PCIe Gen
- ◆ BGA NVMe SSD
- ◆ CompactFlash (CF) card
- ◆ Embedded Disk Card (EDC)
- ◆ SD & MicroSD Card
- ◆ USB Drive / USB EDC
- ◆ nanoSSD (MicroSSD)

B. Industrial dynamic random-access memory module

- ◆ Embedded Memory Series
- ◆ Server Memory Series
- ◆ Wide temperature and ultra-temperature memory series
- ◆ Robust and highly customizable memory series

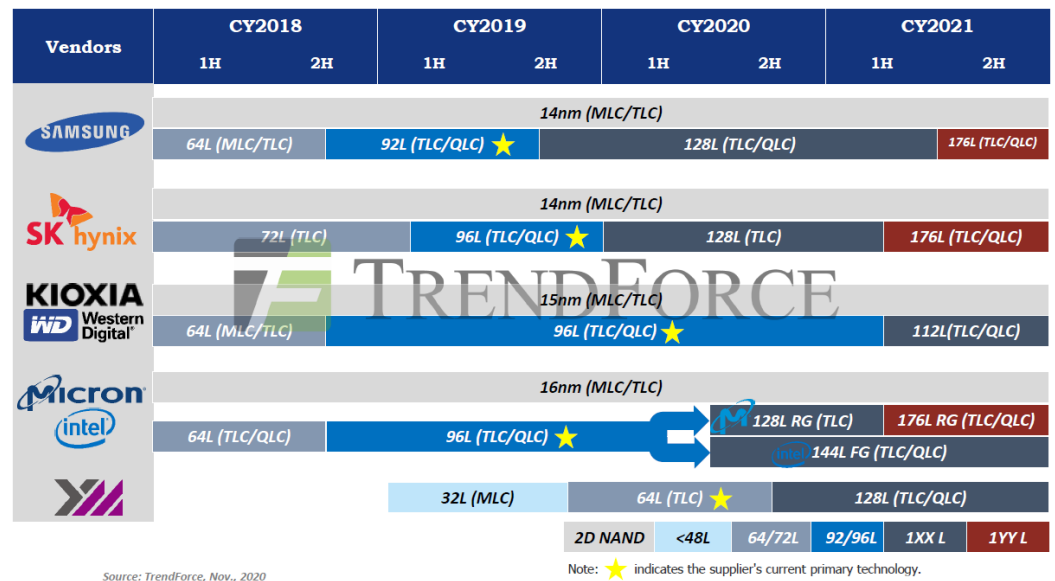
C. Industrial control embedded I/O peripheral expansion module

- ◆ Embedded Storage Expansion Module
- ◆ Disk Array (RAID) Module
- ◆ Embedded Display Module
- ◆ Embedded Communication Module
- ◆ Embedded vehicle communication module
- ◆ AI edge computing module

- ◆ IoT Management Module
 - D. AIoT application software
 - ◆ Cloud Management Platform (iCAP)
 - ◆ iOpal Data Encryption Software
 - ◆ iCover system backup and restore software
 - ◆ iSmart device SSD and DRAM monitoring and management software
 - ◆ iTracker SD and USB storage device monitoring and management software
 - ◆ iVINNO AI deployment application software
 - (4) Expected new product development projects
 - A. Industrial embedded storage devices
 - (A) PCIe NVMe Next Generation High Speed SSD
 - (a) M.2 2280 Gen 4x4 3D TLC
 - (b) M2. 2242 Gen 4x4 3D TLC
 - (c) CFexpress Gen 4x2 3D TLC
 - (d) BGA SSD Gen 3x4 3D TLC
 - (e) U.2 Gen 4x4 3D TLC
 - (B) Internet of Things (IoT) storage devices
 - (a) InnoAGE SSD
 - (b) InnoOSR SSD
 - (C) Industrial 128 Layer 3D TLC SSD
 - (D) Edge server storage
 - (a) 2.5” SATA SSD Edge Server
 - (b) M.2 2280 Edge Server
 - (c) U.2 Gen 4x4 Edge Server
 - (d) M.2 2280 Gen 4x4 Edge Server
 - (e) M.2 22110 Gen 4x4 Edge Server
 - B. Dynamic random-access memory
 - (A) DDR5 4800MT/s Ultra High Speed Industrial Dynamic Random Access Memory
 - (a) AIoT system dedicated: 8GB/16GB/32GB SODIMM/UDIMM
 - (b) For edge computing devices: 16GB/32GB Registered DIMM, ECC UDIMM, ECC SODIMM
 - (B) DDR4 3200MT/s Extremely Ultra-Temperature Industrial ECC Memory
 - C. Industrial control embedded I/O peripheral expansion module
 - (A) Industrial Camera Module
 - (B) FPGA Module
2. Industry Overview
 - (1) Industry Current Status and Development
 - A. Current status
 - (A) Industrial embedded storage devices

The main core of industrial embedded storage devices is flash memory (NAND Flash). Flash memory is a non-volatile semiconductor technology that is used as a preserved and modifiable data storage medium for industrial computers. Solid State Drive (SSD) is the fastest growing industrial embedded storage device and it is used in the field from traditional industrial control equipment to various commercial and embedded systems. Among all kinds of special application platforms and in different industries, common industrial computers include medical automation (e.g., voice registration), financial automation (e.g., ATM), POS, and utility automation (e.g., MRT

ticketing). SSDs can provide the high product stability and endurance required by industrial computers.



Currently, the four major suppliers of NAND Flash in the world are Samsung, Kioxia/WD (SanDisk), Micron/Intel, and SK Hynix. Yangtze Memory Technology Corp. (YMTC), an emerging industry in mainland China, has also begun to offer 3D TLC products. However, it does not affect the Flash industry significantly since its production is one generation behind the industry; however, whether the domestic demand in mainland China begins to specify the use of YMTC's NAND is crucial. In addition, due to the rapid evolution of the 3D process, various factories have shifted from the 3D 9X Layer to the 3D 1XX Layer generation since 2022, including Samsung's V-NAND (V6) and Kioxia's BiCS 5 entering the CS (Customer Sample) stage with the mass production expected to take place in the first half of 2022. Micron's B47 system process has taken a step earlier and the mass production and delivery of 176-layer NAND has already begun. However, before the mass production of 3D 1XX Layer starts, various manufacturers continue to deploy 3D NAND 9X Layer Flash actively. In terms of demand, the average installed capacity of handheld devices has doubled and the penetration rate of Solid State Drives (SSD) has grown strongly. However, the latest challenges and applications for industrial systems are now polarized between SLC (Single Level Cell) modules, focusing on high speed performance and stability for harsh environments, and MLC (Multi-Level Cell) products, which offer the same price/performance ratio as general applications. In terms of industry characteristics, because industrial applications focus on system stability is much higher than other markets, 3D TLC products now only maintain a partial share of the original 2D SLC/MLC products. However, there is no direct impact on the replacement, but the technical development of 3D products will be required for the future development trend of AIOT and other applications.

(B) Industrial Memory Dynamic Random Module and Cloud Server Memory Module

According to the research of TrendForce, both Intel and AMD are expected to launch new CPUs that support DDR5 memory in the PC or server field in 2022. Therefore, memory suppliers led by Korean companies, such as Samsung and SK hynix, have shifted their production focus to DDR5 and reduced the supply of outdated DDR3 and gradually discontinued the supply of DDR3 small-capacity 1Gb and 2Gb ICs. The penetration rate of DDR5 will grow in the second half of 2022 along with the launch of new CPUs, which will indirectly suppress the supply of DDR3.

(C) Industrial control embedded system I/O peripheral expansion module

In response to the trend of miniaturization of industrial computer designs, equipment expansion will be unable to meet the needs of various industries. Innodisk develops communication, storage, display, and disk array expansion cards to provide customers with equipment that can quickly satisfy customers' applications.

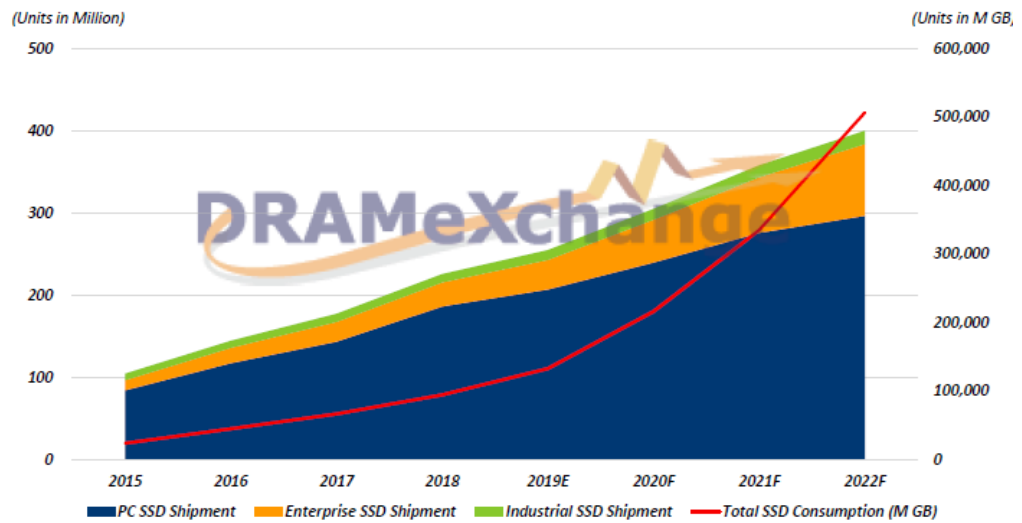
In terms of interface expansion, we mainly focus on mSATA and M.2 since they are standard interface expansion of industrial computers, which can provide direct device expansion without changing the motherboard. In addition, for the software and hardware integration of expansion cards, it will also help verify the operating system, driving program, and other software to ensure that customers can improve the compatibility in use.

B. Development

(A) Application and growth of NAND Flash in the global industrial control market

Innodisk has long focused on the industrial control market, a niche market in the overall NAND Flash market. Unlike consumer storage products such as PCs and notebooks, Innodisk is not deeply affected by the demand for consumer products. Stability, data security, and compliance with harsh environmental requirements have always been important to the industrial control market. Small quantities and customization are the hallmarks of industrial control storage devices. In order to meet the various vertical market applications of downstream manufacturers, compared to general consumer NAND Flash products, industrial SSD manufacturers must have a clearer grasp of Flash technology and characteristics and be able to communicate and cooperate with downstream system vendors and even end-users, making this market a high barrier to entry.

Based on the current SSD market analysis, the application areas can include enterprise, consumer end-use, and embedded SSD applications. According to Coughlin Associates' Estimated growth (CAGR), the growth rate of SSD shipments from 2015 to 2022 is as follows.



In addition to the high replacement rate of traditional hard drives, the high technology threshold also makes the gross margin of SSDs in the industrial control field much higher than that of consumer SSD products. At the same time, as demand for consumer SSDs fluctuates greatly, many companies that originally focused on consumer SSDs are also optimistic about this market and are investing in it. As you can imagine, the future of the industrial control market will be more competitive than now, and technological leadership will be an important indicator of whether or not to be a key player in the next market.

In terms of technology trends, IPC SSD vendors are expected to launch high-speed products with NVMe technology features from SATA III to PCIe and launch storage devices with 3D NAND such as 2.5" SSDs, SATADOM, M.2, mSATA, CFast, etc. Early samples will be sent to customers for testing, which is very beneficial to the early delivery of samples to customers for testing is very advantageous to get a head start and even develop more new customers with PCIe or SATA III+3D NAND.

(B) Industrial Memory Dynamic Random Module and Cloud Server Memory Module

Industrial control DRAM module manufacturers need to have many more professional technologies than consumable DRAM, such as Conformal Coating for industrial control systems to be used outdoor and in other humid and dusty environments, reinforcing the Side fill technology for the connection between solder balls and circuit boards, or wide temperature technology and anti-sulfuration suitable for high and low temperature environments, and Rugged technology to make the system more shock-resistant, which must be with professional calculation programs and testing software and equipment developed, undergone numerous rigorous tests to comply with industrial regulations and automotive standards. All DDR4 products of Innodisk have been equipped with anti-sulfuration technology as standard specification since 2018 that

allows memory modules to operate uninterruptedly in harsh environments and demonstrate a new benchmark for industrial control memory.

Another feature of our service-oriented approach is that when customers have any problems, unlike consumer DRAMs which are mostly handled by exchange, industrial control module manufacturers will help customers solve their problems and plan the most suitable solution for them to maintain the long-term stable and normal operation of the system.

Innodisk is optimistic about the applications arising from AI technology and 5G, which will continue to ferment in the fields of automotive electronics, artificial intelligence, audio and video streaming, and smart IoT, and will gradually become an eye-catching trend. The strong demand for computing and storage will also drive the growth of the global memory market. A series of ultra-high-speed DDR5 4800 MT/s and large-capacity 32GB has been launched successively since the third quarter of 2021, which is fully prepared for the emerging of related applications.

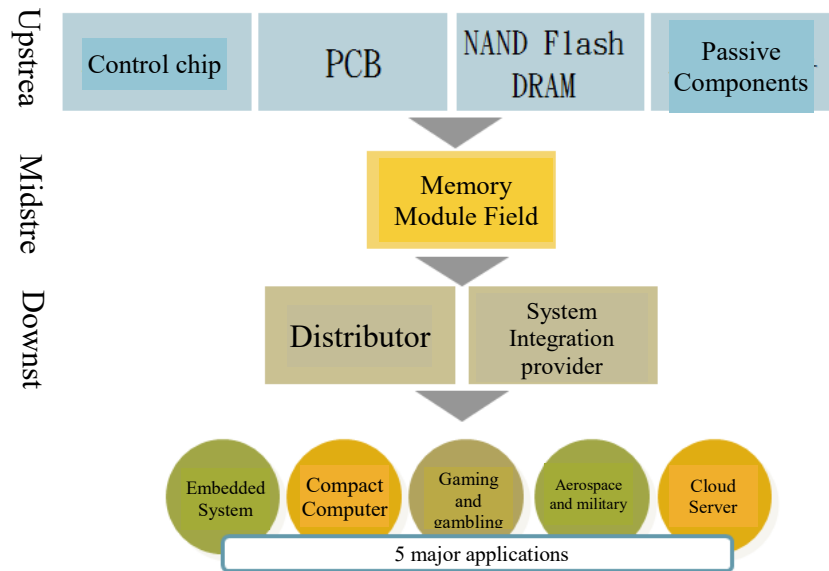
(C) Industrial control embedded system I/O peripheral expansion module

The future development of embedded peripheral expansion cards is based on four principles, including “compatibility,” “extensibility,” “reliability,” and “customization.” The development of expansion modules will be more systematically integrated with customers’ products by using an advanced software and hardware integration technology, and based on the intelligent components to introduce the standard products of customers. It also supports industrial computer standards PCIe, mPCIe, and M.2 in the interface expansion to fully meet the customer’s needs for extended applications.

- ◆Compatibility: Introduction to the validation phase of embedded operating system products for industrial computers.
- ◆Extensibility: Develop complete software component API & Library.
- ◆Reliability: Industrial grade design products with enhanced ESD, Hipot, Surge, and Isolate safety levels.
- ◆Customization: Establishing standard modularization can quickly respond to customer needs.

(2) Industry middle, upstream, and downstream correlation

The upstream, midstream, and downstream supply chains of the memory module industry are shown below. The upstream is mainly the major components (control chip, PCB, flash memory, and other passive components) suppliers, and the downstream end customers are the system integration providers and distributors. It is roughly divided into five major applications: Embedded systems, compact computers, gaming and gambling, aerospace and military, mission-critical, and cloud server.



(3) Various trends of product development

In recent years, as various companies have entered the industrial memory market, the competition in industrial computer and POS applications has become increasingly fierce. In order to win in this competitive market, various companies have actively entered the Internet of Things (IoT) and Internet of Vehicles (IoV) applications such as automotive and large data centers, providing customized solutions based on customer needs to enhance product differentiation and value. In the automotive market, under the framework of the Internet of Things, as major brands are launching smart cars (Connected Car) one after another, the demand for memory modules will increase. Among them, automotive memory modules must undergo wide temperature design, vibration EMI and power consumption tests, and the technical threshold is relatively high, making it a niche market for manufacturers to actively compete. In addition, the booming development of a huge amount of data has driven large brand customers such as HP, Dell and IBM to actively invest in data center construction, and the demand for private clouds from small and medium enterprises has also gradually emerged. The market opportunities for related storage systems are gradually expanding, including the need for related memory solutions for e-commerce platforms in various countries, which is another important source of motivation for domestic memory module manufacturers to grow their operations. The Company will continue to construct and develop in-depth in the vertical market. The market product layout derived from technological trends such as AI, IoT, Edge Computing, and 5G is explained as follows:

According to a new survey, the global industrial IoT (IIoT) market is forecast to expand from \$77.3 billion in 2020 to \$110.6 billion in 2025, growing at a compound annual growth rate of 7.4% during the forecast period by market research firm MarketsandMarkets. The growth of the IIoT sector is driven by technological advances in semiconductors and electronic devices, increased use of cloud computing platforms, IPv6 standardization, and government support for IIoT-related R&D activities.

MarketsandMarkets points out that the growth of the industrial Internet of Things market is driven by a number of factors, such as the increasing number of small and medium-sized

enterprises adopting automation systems. In addition, automation reduces production costs, thereby reducing overhead and increasing the return on investment (ROI) of the entire process. Other product design and development trends.

- PCIe emerges in industrial control applications

In terms of transmission interface, SATA was the main force in the industrial control market; however, PCIe NVMe Gen3 x2 and x4 higher-speed interfaces are introduced this year. PCI Express (PCIe) is used only for internal interconnection. PCIe is based on the existing PCI system; therefore, the existing PCI system can be converted to PCIe by modifying the physical layer without modifying the software, so PCIe is faster in speed and can replace almost all existing internal busbars (including AGP and PCI). Now Intel and AMD have adopted single-chip set technology to replace the original south/north bridge solution. Starting in the second half of 2019, Intel and AMD launched a new generation of processors to commit to PCIe Gen4 rows, and higher transfer speeds will bring more storage requirements for new applications.

- Miniaturization becomes mainstream

Miniaturization is limited to the consumer market and continues to move in the same direction in the industrial control market. In the past, mSATA was the mainstream standard for miniaturized products. Still, mSATA is limited by the amount of flash memory that can be placed on the PCB, so it is not conducive to high-capacity applications. With Intel's new PCI Express M.2 (NGFF) standard, which is recognized by many major manufacturers, the data read and write speeds of miniaturized products can be multiplied, and the development of the SSD slot standard will alleviate the original limitations and is expected to become mainstream in the future. With the current application characteristics of the industrial control field, most of the motherboard design needs to save space, especially the mobile drive industrial devices are getting thinner and shorter, more compressed space on the motherboard.

- FW technology and I/O expansion cards increase in importance

In the development of firmware, it is necessary to improve the debugging ability (Error Correction Code, ECC): When the Flash process keeps moving forward, the probability of Flash generating an error (Error Bit) is worsening, resulting in the issue of data retention, so the ability to correct errors is highly required. In addition, industrial computer applications are small and diverse, and the current market demand requires the best solution within a short period of time and meets the customer's quality requirements, which is why I/O expansion cards are used to help customers solve their products Time to Market.

- High-speed, high-capacity dynamic memory becomes mainstream

As the complexity of information increases, systems need to process information from many sensors in real-time, and high-resolution images are becoming increasingly large, new systems are using higher specification dynamic memory, originally DDR3 was the mainstream specification for industrial control, but now it is gradually upgraded to DDR4, and the capacity is also increased from 4GB to 16~32GB.

- Towards Smart Internet of Things Market Development

Since AI technology is becoming mature, the industrial computer industry has gradually integrated AI technology into equipment corresponding to various vertical application markets, such as facial recognition for access control system, self-checkout system, AOI visual inspection equipment, etc. In order to have the existing equipment equipped with AI computing capabilities, many customers also choose AI acceleration modules for expansion that will eventually meet the needs of the ultimate market. In addition, a total of 7 billion units of IoT devices will be in service in 2025 that makes the management of equipment by man impossible. Therefore, remote management will be with an emphasis on three major focuses, including safe connection, OOB management, and effective equipment maintenance to help customers achieve automation and smart operation, and integrate the cloud platform for a seamless management at anytime and anywhere.

(4) Competitive Situation

Major domestic manufacturers for industrial control memory module include Transcend, Apacer, and ADATA; also, foreign manufacturers include Virtium, SMART Modular, etc. Although the business scale of the industrial control memory module manufacturers in Taiwan is not as big as the chip manufacturers or international module manufacturers, such as Intel, Micron, Western Digital, Kingston, etc., the international manufacturers mainly focus on the pursuit of a large quantity and high-speed consumable goods, and do not focus on the industrial Solid State Hard Drives. The industrial control memory module factories in Taiwan focus on segmenting market applications to provide complete solutions, aim at a small and diverse niche market to fulfill the needs of the target market. Although there is no significant difference in product specifications, during the End-of-Life period of a product, it is crucial whether the service and quality of the module factory meet customer needs. In addition, the small quantity and multiple production methods of industrial memory applications, the high-quality demand and customization, the long-term stable supply, and the fixed BOM are all factors that make this business model a high barrier to entry. The Company with the advantages of quality, customization ability, flexibility, and cooperation has secured a position in the industrial embedded storage device industry. The Company has deployed properly in the embedded market in the sense of soliciting system customers and sales channels. Therefore, along with the interaction of industrial development trends, such as 5G and AIoT, the said development is expected to bring growth momentum continuously.

For industrial DRAM memory modules, the chip manufacturers also produce memory modules, but the three main chip suppliers, Samsung, Micron, and Hynix, are mainly for consumable goods and server products without much involvement in the small and diverse industrial control market. Innodisk's DRAM industrial control memory modules serve the said clientele precisely, providing industrial control customers with high customization and long product life, even if the chip manufacturers cease their production (End-of-Life), the Company can prepare products early for the need of the vertical markets and special projects. Innodisk maintains a good and close relationship with the chip manufacturers, and can provide the latest industry information and product development trends in a timely manner to help industrial

control customers choose the right materials before starting the projects, such as the introduction of 5G, AIoT, edge computing, advanced image recognition, and other emerging industries, so the future is full of business opportunities for the Company.

Industrial-grade I/O module expansion cards are mostly developed and produced by industrial computer manufacturers. Since the industrial environment is mostly small and diverse, production management and material preparation are a big challenge to customers. In addition, some I/O modules require software and firmware development without cost-effectiveness benefit; therefore, most manufacturers tend to look for I/O modules in the market, but the industrial-grade I/O modules are hard to come by. Under the circumstance, Innodisk is with a focus on the specifications, certifications, and services required for the I/O modules of industrial computer equipment to help customers achieve their goals quickly.

3. Technology and R&D overview

Research and development expenses and technologies or products successfully developed for the most recent year and up to the date of publication of the annual report

(1) Research and development expenses

Item	Unit: Thousand NTD		
	2020	2021	As of April 20, 2022
Research and development expenses	155,922	194,129	70,612

(2) Technologies or products successfully developed

Year	R&D results
2018	<p>1.NVMe G3x4 SSD : The NVM Express design takes advantage of the high performance of PCI Express storage devices, which can perform a large number of I/O operations simultaneously. PCIe Gen III can provide high speed read/write up to 3.9 GB/s, which is the trend of IPC/Server specification and will become one of the mainstream SSD markets in the future.</p> <p>2.Dean Series: Next generation SATA III products with Innodisk's 3D TLC W/DRAM algorithm FW. This FW combines Innodisk's years of experience in military applications and can be applied to the NVMe W/DRAM product line.</p> <p>3.DDR4 self-made memory module full range of anti-sulfuration: there are more and more embedded systems and components used in the high concentration of sulfur gas area. The sulfurous substances emitted from these gases will cause corrosion damage to the DRAM module, resulting in the module or the device operation failing, worse of all, the interruption of the system operation will cause cost burden to the customers.</p> <p>Faced with this challenge, Innodisk's DDR4 is a new series of sulfide-resistant DRAM modules starting in the second half of this year. This series of products can effectively block sulfide substances in high sulfide environments, protecting modules and components exposed to air. Innodisk is also the world's first and only self-produced DDR4 memory module manufacturer with a full range of anti-sulfuration modules.</p> <p>4. Full series of DDR4 2666 memory modules dedicated to industrial computers and cloud servers in mass production: DDR4 2666 memory modules for industrial computers, from 4GB to 16GB, are in mass production, and the DDR4 2666 memory modules for cloud servers from 8GB, 16GB, 32GB, to 64GB are all in mass production; the 128GB memory module is planned for market launch in the second half of this year. This is the most important product for future cloud and data center needs and network monitoring.</p> <p>5. Full series of DDR4 2666 wide temperature memory modules for industrial computers are in mass production: Innodisk is the first manufacturer with the mass production of DDR4 2666 wide temperature product introduced, including standard, ECC, and VLP series.</p>

Year	R&D results
	<p>6. Power over Ethernet: Image recognition technology is applied to speed up production and improve precision for many applications along with the maturity of the Internet of Things and AI technologies. The standard technology that simultaneously transmits power and data to the power receiving device through twisted pair on the Ethernet network has the advantages of easy installation, flexible wiring, and lower overall system cost. Therefore, it has been widely used in vehicle computers, video surveillance, and industrial automation applications.</p> <p>7. M.2 interface I/O expansion module: In terms of the expansion medium of new generation motherboard chipsets, Intel is currently leading the transaction to gradually convert from mPCIe to M.2 interface. In order to meet customers' use of expansion card applications, the Company also plans to carry out the R&D in M.2 interface I/O expansion cards, including Serial, CANBus, Display, LAN, PoE, etc., to meet the needs of customers in applications.</p> <p>8. Cloud Management Platform (iCAP): The best platform tailored for industrial IoT applications, which can easily monitor and manage the status of each device through a browser, analyze the usage of storage devices, and predict the life span, allowing managers to expand and maintain the devices in real-time to achieve the goal of "zero downtime."</p>
2019	<p>1. DDR4 wide temperature server memory module: Due to the wide variety of applications, server systems are gradually not only used in comfortable air-conditioned rooms but also developed wide temperature server modules for outdoor server systems.</p> <p>2. NVMe G3x4 SSD : The NVM Express design takes advantage of the high performance of PCI Express storage devices, which can perform a large number of I/O operations simultaneously. PCIe Gen III can provide high speed read/write up to 3.9 GB/s, which is the trend of IPC/Server specification and will become one of the mainstream SSD markets in the future.</p> <p>3. 3TG6-P Series: Next generation SATA III products with Innodisk's 3D TLC W/DRAM algorithm FW. This FW combines Innodisk's years of experience in military applications and can be applied to the NVMe W/DRAM product line.</p> <p>4. 3TE7 Series: A new generation of SATA III products with Innodisk's 3D TLC DRAM-LESS algorithm FW, which combines Innodisk's years of experience in industrial applications and can be used in a variety of systems.</p> <p>5. Fire and Flame Resistant SSD: Innodisk's self-designed, highly rugged SSDs with various protection devices are suitable for military/automotive applications that require high strength storage components.</p> <p>6. InnoAGE: Idea formulation and evaluation, combine SSD and Azure Sphere, manage SSD in cloud through out-of-band mechanism, and develop remote system restoration mechanism with Innodisk's patent that is suitable for Edge system to use SSD.</p>
2020	<p>1. NVMe 3TG6-P/3TE6: The NVM Express design takes full advantage of the high performance of PCI Express storage devices, which can perform a large number of I/O operations simultaneously, and includes both DRAM and DRAM-Less products. The combination of Innodisk's 3D TLC algorithm FW and Innodisk's years of experience in industrial applications allows for a wide variety of system applications. The combination of HW iPower Guard for harsh power environments and good thermal solutions provides customers with more complete and diverse solutions for the NVMe product line.</p> <p>2. NVMe 4TG-P/4TE: The new generation of NVM Express G4x4 DRAM and DRAM-Less products, combined with Innodisk's patented 3D TLC algorithms FW and HW, make this series of products stand out in terms of performance and stability, providing customers with solutions for high-speed transmission needs.</p> <p>InnoAGE 2.0: Derived from InnoAGE 2.0, which can have OOB function and can transfer large amounts of data, and InnoOSR SSD, which is an innovative product concept of InnoAGE for a single board, is currently being evaluated.</p> <p>4. AI Accelerator Module: In the unified industrial control market to transform to intelligent applications, one of the most important lightweight industrial computers can also make AI inference. This year will develop a new product AI accelerator card to enhance the efficiency of the platform in making AI applications.</p>

Year	R&D results
	<p>5.4 Port CANBUS Module: In the smart car, the information exchange of the components in the self-driving car all rely on the CANBUS protocol, so for this vertical market, we will introduce a multi-port CANBUS to meet the needs of the self-driving car industry.</p> <p>6. 4K isolated Serial & LAN Module: Serial and LAN are the most popular expansion cards in industrial computers; however, the medical standards should be stricter, so this product will meet the medical industry standards that allow the medical market to be initiated by expansion.</p> <p>7.NVMe G4x4 SSD: Next generation NVMe product with new process 96 Layer 3D TLC, providing customers with more different applications and miniaturized product solutions.</p> <p>8.DDR4 2933 & 3200 MT/s ultra-high speed memory module with anti-sulfuration function: In response to 5G, servers, network communications and other applications that require real-time processing of large amounts of information, the industrial high-speed memory module is introduced to ensure stable data transmission and low latency.</p> <p>9.DDR4 Super Capacity 32G Memory Module with Anti-Sulfuration Function: In response to the need for today's systems to handle more video and information streams, the industry's largest capacity of 32GB is introduced to meet the market demand.</p>
2021	<p>1. Remote Management Modular: Most of the existing industrial computer equipment for equipment maintenance will still go to the field service, especially when the operating system can not run. The use of remote management module can be carried out from the remote system recovery, data collection, to provide the most efficient operation of future equipment management.</p> <p>2.4K Isolated LAN Module: A network card designed specifically for the medical market, providing high stability and availability for medical-related equipment expansion.</p> <p>3. M.2 2280 to 1/2 GbE LAN Transformer on M.2: The LAN car design without a daughter board design can meet all extreme environmental requirements, including 1000V voltage isolation, no daughter board so taking up no space, it can be directly connected perfectly with RJ-45 cables, or easy for customers to make different connector wires for various applications, especially, in mission-critical, aerospace, and other fields. Available with IP65/67/68 waterproof connector.</p> <p>4. Dedicated high-capacity dynamic memory modules for networking: DDR4 32GB Registered SODIMM, VLP Registered SODIMM, 32GB RDIMM VLP, which are suitable for applications with institutional limitations such as networking and marginal computing small form factor, and the low-profile design can also help customers to improve heat dissipation difficulties.</p> <p>5.DDR5 next generation memory: In response to the demand of AIOT, 5G higher speed, and also with the scheduling of Intel CPU Alder Lake and Eagle Stream, we will launch UDIMM, SODIMM, RDIMM and other specifications.</p> <p>6. InnoOSR: InnoOSR's patented firmware technology enables a higher level of recovery service and is ideal for applications that require a high degree of flexibility for easy and fast system recovery.</p> <p>7. Partial DRAM, a new algorithm architecture: It breaks the capacity ratio limit of DRAM and SSD to expand higher capacity.</p> <p>8. Blockchain SSD: With the development of the Industrial Internet of Things, the connection of big data brings concerns about data. The innoBTSTM SSD (Blockchain Technology Storage) solution integrates the digital signature function and blockchain technology to further reinforce data accuracy and the highest specification protection for smart IoT devices.</p> <p>9. High-capacity SSDs: Using Server-class NVMe Gen4x4 controllers to develop their own FW, targeting products above 2TB, because of the increasing demand for high-capacity applications in the industrial control market, the demand for capacity must be met with server-class storage media or additional RAID for customers to meet demand.</p>
2022	<p>1. Edge Server SSD: A high-end Server controller, the in-house developed firmware with a focus on Edge server application that requires low transmission latency, sharing big data flow, reducing transmission costs, reducing cloud load, real-time computing, and local autonomy.</p> <p>2. Large-capacity SSD: Adopts Server-grade NVMe Gen4x4 controller to develop firmware in-house, targeting on 8TB/16TB products. The demand for large capacity and application scenarios in the AIoT market is increasing gradually. In terms of capacity, only sever-level storage media or additional RAID assembled by customers can meet the demand.</p>

Year	R&D results
	<p>3. Semi-industrial 128 Layer 3D TLC SSD: The new product line meets the customers' needs for cost considerations and better quality than commercial SSDs.</p> <p>4. BGA SSD Gen 3x4 3D TLC: The integrated storage device enables system manufacturers to provide the most advanced edge computing experience.</p> <p>5. Camera module: For the image input source required by future AI application devices, the Company provides AI devices with the most suitable image quality when extracting images, and provides Camera IQ tuning to improve the recognition rate of AI algorithms. In terms of products, USB and MIPI interface will be applied to meet the needs of AI computing platform.</p> <p>6. FPGA AI module: The AI platform of FPGA is an indispensable product line for edge applications in the future. The IO needed for FPAG flexible modular design is even more suitable for applications in various vertical markets.</p> <p>7. DDR5 ultra-high-speed memory: In response to the high-precision, high-performance real-time calculation and multi-processing requirements of advanced graphics and AIOT, Innodisk has successfully mass-produced DDR5 SODIMM, UDIMM, wide temperature, and other specifications; also, introduced advanced ECC and RDIMM series, which provide more stable data transmission through advanced Error Correction Code (ECC) for servers, data centers, and HPC (High Performance Computing).</p> <p>8. DDR4 ultra-wide temperature (-40°C~125°C): Innodisk has launched the first "Ultra Temperature" DDR4 memory module in the world, pushing the industrial-grade wide temperature standard to 125°C directly. High-end unmanned-driving vehicle market, fanless embedded computer, mission-critical, aerospace, and other application fields to solve harsh high-temperature application scenarios.</p>

4. Long-term and short-term business development plans

(1) Short-term plan

A. Marketing plan

The marketing department is reorganized this year to have the marketing task integrated broadly with the marketing task divided into three categories. This mission is to conduct a comprehensive 360-degree marketing strategy to combine brand communication, product promotion, and global market development in order to enhance the Company's image in the global AIoT technology society and to deepen the marketing theme and corporate vision of "Building an Intelligent World."

- (i) Reinforcing digital marketing: The global pandemic was prevalent in 2021, and each market faces its respective challenges. Therefore, it takes more precise and accurate marketing methods for the benefits of the Company. A flexible marketing strategy should be formed in response to the local pandemic development. Innodisk had changed from the large-scale physical exhibitions in the past to global online seminars in 2021 to introduce products to customers online more intensively and to maintain customer interaction. The Company also actively practices the concept of Martech (Precision Marketing) technology marketing to improve the application efficiency of digital tools and to optimize the marketing effect. Improve online search and ranking of brands and create business consulting opportunities through localized community channel management, multilingual online video and audio channels, customer management system, and new marketing automation tools to help the Company reach the next milestone.

- (ii) Content marketing in-depth: The global business movement was stagnant, customer visiting, exhibitions, and face-to-face interaction is ceased during the pandemic period. Therefore, in terms of marketing and promotion, Innodisk continues to maintain close contact with customers through various virtual communication network, such as AIoT website, online virtual exhibition website, multilingual technical documents, eDM marketing materials, etc., and continues to optimize the subsequent related marketing effectiveness and continuously improve the sophistication and precision of customer communication to make up for the gap of physical interaction, convey the professional brand image of Innodisk, and deliver the latest product and technical information to global customers with zero time difference.
- (iii) Promote brand marketing: While facing more competing brands to enter the industrial control market, Innodisk extensively combines the proprietary professional technology R&D capabilities and global leading innovative products to introduce the products and brands to the world, shape a high-quality image of industrial control, enhance brand value, and create markets segregation. In addition, the Company intends to actively implement ESG concepts in many aspects to meet the international expectations and standards for large enterprises, and to help create a positive brand image of the Company.

B. R&D plan

In the short term, the Company's R&D unit, in addition to actively investing resources in establishing PCIe/NVMe series product technology in various applications, will actively invest resources in the development of camera modules for industrial control applications and the AI computing platform of FPAG. The Company will enhance the product development of vertical market and AI application solutions. Also, the Company will design and develop the best solution together with the platform and the peripheral AI input devices from the perspective of storage media to replace the unilateral development of components in the traditional platform.

Innodisk is optimistic about the future of AIoT; therefore, Innodisk actively launches corresponding solutions by combining customer and partner resources, such as AIoT application solutions InnoAGE SSD/Inno OSR SSD, which helps open edge and cloud communication mechanisms for Innodisk and customers; therefore, customers trust Innodisk and discuss security and management solutions for various vertical market applications with Innodisk.

In addition to the aforementioned Flash technology and product R&D, in terms of DRAM, DDR4 ultra temperature new products was launched; also, cooperated with suppliers on DDR5 to obtain the latest and stable DDR5 IC and DDR5 related spare parts supply. The goal for this year is to introduce IPC large Factory AVL to meet the AIoT and 5G high-speed and large-capacity requirements of industrial control customers. The aforementioned products will become an important element of Innodisk's AIoT solution. While expecting the strong demand for AIoT application in the future, and the future is optimistic, Innodisk

will continue to plan for diversified and advanced memory applications in cloud and edge computing in order to keep the competitors behind and to seize the business opportunities.

In addition, Innodisk has invested considerable R&D resources in the management software of AI devices. In addition to iCAP, iOPAL, iSmart, and iTracker over the years, Innodisk is investing in the development of IoT management modules and application software of iVINNO AI, which can provide customers with more complete AIoT solutions.

(2) Long-term plan

A. Marketing plan

Innodisk's marketing and promotion plan also aims to develop AIoT and enhance the visibility of the Innodisk brand in the global market continuously.

Innodisk has products sold globally under the brand name of "Innodisk." The Company has been selected for four consecutive years as one of the top 35 Taiwanese international brands by Interbrand, an international brand appraisal organization. The Company's brand "Innodisk" has stood firm in the global market in recent years despite the changes in the global market, which shows customers' brand loyalty to Innodisk and the brand recognition of "Innodisk" by the global community. However, in order to drive the next wave of growth of the Innodisk brand continuously, Innodisk's brand management strategy has also gradually expanded from the product-oriented promotion in the past to conduct a dialogue with the industrial elites, and to the subject to talent cultivation, natural environment, social feedback, corporate governance, and business management aspects, as well as a 360-degree communication strategy with different stakeholders targeted.

In terms of talents, the Company will enhance the deployment of talents through industry-academia cooperation, cultivate and attract more outstanding international talents to join the Company; also, plan to carry out brand activities in the campus to enhance the "campus employer" brand image. Regarding ESG issues of international concern, that are, natural environment, social feedback, and corporate governance aspects, Innodisk bases on the Company's international corporate brand to communicate with relevant stakeholders comprehensively through a professional ESG website, actively strengthen recommended indicators by the public and private sectors in Taiwan and overseas to improve the overall business performance, activate the promotion of global brand image management as an important strategic direction. In terms of product marketing and corporate branding, the Company will continue to demonstrate the Company's vision and strive to become a global leader in AIoT intelligent applications.

B. R&D plan

R&D goals: Innodisk works with customers to engage in the vertical market R&D and become the best storage media supplier in various vertical markets. Actively communicates and cooperates directly with internationally renowned manufacturers in R&D technology, which can help enhance the vision and technology of the Company's talents, thus to secure and establish customer relationships and strengthen the closeness of both parties.

The Company has striven actively to realize the mission of "Recruiting R&D talents extensively and reinforcing R&D strength profoundly." The Company has established the R&D unit in Taipei Headquarters, the development team in Hsinchu office, and is planning

to setup a R&D team in Yilan. In addition, Innodisk is actively working with domestic universities to develop educational programs that will not only enhance the efficiency of research and development staff in studying and absorbing academic theories but also strengthen the goal of integrating industry and academia to help accelerate Innodisk’s development of cutting-edge technologies.

Innodisk continues to communicate and cooperate directly with well-known international manufacturers on the downstream customer side to enhance the vision and technical capabilities of our human resources and to create a win-win collaboration model to strengthen and establish close customer relationships. Innodisk’s R&D team from the perspective of storage devices has developed R&D energy by combining the technologies of various subsidiaries within the Group in different fields and moved towards becoming a leader in providing AIoT application solutions in various vertical markets.

II. Market, production, and sales overview

1. Market analysis

(1) Sales area of major products

Unit: Thousand NTD

Sales area \ Year		2020		2021	
		Sales amount	%	Sales amount	%
Domestic sales		2,005,174	28.04	3,049,064	29.90
Export sales	Asia	2,522,618	35.27	3,195,044	31.34
	Europe	1,340,936	18.75	2,110,579	20.70
	Americas	1,209,066	16.91	1,650,640	16.19
	Other Areas	74,221	1.03	190,331	1.87
	Subtotal	5,146,841	71.96	7,146,594	70.10
Total		7,152,015	100.00	10,195,658	100.00

(2) Market share, future supply and demand, and growth

A. Market share

Innodisk has long been dedicated to the development of storage solutions for industrial control applications and sells them worldwide under its own brand, Innodisk. With its rich experience and expertise, Innodisk has been able to develop a series of products with excellent quality, outstanding performance and high reliability, which has enabled Innodisk to have a high market share in industrial control and embedded system applications. According to Gartner statistics, Innodisk is ranked first in the international industrial SSD market in terms of sales volume for four consecutive years since 2018. According to TrendForce’s 2021 global memory module manufacturers ranking, Innodisk ranked in the 10th place and was the only supplier dedicated to industrial control dynamic memory modules.

B. Future supply and demand, and growth

According to the survey of TrendForce, due to the unsolvable problem of insufficient productivity of upstream foundry, NAND faced a peculiar phenomenon of memory chips in short supply but not control chips in 2021, resulting in low-end products with low-capacity being forced out of the market accidentally. The price decline of finished products, such as SSDs, has been relatively moderate. Although control chips have received more wafer

capacity support in 2022, the overdemand will remain, which will drive NAND control chip price to rise continuously in 2022. According to the market research agency, TrendForce, the NAND market is with a slight oversupply in 2022 with the average price in the first quarter and the second quarter dropped slightly. However, due to the severe impact of the material pollution incident of Western Digital and Kioxia, and Samsung's being affected by the lockdown in Xi'an due to the prevalence of the pandemic previously, the price decline of NAND chips is slowing down. Therefore, the price decline in the first quarter is converged and the price in the second quarter may go up. Of which, 3D NAND production lines in the two factories had been completely shut down upon the occurrence of the pollution incident at the end of January. In addition to the total output that needs to be excluded, the loss of outputs will be for at least three weeks. The goal is to gradually resume operation in late February and reach the pre-event production level in mid-March; however, there remain uncertainties in the production schedule; therefore, the shut-down period is actually for about 1 month. Due to the rising utilization rate, the estimated total loss may reach around 13EB (Kioxia lost another 6.5EB), which is allocated in the first and second quarter for a total of 3.7%, and accounted for 1.7% for the whole year. Excluding the losses, the growth rate of bit output in the Kioxia/WDC camp dropped sharply from 27.4% to 21.2%, and the annual output growth rate of the industry dropped from 32.0% to 30.0%. TrendForce had adjusted the price forecast according to the inventory and demand of each product item after the incident. In the second quarter of 2022, the price is adjusted from a decline of 5%~10% to an increase of 5%~10%. In the third quarter of 2022, the price forecast is adjusted from breakeven to an increase of 3%~8%. In the fourth quarter, since it is in the off-season cycle, the price increase will be eased with a breakeven resulted. The actual demand is under observation and a small decline will not be ruled out.

Innodisk is one of the important suppliers for Solid State Drives in the world. While facing the severe shortages and price increases in the memory module market in 2022, Innodisk will provide customers with the best supply and a strong support in various customized solutions. Also, provides customers with a full range of integration to ensure excellent performance and best reliability in demanding applications to be widely use in various industrial fields, such as the rapidly emerging AIoT, smart IoT, smart retail, smart transportation, medical, data center, 5G Netcom, monitoring, gaming and gambling, new energy, and other fields. The Company is ready to face and undertake subsequent market demand rebound.

In terms of DRAM products, according to the latest survey of the market research agency, TrendForce, there is no significant change in the overall production capacity this year. The penetration rate of DDR5 will start to grow in the second half of 2022, which will indirectly compress DDR4 and old-generation DDR3. In general, although DRAM is greatly affected by changes in market supply and demand, the Company's operational focus is on the development of various storage solutions suitable for industrial control field and embedded systems. In terms of customer applications, the focus is on industrial computers (IPC) and embedded systems. In addition to the moderate success in developing the vertical

market, such as aerospace, automotive, medical, network communication, security, and other professional fields, the Company has been actively introducing AIoT, edge computing, 5G, and other emerging market related projects since the year before last year. Under the rapid development of the trend, the impact of market fluctuation on the Company is relatively insignificant.

(3) Competitive advantage

A. Rich industrial application experience

Innodisk's team members are highly experienced in industrial control and embedded system applications, from R&D, technology, business, marketing, and manufacturing. The product development staff can quickly and immediately solve customer compatibility or customization needs; the sales and marketing staff are familiar with customer attributes, needs and channel control; and the production team can systematically control the production process to ensure product quality and reliability for the small amount of customization required in the industrial control field.

B. Effective patent

Over the past ten years since its establishment, Innodisk has continued to strive for technological innovation and product breakthroughs. The Company has more than 100 effective patents maintained in Taiwan, China, Japan, and the USA as of today, which have a crucial impact on industrial control applications. In the future, the company will continue to focus on R&D and innovation to bring more benefits to this field.

C. Professional firmware R&D team

Unlike its competitors, Innodisk has the ability to develop its own firmware capabilities for storage devices. The Company's primary goal is to ensure the reliability and stability of our products, and through our firmware development capabilities, we are able to enhance the data transmission performance of our products and create exclusive functions according to customer needs, with the ultimate goal of introducing high specification, high quality products that meet customer needs.

Innodisk has an experienced firmware R&D team. When customers have firmware customization needs, we can provide prompt and professional technical support. Our services include helping to improve system-level design, advising on the right size and appearance for special applications, and even customizing features for customers. By developing a dedicated firmware development team, Innodisk can provide immediate technical support, including tuning and debugging.

D. Access to major global markets

Innodisk has long been dedicated to industrial storage devices, focusing on the niche market of industrial embedded applications (niche market), emphasizing global marketing under its own brand name and different marketing strategies for different regions.

(A) Domestic region: Since about 90% of the world's motherboard design manufacturers are located in Taiwan, most of the manufacturers' main board design and development is also located in Taiwan, so special attention is paid to the pre-sales promotion (pre-sales) before the design-in stage and assisting customers to enter the design-in stage.

(B) Overseas areas: It is mainly a business contact window with the support of the stationed

technical support engineers; also, there are corresponding full-time salespersons in each sale region to avoid information gap caused by distance or time; especially in the United States, Europe, and mainland China where there is a great market potential and high revenue growth efficiency. Each market is unique in its own way; therefore, the sales model and customer maintenance should be localized.

E. High flexibility and customization capability

Innodisk has a high degree of design flexibility and customization capabilities to meet the specific needs of its customers. Whether it is hardware, firmware, or application software, we strive to design, manufacture, and test our products in the shortest time possible to meet the needs of our customers' application areas and to meet their timelines. At the same time, we help customers solve the problems they face during product introduction to effectively accelerate the mass production schedule of the client system. Innodisk's DRAM business is focused on the production of industrial control modules. Unlike consumer module manufacturers, the business philosophy of industrial control DRAM module manufacturers is more like a service industry. The greatest value comes from providing solutions to customers rather than from the manufacturing of DRAM modules and products themselves.

F. Stable source of supply

The most important raw materials for industrial storage applications are controller chips, Flash, and DRAM. For Flash and DRAM, Innodisk has long-standing and stable relationships with several domestic and foreign suppliers, so the company has a stable and high-quality source of raw material supply. On the other hand, Innodisk has accumulated long-term and in-depth relationships with control chip manufacturers, who understand Innodisk's industry characteristics and needs, and need to be able to supply to customers in small quantities over a long period of time. Therefore, they are able to provide stable and long-term supply.

G. Our own production line and factory

We have established our own SMT and test lines to meet the diversified and rapid demand for customization. Innodisk's Flash and DRAM products are all manufactured in our own industrial-grade production lines and factories, ensuring consistent quality and compliance with standards for industrial control, aerospace and server applications. By having our own factories, Innodisk is able to produce more flexibly to meet customer demands for delivery, while increasing productivity and stability of supply. The factory has built a system that can cope with the production efficiency of a large number of customized products and conducts a series of testing processes for industrial standard products. In order to conduct more stringent environmental testing, we will continue to invest in introducing new testing equipment to ensure product quality. At the same time, the company has ample room for additional production lines and capacity expansion at any time.

J. Complete I/O expansion module

Innodisk has the most complete expansion module product line with industrial grade design, providing expansion from serial ports, USB ports, various storage interface expansion, disk array modules, Ethernet modules, graphics card modules, DIO, POE, CANBus, AI accelerator card, etc. for a total of more than 100 expansion modules. Innodisk

also provides various industrial expansion card interfaces, such as M.2, mPCIe, PCIe, enabling customer's equipment to meet various I/O requirements in different applications.

(4) Favorable and unfavorable factors of development prospect and countermeasures.

A. Favorable factors

(A) Sales channel with global reach

Innodisk's global service locations, including its Taipei headquarters, U.S. subsidiary, Japan subsidiary, China (Shenzhen) subsidiary, and Netherlands subsidiary, demonstrate the importance Innodisk places on global access; each subsidiary has mainly business and FAE (technical support engineer) support in the local area to provide the best service to customers in the nearest location.

(B) Continuous innovation and refinement of R&D technology

Innodisk is dedicated to the research and development of industrial control applications. Since the company was founded, Innodisk has spared no effort in investing in the training and development of its research and development staff in the hope that its research and development technology can be continuously improved. The company currently holds over 100 patents in Taiwan, the United States, Japan, and China, proving Innodisk's ability to innovate in R&D technology.

(C) Customization capability with hardware, firmware and software technology

With a complete R&D team, we have the ability to develop hardware, firmware and software on our own, as well as automated production management systems. We are able to provide flexible and customized services to meet the needs of our customers with a small number of diverse applications in the industrial control field. In order to provide our customers with products that are different from the Competitors, our R&D team understands the needs of our customers and develops products from the user's point of view in order to provide customers with customized needs and more intimate services. The Company develops comprehensive software technology, from OS porting to application software, so that our customers can use our products more conveniently and securely.

B. Unfavorable factors

(A) Fluctuations in the prices of key raw materials increase operational risks such as procurement and inventory delivery.

Countermeasures:

- a. Regularly review business sales supply and demand to strengthen inventory and purchasing management.
- b. Maintain good cooperative relationships with suppliers to strengthen the flexibility and cooperation of factory supply.
- c. Keep abreast of the market information of major raw materials to obtain the market price trend to adjust the inventory control.

(B) High foreign sales percentage, vulnerable to changes in foreign exchange rates that affect profitability

Countermeasures:

Our foreign sales are mainly in U.S. dollars, and we also deal with major raw material

suppliers in U.S. dollars to reduce the risk of exchange rate fluctuations.

(C) The increase in the number of competitors entering the market in recent years

Countermeasures:

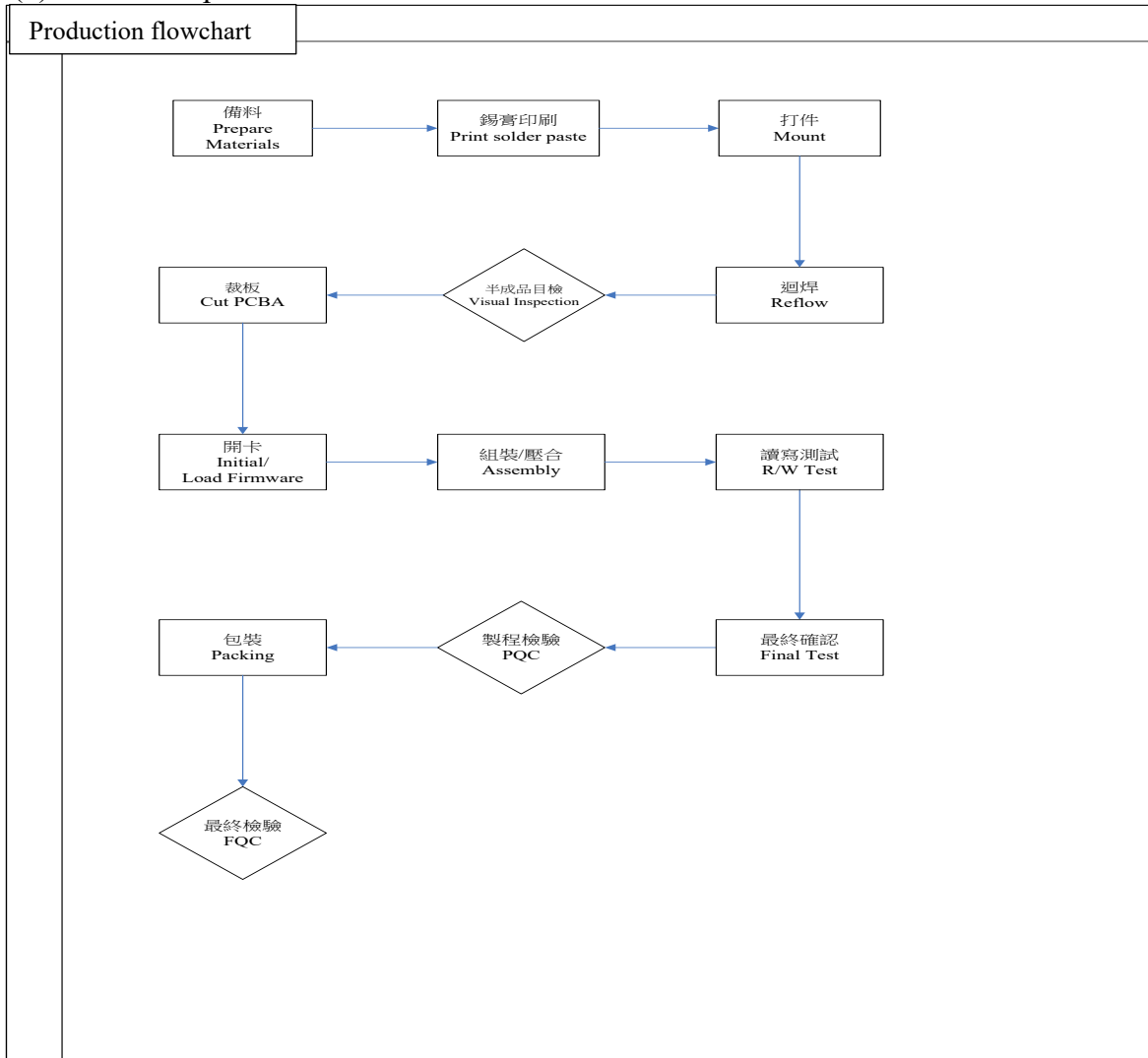
- a. Leverage the company's niche strengths, such as providing incentives for customized designs and professional services, and combine with strategic partners to provide complete solutions to widen the gap with competitors.
- b. Compared to the consumer market, the industrial control market has a higher barrier of entry. In terms of R&D, manufacturing, production and business, Innodisk has its own proprietary know-how to meet and even exceed customers' needs and expectations in order to maintain customers' trust and loyalty to Innodisk.

2. Important applications and production process of major products

(1) Important applications of major products

Product	Important application
Industrial embedded storage devices	This product is a non-volatile semiconductor technology that is primarily used to save or modify stored data, including applications, various text or images, and other data. The industrial control market can be applied to a wide range of products, such as industrial computers, automation equipment, intelligent traffic control systems, endpoint sales systems, security surveillance equipment, protection systems, medical equipment, digital signage, gaming machines, lottery machines, servers, and aerospace and other non-consumer applications.
Industrial random dynamic access memory module	This product is a volatile semiconductor technology, mainly used to expand the processing capacity and speed up the computing speed of various industrial equipment. It is commonly used in various industrial control market products and server system products.
Industrial Peripherals	The Industrial Control Peripherals Division is focused on developing expansion boards for industrial computers, integrating the latest technology with system customers to provide end-to-end solutions. In recent years, we have continued to extend our products to the Internet of Things market, expanding the range of applications and extending the life of our customers' products.

(2) Production process



3. Supply of major raw materials

Supply of major raw materials				
Product name	Raw material name		Main supplier	Supply condition
Industrial embedded storage devices	Flash IC	Flash Memory	KIOXIA, Micron	Normal
	Controller IC	Control chip	Company D, Marvell	Normal
	PCB	Printed circuit board	DYNAMIC, EISO	Normal
	Other Electronic Components	-	TI, ON, YOKETAN	Normal
Industrial dynamic random-access memory module	DRAM IC	Dynamic Random Access Memory	Samsung, Micron	Normal
	PCB	Printed circuit board	BRAIN POWER	Normal
	Passive Electronic Components	-	WALSIN, Samsung	Normal

4. List of major suppliers and customers

(1) The names of suppliers who have accounted for more than 10% of the total purchases in any of the most recent 2 years

Unit: Thousand NTD; %

Item	2020				2021				As of the quarter prior to 2022 (Note 1)			
	Name	Amount	As a percentage of net purchases for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net purchases for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net purchases for the year (%)	Relationship with the Issuer
1	Company A	1,602,877	34.18	No	Company O	2,451,593	32.72	No				
2	Company O	1,477,970	31.51	No	Company A	1,618,303	21.60	No				
3												
	Others	1,609,268	34.31		Others	3,423,552	45.68					
	Net purchase	4,690,115	100.00		Net purchase	7,493,448	100.00					

Note 1: There was no financial information available that had been verified, certified, or reviewed by a CPA prior to the publication date of the annual report.

Reasons for the increase and decrease: Except for the increase or decrease in the purchase amount due to changes in market supply and demand, there was no significant change in the Company's major suppliers.

(2) List of major sales customers who accounted for more than 10% of total sales in any of the last two years:

Unit: Thousand NTD; %

Item	2020				2021				As of the quarter prior to 2022 (Note 1)			
	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the Issuer
1												
	Others	7,152,015	100.00		Others	10,195,658	100.00					
	Net sales	7,152,015	100.00		Net sales	10,195,658	100.00					

Note 1: There was no financial information available that had been verified, certified, or reviewed by a CPA prior to the publication date of the annual report.

Reasons for the increase and decrease: There was no customer who accounted for more than 10% of the total sales in 2020 and 2021.

5. Production quantity and amount for the most recent two years

Unit: Thousand / Each, Set, Piece: thousand NTD

Production quantity and amount Major product (or segment)	Year	2020			2021		
		Production capacity	Production quantity	Production amount	Production capacity	Production quantity	Production amount
Industrial embedded storage devices		4,000	3,205	2,384,014	5,000	4,067	3,207,251
Industrial dynamic random-access memory module		3,500	3,144	2,428,222	4,100	3,525	3,640,428
Others		-	79	104,909	0	127	195,875
Total		7,500	6,428	4,917,145	9,100	7,719	7,043,554

Reason for the change: In response to customer demand, the Company continued to expand its production

capacity to increase production.

6. Sales quantity and amount for the most recent two years

Unit: Thousand / Each, Set, Piece: thousand NTD

Sales quantity and amount Major product (or segment)	Year		2020				2021			
			Domestic sales		Exports		Domestic sales		Exports	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount		
Industrial embedded storage devices	728	760,134	2,410	3,064,237	859	1,005,635	3,033	3,966,669		
Industrial dynamic random-access memory module	1,121	1,092,983	1,900	1,816,984	1,433	1,862,425	2,705	2,712,155		
Others	368	152,058	384	265,620	555	181,004	344	467,771		
Total	2,217	2,005,174	4,694	5,146,841	2,846	3,049,064	6,082	7,146,594		

Reasons for the increase and decrease: The Company's domestic sales and exports in quantity and amount in 2021 had benefited from strong market demand, resulting in a significant increase in the overall sales volume and amount in 2021 from the year of 2020.

III. Information on employees for the last 2 years up to the date this annual report was published

Unit: People; %

Year		2020	2021	As of April 20, 2022
Number of employees	Director labor	257	287	294
	Indirect labor	475	547	565
	Total	732	834	859
Average age		35	36	36
Average service years		3.93	4.18	4.03
Education distribution percentage	Ph.D.	0.14%	0.12%	0.12%
	Master	16.12%	17.03%	17.35%
	Colleges and Universities	58.47%	48.44%	48.66%
	High school and below	25.27%	34.41%	33.87%

IV. Information on environmental protection expenditure

1. Total amount of losses or damages suffered due to environmental pollution in the most recent year and the current year up to the date of publication of the annual report: \$0 thousand
2. Future responses to improvement measures and possible expenses: Not applicable.

V. Labor relations

1. The Company's employee welfare programs, continuing education, training, retirement systems and their implementation, as well as labor-management agreements and various employee rights protection measures.

(1) Employee welfare programs

A. Insurance:

In addition to the statutory labor and health insurance, the Company has also acquired a group

insurance (life insurance, accident insurance, hospitalization medical insurance, and cancer insurance) for employees.

B. Health and safety

- (A) Every two years, employees are entitled to a company-funded health checkup. The Company attaches great importance to the health checkup results and, with the consent of employees, takes the initiative to assist employees with abnormalities or special conditions in the checkups to ensure their health by providing them with follow-up treatment observation.
- (B) Monthly “Health Report” is sent out to help colleagues improve their knowledge of health management.
- (C) Set up a full-time factory nurse and a monthly doctor’s visit to provide consultation on workplace safety and employee health, reminders on the appropriateness of the schedule of the review of servicemen and work schedule, and provide medical consultation on injuries and illnesses of employees.
- (D) The employment of visually impaired masseurs, in addition to providing work opportunities for the visually impaired, also provides staff massage and stress relief services.
- (E) Implement health promotion programs, such as holding power walk competitions, weight loss programs, physical fitness activities, healthy eating seminars, etc.
- (F) Place automated external cardiac defibrillators (AEDs) at the workplace and conduct employee education training for emergency medical needs.
- (G) Provide a comfortable, safe and independent space for breastmilk collection so that colleagues can be rest assured.
- (H) Provide fitness equipment so that employees can relieve work-related stress through exercise while at work.

C. Benefits stipends

In order to provide employees with a comfortable and pleasant working environment so they can serve the Company without distractions, the Company, in addition to handling statutory welfare measures in accordance with the Labor Standards Act, has established an employee benefits committee and arranged the following employee benefit events regularly or irregularly:

- (A) Three festivals, wedding and childbirth gifts.
- (B) Maternity Allowance and Child Care Allowance (up to age 6).
- (C) Employee hospitalization and bereavement benefits.
- (D) Departmental friendship activities.
- (E) Club activity subsidy
- (F) Year-end banquet and lucky draw.
- (G) Arrange art and cultural corridors and film borrowing.
- (H) Scholarships for employees’ children.
- (I) Family Day activity
- (J) Drinks by choice (nearly half price vending machine drinks / free capsule coffee / free tea bags)
- (K) Afternoon tea and snacks are served.
- (L) Stress relief massage

(2) Employee training and development.

In order to implement the concept of human resources training, the Company has established a complete human resources training system to make the professional knowledge and skills of all employees more solid and further cultivate a better management team. The Company had arranged a total of 302 training courses in 2021. A total of around 1,264 training hours were

arranged with 4,073 participants and around NT\$879,011 expensed.

(A) Annual employee education hours in 2021:

Item	Total number of classes	Total number of people	Total time (Hours)	Total expense (Thousand NTD)
Education and training of new recruits	17	524	31.4	0
Professional education and training	263	2,282	1,184.85	549,430
General education and training	16	1,093	28.70	49,000
Executive education and training	6	174	18.84	280,581
Total	302	4,073	1,263.79	879,011

(B) The current employee education and training programs are as follows:

- (a) Education and training for new recruits: Education and training program is to be provided to new recruits within one month after they report to work. The purpose is to establish the basic concepts of new recruits about the Company and job responsibilities, knowledge, and technology, including training on information standards and labor safety and health to help new recruits adapt to the work environment the soonest possible.
- (b) Professional education and training: The purpose is to help employees learn the expertise and skills needed to perform their job duties.
- (c) General education and training: The purpose is to help employees develop predisposition and temperament, cultivate their moral character, and enhance their grasp of trends and new knowledge with various teaching seminars or industry trend sharing held occasionally.
- (d) Management education and training: In addition to arranging internal management training courses for management, we also provide external subsidies for further education, to strengthen the management capabilities of management personnel, improve the overall efficiency of the Company, promoting team consensus, and enhancing cohesion.
- (e) Domestic and overseas training: The purpose of this program is to train employees and enhance their professional abilities.

(3) Retirement system and implementation status.

In accordance with the Labor Pension Act, the Company contributes 6% of monthly salary to employees' individual pension accounts in the Bureau of Labor Insurance starting from July 1, 2015, while the pension funds of overseas subsidiaries are paid monthly in accordance with the regulations of the local government for various social security benefits such as pension and medical care.

The Company set up an "old-system labor pension account" with appropriation and payment made on time lawfully for employees who applied the old-system labor pension system before July 2005.

(4) Agreements between labors and management

The Company holds labor-management meetings every three months according to the law to maintain a smooth channel of communication between labor and management and establish good labor-management relations.

(5) Employee rights protection measures.

In addition to the spirit of "sharing results," the Company has established the Employee Benefits Committee to coordinate the appropriation and utilization of employee benefits. In addition, through the labor-management coordination meeting, labor and management representatives will

communicate with each other with the management concept of coexistence and common prosperity to build consensus and provide a quality working environment.

2. The losses suffered by the Company due to labor disputes in the most recent year and the current year up to the date of publication of the annual report, and the estimated amount of current and potential future losses and countermeasures

The Company has properly planned the principles of human resources management, timely responded to changes in the social and economic environment, reviewed the relevant personnel system, paid attention to employee benefits, provided a good working environment, and maintained smooth communication channels and harmonious labor relations. Therefore, there is not any loss resulted from labor disputes.

VI. Information security management

1. Describe the information security risk management structure, information security policy, specific management plan, resources invested in the information security management, etc.:

- (1) Information security policy:

Ensure the security of the Company's information and data, systems, equipment, and network communications; effectively reduce the risk of information assets theft, improper use, leakage, tampering, or destruction due to human negligence, intentional or natural disasters, etc. Also, protect the aforementioned assets of the Company from internal and external intentional or accidental threats. Formulate information security policies and regulations and ensure the confidentiality, integrity, and availability of the Company's business information.

- (2) Information security risk management structure:

The Company's Information Division is responsible for coordinating and implementing the Company's information security policy, publicizing information security information, and enhancing employees' awareness of information security. Also, periodically report information security results to the General Manager and Chairman, review and evaluate the effectiveness of the Company's internal control of information operations, and ensure the confidentiality, integrity, and availability of information. It is the responsibility of all the Company's employees to comply with the "Information Security Policy." The Company's employees who have violated the information security policy will be held accountable for civil, criminal, and administrative responsibilities or punished according to the Company's relevant regulations in order to reduce the Company's information security risk in business operation.

- (3) Information security risk countermeasures:

- A. Information security governance:

The Company has introduced the "ISO27001 Information Security Management System" with the relevant enforcement rules formulated for the implementation of information security operations. At the same time, the "Information Security Policy Handbook" has been formulated to strictly manage application system access, file data authorization control, and security maintenance. Deploys the network micro-segmentation to include the operational applications in the scope of protection, builds firewalls, email anti-virus and anti-hacking systems, and electronic file encryption systems, and audits the access rights and records of relevant users to reduce the Company's information security risks.

The Company conducts an internal audit every year in accordance with the ISO 27001 verification standard, and an external audit will be conducted by a third party subsequently. There is not any major nonconformity identified in the recent years. The Company has established a disaster recovery mechanism in Xizhi and Yilan, implemented a comprehensive backup plan operation on weekdays, and regularly exercised emergency response plans to

ensure the normal operation of the information system and data preservation, and to reduce the system interruption risk resulting from sudden natural disasters and human negligence, secured the expected system recovery time, and ensure the Company's operations remain uninterrupted.

B. Risk improvement:

Regularly conduct internal audits on information security to ensure the implementation of information security. Verify the actual implementation through an external audit, introduce information security defense solutions, and improve internal information maintenance procedures. The Company continues to establish a comprehensive network and computer-related information security measures. Still, it cannot guarantee that its computer systems that control or maintain the Company's critical corporate functions, such as manufacturing operations and accounting, are completely protected from cyber attacks from any third party's paralyzed systems. These cyber attacks are used to illegally hack into the company's internal network systems to disrupt the company's operations and damage its reputation. In the event of a serious cyber attack, a company's system operations could lose important company data and production lines could be shut down as a result. The Hinet RiskEye system was introduced in September 2021. The Company is able to maintain the grading at Level A (above 90 points) through continuous monitoring and analysis of the Company's information security risks and vulnerabilities, and continuous upgrading and reinforcing information security.

C. Risk control:

The Company continuously reviews and evaluates the information security regulations and procedures to ensure their adequacy and effectiveness, and to minimize potential losses and injuries. However, the Company cannot guarantee to have the information security free from all the evolving risks and attacks. Cyber attacks may also attempt to steal a company's business secrets and other confidential information, such as the proprietary information of customers or other interested parties and the personal information of company employees. Malicious hackers can also attempt to introduce computer viruses, destructive software or ransomware into a company's network systems to interfere with company operations, extort or blackmail companies, gain control of computer systems, or snoop on confidential information. These attacks could result in the Company being required to compensate customers for delayed or disrupted orders; or incur significant costs to implement remedial and improvement measures to strengthen the Company's network security systems; or expose the Company to significant liability in connection with legal cases or regulatory investigations arising from leaks of information about the Company's employees, customers or third parties to whom the Company has confidentiality obligations.

D. Promotion of information security

The Company's Information Division is responsible for coordinating and planning the Company's information security education, training, and drills, and conducts information security announcements and propaganda monthly to enhance employees' information security awareness. The information security notification themes of the Information Division include the prevention of commercial email fraud (BEC), the prevention of and countermeasures of personal information leakage, the prevention of phishing websites and email viruses, etc. The information security education and training content for the year includes the importance and responsibility of information security, information security notification channels, information security trend and threat analysis, domestic and foreign case study, introduction of the Personal Data Protection Act, introduction of the Authorized Economic Operator (AEO) information and technology security, personal information security best practice principle, etc. for a total of 48 information security related training courses with a total number of trainees reached 9,330

person-times, a total of 3,632 hours. In the face of rapidly increasing global information security threats, the Company places great importance on the overall information security protection and continues to devote more resources and manpower. “Hackers do not need to rest” and “protection has no boundaries, and zero trust is the only way to be truly safe.” Therefore, we strengthen the awareness of employees on information security and clearly define information security regulations, and through the evaluation and planning of relevant information security equipment, we deploy them in a timely and appropriate manner under the condition of information security risk consideration to ensure the stability of company operations.

2. Illustrate the losses, possible impacts and countermeasures of major information security incidents occurred in the most recent year and up to the publication date of the annual report. Describe the fact that it cannot be reasonably estimated, if any, in details:

The Company conducts an internal audit every year in accordance with the ISO 27001 verification standard, and an external audit will be conducted by a third party subsequently. There were no major nonconformities identified.

VII. Important contracts:

Contract nature	Parties involved	Contract starting and ending date	Main content	Restricted clauses
Lease contract	Hsinchu Science Park Bureau	11.06.2016 ~11.15.2036	Yilan Science Park Yike Section 9.10 land lease	No
Lease contract	Hsinchu Science Park Bureau	08.01. 2020 ~12.31. 2039	Yilan Science Park Yike Section 9-1.10-1 land lease	No

Six. Financial status

I. Condensed balance sheet and comprehensive income statement for the most recent 5 years

(i). Condensed balance sheet and comprehensive income statement

1. Condensed balance sheet

(1) Standalone financial statements

Unit: Thousand NTD

Item	Year	Financial information for the most recent 5 years (Note 1)				
		2017	2018	2019	2020	2021
Current assets		3,098,807	3,312,316	3,578,177	4,042,947	5,585,552
Property, plant and equipment		1,031,796	1,240,244	1,253,975	1,234,132	1,324,833
Intangible assets		4,414	12,593	11,427	16,760	27,164
Other assets		430,819	491,169	625,198	729,167	939,400
Total Assets		4,565,836	5,056,322	5,468,777	6,023,006	7,876,949
Current liabilities	Before distribution	1,199,266	1,063,243	902,794	1,024,503	1,729,173
	After distribution	1,623,859	1,532,240	1,500,765	1,577,506	Not yet distributed
Non-current liabilities		1,154	93,639	104,512	182,257	186,787
Total liabilities	Before distribution	1,200,420	1,156,882	1,007,306	1,206,760	1,915,960
	After distribution	1,625,013	1,625,879	1,605,277	1,759,763	Not yet distributed
Equity attributable to owners of parent		-	-	-	-	-
Capital stock		738,791	781,661	797,294	813,240	826,680
Capital surplus		949,010	1,037,330	1,058,681	1,082,702	1,213,829
Retained earnings	Before distribution	1,683,808	2,079,952	2,609,576	2,925,742	3,933,627
	After distribution	1,236,868	1,595,322	1,995,659	2,372,739	Not yet distributed
Other equity interests		(6,193)	497	(4,080)	(5,438)	(13,147)
Treasury shares		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	3,365,416	3,899,440	4,461,471	4,816,246	5,960,989
	After distribution	2,940,823	3,430,443	3,863,500	4,263,243	Not yet distributed

Note 1: The International Financial Reporting Standards have been adopted since 2013. Please refer to the financial information prepared in accordance with the R.O.C. Financial Accounting Standards for the financial information of the last five years. The Company's financial statements for the year of 2017~2021 have been verified and certified by a certified public accountant.

Note 2: The 2021 earnings distribution proposal has not been resolved by the regular shareholders' meeting; therefore, the amount after distribution is not listed temporarily.

(2) Consolidated financial statements

Unit: Thousand NTD

Item	Year	Financial information for the most recent 5 years (Note 1)					Financial data as of (MM/DD/YY) (Note 3)
		2017	2018	2019	2020	2021	
Current assets		3,234,045	3,486,281	3,873,721	4,393,003	6,068,198	
Property, plant and equipment		1,134,353	1,379,804	1,373,991	1,374,994	1,616,786	
Intangible assets		16,513	25,067	24,367	28,927	47,137	
Other assets		254,399	278,905	375,370	420,946	499,317	
Total Assets		4,639,310	5,170,057	5,647,449	6,217,870	8,231,438	
Current liabilities	Before distribution	1,263,258	1,144,302	1,015,876	1,140,925	1,860,521	
	After distribution	1,687,851	1,613,299	1,613,847	1,693,928	Not yet distributed	
Non-current liabilities		990	109,303	136,553	211,884	337,407	
Total liabilities	Before distribution	1,264,248	1,253,605	1,152,429	1,352,809	2,197,928	
	After distribution	1,688,841	1,722,602	1,750,400	1,905,812	Not yet distributed	
Equity attributable to owners of parent		3,365,416	3,899,440	4,461,471	4,816,246	5,960,989	
Capital stock		738,791	781,661	797,294	813,240	826,680	
Capital surplus		949,010	1,037,330	1,058,681	1,082,702	1,213,829	
Retained earnings	Before distribution	1,683,808	2,079,952	2,609,576	2,925,742	3,933,627	
	After distribution	1,236,868	1,595,322	1,995,659	2,372,739	Not yet distributed	
Other equity interests		(6,193)	497	(4,080)	(5,438)	(13,147)	
Treasury shares		-	-	-	-	-	
Non-controlling interest		9,646	17,012	33,549	48,815	72,521	
Total equity	Before distribution	3,375,062	3,916,452	4,495,020	4,865,061	6,033,510	
	After distribution	2,950,469	3,447,455	3,897,049	4,312,058	Not yet distributed	

Note 1: The International Financial Reporting Standards have been adopted since 2013. Please refer to the financial information prepared in accordance with the R.O.C. Financial Accounting Standards for the financial information of the last five years. The Company's financial statements for the year of 2017~2021 have been verified and certified by a certified public accountant.

Note 2: The 2021 earnings distribution proposal has not been resolved by the regular shareholders' meeting; therefore, the amount after distribution is not listed temporarily.

Note 3: There was no financial information available that had been verified, certified, or reviewed by a CPA prior to the publication date of the annual report.

2. Comprehensive income statement

(1) Standalone financial statements

Unit: NT\$ Thousand; Earnings per share: NT\$

Item	Year	Financial information of the last five years (Note 1)				
		2017	2018	2019	2020	2021
Operating revenue		5,962,524	7,173,369	6,696,506	6,626,157	9,427,772
Gross profit before unrealized gross profit on sales to subsidiaries		1,499,081	1,663,482	1,943,667	1,832,484	2,673,738
Operating profits or losses		996,852	1,070,005	1,261,713	1,134,107	1,814,203
Non-operating income and expenses		(57,551)	2,897	11,079	9,394	105,891
Profit before income tax		939,301	1,072,902	1,272,792	1,143,501	1,920,094
Net profits for the period from continuing operations		767,880	843,084	1,014,254	931,663	1,560,888
Losses from discontinued operations		-	-	-	-	-
Net profits (losses) for the period		767,880	843,084	1,014,254	931,663	1,560,888
Other comprehensive income for the period (net after tax)		(7,410)	6,690	(4,577)	(1,358)	(7,709)
Total comprehensive income for the year		760,470	849,774	1,009,677	930,305	1,553,179
Earnings per share		10.14	10.45	12.47	11.46	18.94

Note 1: The International Financial Reporting Standards have been adopted since 2013. Please refer to the financial information prepared in accordance with the R.O.C. Financial Accounting Standards for the financial information of the last five years. The Company's financial statements for the year of 2017~2021 have been verified and certified by a certified public accountant.

(2) Consolidated financial statements

Unit: NT\$Thousand; Earnings per share: NT\$

Item	Year	Financial information of the last five years (Note 1)					Financial data as of (MM/DD/YY) (Note 2)
		2017	2018	2019	2020	2021	
Operating revenue		6,544,206	7,866,250	7,361,665	7,152,015	10,195,658	
Gross profit before unrealized gross profit on sales to subsidiaries		1,773,701	1,940,466	2,317,776	2,133,727	3,092,218	
Operating profits or losses		996,236	1,109,255	1,388,887	1,207,293	1,949,246	
Non-operating income and expenses		(78,308)	(10,733)	(74,252)	(39,697)	22,808	
Profit before income tax		917,928	1,098,522	1,314,635	1,167,596	1,972,054	
Net profits for the period from continuing operations		730,861	850,450	1,029,199	940,533	1,581,881	
Losses from discontinued operations		-	-	-	-	-	
Net profits (losses) for the period		730,861	850,450	1,029,199	940,533	1,581,881	
Other comprehensive income for the period (net after tax)		(7,410)	6,690	(4,577)	(1,358)	(7,729)	
Total comprehensive income for the year		723,451	857,140	1,024,622	939,175	1,574,152	
Net profits attributable to shareholders of owners of the parent		767,880	843,084	1,014,254	931,663	1,560,888	
Net profits attributable to non-controlling interests		(37,019)	7,366	14,945	8,870	20,993	
Total comprehensive income attributable to shareholders of owners of the parent		760,470	849,774	1,009,677	930,305	1,553,179	
Total comprehensive income attributable to non-controlling interests		(37,019)	7,366	14,945	8,870	20,973	
Earnings per share		10.14	10.45	12.47	11.46	18.94	

Note 1: The International Financial Reporting Standards have been adopted since 2013. Please refer to the financial information prepared in accordance with the R.O.C. Financial Accounting Standards for the financial information of the last five years. The Company's financial statements for the year of 2017~2021 have been verified and certified by a certified public accountant.

Note 2: There was no financial information available that had been verified, certified, or reviewed by a CPA prior to the publication date of the annual report.

(ii) Condensed Balance Sheet and Income Statement - R.O.C. Financial Accounting Standards: None.

(iii) The name of CPA for the most recent 5 years and the audit opinions

1. The name of CPA for the most recent 5 years and the audit opinions

Year	CPA firm	CPA name	Opinion
2017	PricewaterhouseCoopers, Taiwan	Huang, Shih-Chun Chou, Chien-Hung	Unqualified opinion
2018	PricewaterhouseCoopers, Taiwan	Huang, Shih-Chun Chou, Chien-Hung	Unqualified opinion
2019	PricewaterhouseCoopers, Taiwan	Yeh, Tsui-Miao Huang, Shih-Chun	Unqualified opinion
2020	PricewaterhouseCoopers, Taiwan	Yeh, Tsui-Miao Huang, Shih-Chun	Unqualified opinion
2021	PricewaterhouseCoopers, Taiwan	Yeh, Tsui-Miao Huang, Shih-Chun	Unqualified opinion

2. If there is a replacement of CPA in the last five years, the reasons for the replacement should be stated, the predecessor CPA and the successor CPA: To cooperate with the internal adjustment of duties within the CPA firm.

II. Financial analysis for the most recent 5 years

(i). Financial analysis

(1) Standalone financial statements

Analysis item		Financial analysis for the most recent 5 years (Note 1)				
		2017	2018	2019	2020	2021
Capital structure (%)	Debt to assets ratio	26.29	22.88	18.42	20.04	24.32
	Long-term capital to property, plant and equipment ratio	326.17	321.85	364.12	405.02	464.04
Solvency %	Current ratio	258.39	311.53	396.34	394.63	323.02
	Quick ratio	172.95	245.55	312.05	318.31	229.34
	Interest coverage multiplier	114.94	577.83	784.74	667.76	834.37
Operating performance	Accounts receivable turnover rate (times)	5.83	6.30	6.31	7.15	7.84
	Average collection days	63	58	58	51	47
	Inventory turnover rate (times)	4.62	5.93	6.16	6.10	5.33
	Accounts payable turnover rate (times)	6.47	9.11	9.84	10.17	9.13
	Average sales days	79	62	59	60	68
	Property, plant and equipment turnover rate (times)	6.32	6.31	5.37	5.33	7.37
	Total assets turnover rate (times)	1.39	1.49	1.27	1.15	1.36
Profitability	Return on assets (%)	18.07	17.55	19.30	16.24	22.49
	Return on equity (%)	26.2	23.21	24.26	20.08	28.97
	Net profits before tax to paid-in capital (%)	127.14	137.26	159.64	140.61	232.27
	Net profit margin (%)	12.88	11.75	15.15	14.06	16.56
	Earnings per share (NT\$)	10.14	10.45	12.47	11.46	18.94
Cash flow	Cash flow ratio (%)	34.14	119.49	114.67	119.60	42.11
	Cash flow adequacy ratio (%)	63.29	104.35	125.14	132.95	105.10
	Cash reinvestment ratio (%)	4.24	20.74	12.31	12.48	2.83
Leverage	Operating leverage	1.50	1.53	1.52	1.61	1.49
	Financial leverage	1.01	1.00	1.00	1.00	1.00

Please explain the reasons for the increase and decrease in financial ratios in the last two years (if the increase or decrease ratio does not reach 20%, the analysis is exempted):

1. Debt to assets ratio: Mainly due to the increase in revenue of the current period from the year before, and the corresponding increase in the cost of materials purchased, employment expenses, and income tax, resulting in an increase in the debt ratio from the year before.
2. Current ratio: Mainly due to the increase in accounts payable resulted from the purchase of raw materials in response to the increasing market demand, resulting in a decrease in the current ratio from the year before.
3. Quick ratio: Mainly due to the increase in accounts payable resulted from the purchase of raw materials in response to the increasing market demand, resulting in a decrease in the quick ratio from the year before.
4. Interest coverage multiplier: The increase in the interest coverage multiplier from the year before is mainly due to the increase in the net income before tax from the year before.
5. Property, plant and equipment turnover rate (times): Mainly due to the increase in revenue in the current period, resulting in an increase in this ratio.
6. Various indicators of profitability: Mainly due to the increase in annual profit for the current period from the year before, resulting in an increase in this ratio.

7. Various indicators of cash flow: The decrease in the overall cash flow ratio is mainly due to the increase in material purchased, resulting in a decrease in cash inflow generated from operations.

Note 1: International Financial Reporting Standards (IFRSs) have been adopted since 2013. Please refer to the financial information for the last five years in accordance with the R.O.C. Financial Accounting Standards.

Note 2: The calculation is based on the financial information of the previous five years and is therefore excluded.

Note 3: The calculation formula for the above as follows

1. Capital structure

(1) Debt to assets ratio = total liabilities/total assets

(2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities)/net property, plant, and equipment

2. Solvency

(1) Current ratio = current assets/current liabilities

(2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities

(3) Interests coverage multiplier = net profits before tax and interest expense/interest expense for the period

3. Operating performance

(1) Receivable (including accounts receivable and notes receivable from business operations) turnover rate = net sales / balance of average accounts receivable for various periods (including accounts receivable and notes receivable from business operations).

(2) Average collection days = 365/accounts receivable turnover rate

(3) Inventory turnover rate = costs of goods sold/average inventory

(4) Payable (including accounts payable and notes payable from business operations) turnover rate = costs of goods sold / balance of average accounts payable for various periods (including accounts payable and notes payable from business operations).

(5) Average sales days = 365/inventory turnover rate

(6) Property, plant, and equipment turnover rate = net sales/average property, plant, and equipment

(7) Total assets turnover rate = net sales/average total assets

4. Profitability

(1) Return on assets = [net profits after tax + interest expense x (1 - tax rate)]/average total assets

(2) Return on equity = net profits after tax/average total equity

(3) Net profit margin = net profits after tax/net sales

(4) Earnings per share = (net profits attributable to shareholders of owners of the parent - preferred stock dividend)/ weighted average number of shares outstanding (Note 4)

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities/current liabilities.

(2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years / sum of capital expenditures, inventory additions, and cash dividend for the most recent 5 years

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capitals). (Note 4):

6. Leverage

(1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating profits.

(2) Financial leverage = operating profits / (operating profits - interest expense).

Note 4: Special attention should be paid to the following when measuring earnings per share with the above calculation formula:

1. Based on the weighted average number of common shares rather than the number of shares outstanding at the end of the year.

2. Where there is cash capital increase or treasury stock transactions, the weighted average number of shares should be used considering the period of circulation.

3. Where there is a capital increase by retained earnings or capital surplus when calculating the annual or semi-annual earnings per share for previous years, retrospective adjustments should be made in proportion to the capital increase, regardless of the issuance period of such capital increase.

4. If the preferred shares are non-convertible and cumulative, their dividends for the current year (whether paid or not) should be deducted from the net profits after tax, or added to the net losses after tax. If the preferred shares are non-cumulative, their dividends should be deducted from net profits after tax if there are net profits after tax; if there are net losses, no adjustment is required.

Note 5: Special attention should be paid to the following in performing cash flow analysis.

1. Net cash flow from operating activities represents the net cash inflow from operating activities in the cash flow statement.

2. Capital expenditures represent the annual cash outflows from capital investments.

3. Increase in inventory is included only if the ending balance is greater than the beginning balance or zero if inventory decreases at the end of the year.

4. Cash dividends include cash dividends on common stock and preferred stock.

5. Gross property, plant and equipment represents the total amount of property, plant and equipment before accumulated depreciation.

Note 6: The issuer should distinguish between fixed and variable operating costs and operating expenses according to their nature. Where estimates or subjective judgments are involved, pay attention to the reasonableness and maintain consistency.

Note 7: If the Company's stock has no face value or the face value per share is not NT\$10, the ratios related to paid-in capital in the preceding paragraph should be replaced with the ratio of Equity attributable to owners of parent in the balance sheet.

(2) Consolidated financial statements

Analysis item		Year	Financial analysis for the most recent 5 years (Note 1)					Financial data as of (MM/DD/YY) (Note 2)
		2017	2018	2019	2020	2021		
Capital structure (%)	Debt to assets ratio	27.25	24.25	20.41	21.76	26.70		
	Long-term capital to property, plant and equipment ratio	297.53	291.68	337.09	369.23	394.05		
Solvency %	Current ratio	256.01	304.66	381.32	385.04	326.16		
	Quick ratio	162.43	235.98	297.80	310.72	231.18		
	Interest coverage multiplier	111.37	538.44	577.09	510.20	661.21		
Operating performance	Accounts receivable turnover rate (times)	7.44	7.84	7.42	7.74	8.36		
	Average collection days	49	46.56	49.19	47.15	43.66		
	Inventory turnover rate (times)	4.27	5.59	5.82	5.77	5.12		
	Accounts payable turnover rate (times)	6.73	9.54	10.08	10.09	9.33		
	Average sales days	85	65	63	63	71		
	Property, plant and equipment turnover rate (times)	6.07	6.26	5.35	5.20	6.82		
	Total assets turnover rate (times)	1.48	1.60	1.36	1.21	1.41		
Profitability	Return on assets (%)	17.47	17.37	19.06	15.88	21.93		
	Return on equity (%)	25.48	23.13	24.47	20.10	29.03		
	Net profits before tax to paid-in capital (%)	124.25	140.54	164.89	143.57	238.55		
	Net profit margin (%)	11.73	10.72	13.98	13.15	15.52		
	Earnings per share (NT\$)	10.14	10.45	12.47	11.46	18.94		
Cash flow	Cash flow ratio (%)	30.60	117.82	107.97	112.16	44.44		
	Cash flow adequacy ratio (%)	58.63	89.74	120.55	131.67	104.15		
	Cash reinvestment ratio (%)	3.56	22.43	13.50	13.39	4.6		
Leverage	Operating leverage	1.72	1.74	1.66	1.81	1.62		
	Financial leverage	1.01	1.00	1.00	1.00	1.00		

Please explain the reasons for the increase and decrease in financial ratios in the last two years (if the increase or decrease ratio does not reach 20%, the analysis is exempted):

1. Debt to assets ratio: Mainly due to the increase in revenue of the current period from the year before, and the corresponding increase in the cost of materials purchased, employment expenses, and income tax, resulting in an increase in the debt ratio from the year before.
2. Current ratio: Mainly due to the increase in accounts payable resulted from the purchase of raw materials in response to the increasing market demand, resulting in a decrease in the current ratio from the year before.
3. Quick ratio: Mainly due to the increase in accounts payable resulted from the purchase of raw materials in response to the increasing market demand, resulting in a decrease in the quick ratio from the year before.

4. Interest coverage multiplier: The increase in the interest coverage multiplier from the year before is mainly due to the increase in the net income before tax from the year before.
5. Property, plant and equipment turnover rate (times): Mainly due to the increase in revenue in the current period, resulting in an increase in this ratio.
6. Various indicators of profitability: Mainly due to the increase in annual profit for the current period from the year before, resulting in an increase in this ratio.
7. Various indicators of cash flow: The decrease in the overall cash flow ratio is mainly due to the increase in material purchased, resulting in a decrease in cash inflow generated from operations.

Note 1: International Financial Reporting Standards (IFRSs) have been adopted since 2013. Please refer to the financial information for the last five years in accordance with the R.O.C. Financial Accounting Standards.

Note 2: There was no financial information available that had been verified, certified, or reviewed by a CPA prior to the publication date of the annual report.

Note 3: The relevant ratios in cash flow are not calculated when the net cash flow from operating activities minus cash dividends is negative.

Note 4: The aforementioned calculation formula is as follows:

1. Capital structure

(1) Debt to assets ratio = total liabilities/total assets

(2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities)/net property, plant, and equipment

2. Solvency

(1) Current ratio = current assets/current liabilities

(2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities

(3) Interests coverage multiplier = net profits before tax and interest expense/interest expense for the period

3. Operating performance

(1) Receivable (including accounts receivable and notes receivable from business operations) turnover rate = net sales / balance of average accounts receivable for various periods (including accounts receivable and notes receivable from business operations).

(2) Average collection days = 365/accounts receivable turnover rate

(3) Inventory turnover rate = costs of goods sold/average inventory

(4) Payable (including accounts payable and notes payable from business operations) turnover rate = costs of goods sold / balance of average accounts payable for various periods (including accounts payable and notes payable from business operations).

(5) Average sales days = 365/inventory turnover rate

(6) Property, plant, and equipment turnover rate = net sales/average property, plant, and equipment

(7) Total assets turnover rate = net sales/average total assets

4. Profitability

(1) Return on assets = [net profits after tax + interest expense x (1 - tax rate)]/average total assets

(2) Return on equity = net profits after tax/average total equity

(3) Net profit margin = net profits after tax/net sales

(4) Earnings per share = (net profits attributable to shareholders of owners of the parent - preferred stock dividend)/ weighted average number of shares outstanding (Note 4)

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities/current liabilities.

(2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years / sum of capital expenditures, inventory additions, and cash dividend for the most recent 5 years

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capitals). (Note 4):

6. Leverage

(1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating profits.

(2) Financial leverage = operating profits / (operating profits - interest expense).

Note 6: Special attention should be paid to the following when measuring earnings per share with the above calculation formula:

1. Based on the weighted average number of common shares rather than the number of shares outstanding at the end of the year.
2. Where there is cash capital increase or treasury stock transactions, the weighted average number of shares should be used considering the period of circulation.
3. Where there is a capital increase by retained earnings or capital surplus when calculating the annual or semi-annual earnings per share for previous years, retrospective adjustments should be made in proportion to the capital increase, regardless of the issuance period of such capital increase.
4. If the preferred shares are non-convertible and cumulative, their dividends for the current year (whether paid or not) should be deducted from the net profits after tax, or added to the net losses after tax. If the preferred shares are non-cumulative, their dividends should be deducted from net profits after tax if there are net profits after tax; if there are net losses, no adjustment is required.

Note 7: Special attention should be paid to the following in performing cash flow analysis.

1. Net cash flow from operating activities represents the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures represent the annual cash outflows from capital investments.
3. Increase in inventory is included only if the ending balance is greater than the beginning balance or zero if inventory decreases at the end of the year.
4. Cash dividends include cash dividends on common stock and preferred stock.
5. Gross property, plant and equipment represents the total amount of property, plant and equipment before accumulated depreciation.

Note 8: The issuer should distinguish between fixed and variable operating costs and operating expenses according to their nature. Where estimates or subjective judgments are involved, pay attention to the reasonableness and maintain consistency.

Note 9: If the Company's stock has no face value or the face value per share is not NT\$10, the ratios related to paid-in capital in the preceding paragraph should be replaced with the ratio of equity attributable to owners of parent in the balance sheet.

(ii) Financial analysis for the most recent 5 years - R.O.C. Financial Accounting Standards: None.

III. The Audit Committee Review Report on the 2021 Financial Statements:

Innodisk Corporation **Audit Committee Report**

The Board of Directors has prepared the Company's 2021 business report, financial statements and earnings allocation proposal. The financial statements have been audited by the CPAs of PricewaterhouseCoopers Taiwan, and the Auditors' Report was issued accordingly.

The Audit Committee is responsible for the supervision of the Company's financial reporting process. The CPAs have certified the 2021 financial statements and communicated with the Audit Committee on the following matters:

1. The certified public accountants have not found any significant deficiencies within the planned scope and timing of the audit.
2. The certified public accountants have provided the Audit Committee with a statement regarding the independence of personnel who are in compliance with the Codes of Ethics for Professional Accountants, and we have not found relationships and other matters that may be considered to affect the independence of the accountants.
3. The certified public accountants have communicated with the Audit Committee on key audit matters before deciding matters to be communicated and disclosed on the audit report.

The Business Report, Financial Statements, and proposals for allocation of profits have been reviewed and determined to be correct and accurate by the Audit Committee members. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Please kindly find the attached report for your reference.

Yours,

Innodisk Corporation 2022 General Shareholders' Meeting

Convener of the Audit Committee: Young, Kai-Charn

Audit Committee Member: Wang, Yin-Tien

Audit Committee Member: Lin, Wei-Li

Audit Committee Member: Lo, Su-Shun

February 23, 2022

IV. The 2021 Financial Statements

Please refer to page 119 to page 182 for details.

V. The 2021 consolidated financial statements of parent and subsidiary certified by CPAs:

Please refer to page 183 to page 252 for details.

VI. The Company and the affiliated companies should state the impact of a financial difficulty occurred in 2021 and up to the publication date of the annual report, if any, on the Company's financial status: None.

Seven. Review and analysis of the financial status and financial performance and risks

I. Financial status

Unit: Thousand NTD

Item \ Year	2021	2020	Difference	
			Amount	%
Current assets	6,068,198	4,393,003	1,675,195	38%
Property, plant and equipment	1,616,786	1,374,994	241,792	18%
Intangible assets	47,137	28,927	18,210	63%
Other assets	499,317	420,946	78,371	19%
Total Assets	8,231,438	6,217,870	2,013,568	32%
Current liabilities	1,860,521	1,140,925	719,596	63%
Non-current liabilities	337,407	211,884	125,523	59%
Total liabilities	2,197,928	1,352,809	845,119	62%
Capital stock	826,680	813,240	13,440	2%
Capital surplus	1,213,829	1,082,702	131,127	12%
Retained earnings	3,933,627	2,925,742	1,007,885	34%
Cumulative translation adjustments	(13,147)	(5,438)	(7,709)	142%
Non-controlling interest	72,521	48,815	23,706	49%
Total shareholders' equity	6,033,510	4,865,061	1,168,449	24%

Description:

Explanation for significant changes in the percentage of increase or decrease: (For changes of 20% or more in the preceding and following periods, and changes amounting to \$10 million)

1. Increase in current assets: Mainly due to the increase in operating income from the year before arising from the continuing strong demand from downstream customers, resulting in an increase in the accounts receivable, as well as the related inventory stocking.
2. Increase in intangible assets: Mainly due to the increase in the purchase of computer software in the current period.
3. Increase in current liabilities: Mainly due to the increase in revenue of the current period from the year before, and the corresponding increase in the cost of materials purchased, employment expenses, and income tax.
4. Increase in non-current liabilities: Mainly due to the Company's needs for working capital, the long-term loans from financial institutions are increased in the current period from the year before.
5. Increase in retained earnings: Mainly due to the stable profit generation and the appropriation of legal reserve lawfully, resulting in the increase in retained earnings from the year before.
6. Increase in non-controlling interests: Mainly due to the increase in profits from the investment under the equity method.

II. Financial performance

- (i) Major changes in operating revenues, net operating profits and net profits before income tax for the last two years.

Unit: Thousand NTD

Item	Year	2021		2020		Amount of increase or decrease	Change (%)
		Subtotal	Total	Subtotal	Total		
Total operating revenues		10,285,339		7,227,252		3,058,087	42%
Less: Sales returns		(56,947)		(30,079)		(26,868)	89%
Sales discounts		(32,734)		(45,158)		12,424	-28%
Net operating revenues			10,195,658		7,152,015	3,043,643	43%
Operating costs			(7,103,440)		(5,018,288)	(2,085,152)	42%
Gross profit before unrealized gross profit on sales to subsidiaries			3,092,218		2,133,727	958,491	45%
Operating expenses			(1,142,972)		(926,434)	(216,538)	23%
Net operating profits			1,949,246		1,207,293	741,953	61%
Non-operating income and expenses			22,808		(39,697)	62,505	-157%
Net profits before tax from continuing operations			1,972,054		1,167,596	804,458	69%
Income tax expense			(390,173)		(227,063)	(163,110)	72%
Net profits after tax from continuing operations			1,581,881		940,533	641,348	68%

For the last two years, explanation for items with change in the percentage of increase or decrease reaching 20%.

- (1) Net operating revenues, operating costs, gross profit, and net income: The Company's overall revenue and gross profit had grown due to the smooth shipment of products made in 2021.
 - (2) Operating expenses: The Company had appropriated additional performance rewards and bonuses for employees due to the significant growth in profit, resulting in an increase in operating expenses from the year before.
 - (3) Non-operating income and expenses: It is due to the COVID-19 expense subsidy received from the US government.
 - (4) Income tax expenses: It is due to the increase in net profits before tax from the continuing business units.
- (ii) Estimated sales quantity in the coming year and its basis, possible impact on the Company's future financial and business matters and countermeasures

1. Estimated sales quantity in the coming year and its basis

The Company estimates the sales volume of each major product in 2022 as follows according to previous business performance, current orders received, market supply and demand, and the increase in the production capacity of outsourced manufacturers:

Products	Unit	The 2022 Sales forecast
Industrial embedded storage devices	Thousand Piece/Each	4,186
Industrial dynamic random-access memory module	Thousand Piece/Each	4,200

2. Possible impact on the Company's future financial and business operations: The Company's results have grown steadily over the past few years. The above estimates for the coming year have no significant impact on the Company's future financial and business

operations.

3. Countermeasures: Not applicable

III. Cash flow

(i) Analysis of changes in cash flows for the most recent year

Unit: Thousand NTD

Cash balance at the beginning of the period	Net cash inflow from operating activities for the year	Cash outflow for the year	Estimated cash balance (shortfall)	Remedies for cash shortfall	
				Investment plan	Financing plan
2,260,204	826,827	949,140	2,137,891	-	-

Analysis of changes in cash flows for the most recent year

(1) Net cash inflow from operating activities: The net cash inflow from operating activities was NT\$826,827 thousand and it was mainly due to the injection of net operating profit in 2021.

(2) Annual cash outflow: The main outflow was due to the distribution and payment of cash dividends for NT\$553,003 thousand and the purchase of real estates for NT\$292,133 thousand in 2020.

(ii) Improvement plan for the lack of liquidity: None.

(iii) Cash liquidity analysis for the coming year.

Unit: Thousand NTD

Cash balance at the beginning of the period	Net cash inflow from operating activities for the year	Cash outflow for the year	Estimated cash balance (shortfall)	Remedies for cash shortfall	
				Investment plan	Financing plan
2,137,891	559,006	909,347	1,787,550	-	-

(1) Net cash from operating activities: The cash inflow is mainly from the net operating profit of the revenue generated in 2022.

(2) Cash outflow: The cash inflow is mainly from the execution of stock options by employees; the cash outflow is mainly due to the distribution of cash dividends and the purchase of equipment in 2021.

IV. Significant capital expenditures in the most recent year and the impact on finance and business matters:

Unit: Thousand NTD

Projects	Actual or expected source of funds	Actual or expected completion date	Total funds needed	Actual or intended use of funds		
				2021	2022	2023
Purchase of factory office - Xizhi	Proprietary fund and bank loan	Purchased and constructed in January 2022	493,621	225,077	268,544	
Construction of factory – Stage II of Yilan Plant	Proprietary fund and bank loan	Expected to be completed by the end of 2023.	579,500		204,320	375,180

(i) Purchase and construction of factory office - Xizhi: In response to operational growth, maintaining the current factory and office together, and maximize production efficiency and flexibility.

(ii) Construction of a factory – Stage II of Yilan Plant: In order to accelerate the AIoT industrial deployment, Stage II center will be expanded continuously in Yilan Science Park, which will help increase production capacity after its completion; also, continue to cultivate local R&D resources in order to further provide greater energy for the further and more comprehensive integration of software, hardware, and firmware.

V. Investment policy for the most recent year, the main reasons for profit or loss, improvement plan, and investment plan for the coming year:

Item	Description	Investment policy	The main reasons for profit or loss in 2021	Improvement plan	Investment plan for the coming year
Innodisk Global-M Corporation		Investment holdings	Recognition of investment income of Innodisk Shenzhen Corporation	No	No
Innodisk USA Corporation		Actively develop the U.S. market and expand market share.	Initiate the strategy adjustment in response to market changes, operate successfully, and increase profits.	Not applicable.	No
Innodisk Japan Corporation		Actively develop the Japan market and expand market share.	Provide quality services and maintain reasonable profitability.	No	No
Innodisk Shenzhen Corporation		Actively develop the Mainland market and expand market share.	Operate successfully.	Continue market development.	No
Aetina Corporation		Expand the field of industrial graphics cards.	Operating conditions are good and profitability increases	Continue market development.	No
AccelStor Inc. (Note 1)		Enter the Cloud Storage Market	No	No	No
Innodisk Europe B.V.		Actively develop the Europe market and expand market share.	Provide quality services and maintain reasonable profitability.	No	No
Innodisk France SAS		Actively develop the Europe market and expand market share.	Provide quality services and maintain reasonable profitability.	No	No
Millitronic Co., Ltd.		Entering the IoT market	Invested in June 2015	Actively develop products and customers.	No
Antzer Tech Co., Ltd. (Note 2)		Industrial control vehicle module and vehicle networking	No	No	No
Sysinno Technology Inc.		Sensor-related product design, application and service	Invested in November 2019	Actively develop products and customers.	No
AETINA USA CORPORATION (Note 3)		Actively develop the U.S. market and expand market share.	Established in September 2021	No	No
AETINA Europe B.V (Note)		Actively develop the Europe market and expand market share.	Established in January 2022	No	No

Note 1: AccelStor Inc. was dissolved in 2020.

Note 2: Antzer Tech Co., Ltd. was merged into a consolidated entity on May 18, 2021.

Note 3: AETINA USA CORPORATION was invested and established by Aetina Corporation in 2021, and the paid-in capital has not yet been collected.

Note 4: AETINA Europe B.V. was invested and established by Aetina Corporation in 2022, and the paid-in capital has not yet been collected.

VI. Risks

(i) The impact of change in interest rate, exchange rate change and inflation on the Company's profit and loss and future countermeasures

1. The effect of changes in interest rates.

Recently, market interest rates have been at a relatively low level. In order to avoid the impact of interest rate fluctuations on the Company's cost of capital, the Company has been monitoring interest rate movements, maintaining close contact with banks, and enhancing its own capital in order to reduce interest expenses and dependence on financial institutions.

2. The effect of changes in exchange rates.

The Company's sales and raw material purchases are mainly denominated in U.S. dollars, so the impact of exchange rate fluctuations on the Company's profitability should be limited. However, the Company still pays attention to exchange rate fluctuations in international financial markets and engages in forwarding foreign exchange contracts in a timely manner to reduce the risk caused by exchange rate fluctuations, but not for the purpose of making profits.

3. The effect of inflation:

The Company's principal activities have not yet been significantly affected by inflation. Still, the Company continues to monitor changes in price indices to guard against the risks that may arise from inflation.

(ii). Policies on high-risk, high-leverage investments, lending funds others, endorsement and guarantee, and derivatives transactions, main reasons for gain or loss, and future countermeasures:

The Company operates on a conservative and prudent financial basis and does not engage in high-risk and highly leveraged investments. The Company's lending funds to others and endorsement and guarantee are restricted to subsidiaries only. They are governed by the Company's operating procedures for lending funds to others and endorsement and guarantee. Derivative financial instruments are used in purchase contracts for a future period, mainly to hedge the risks arising from changes in exchange rates and in accordance with the Company's procedures for handling derivative transactions.

(iii) Future research and development plans and estimated research and development expenses.

1. Future R&D plan

(1) SATA III fast transfer speed and high specification embedded flash memory module

A. 2.5" Solid State Drive: 3SE, 3SE-P, 3SR, 3SR-P, 3ME, 3ME-P, 3MG series

B. 1.8" Solid State Drive: 3SE, 3SE-P, 3SR, 3SR-P, 3ME, 3ME-P, 3MG series

C. SATADOM™: Standard SATA 7pin interface, 3SE, 3ME series

D. SATA Slim: JEDEC compliant MO-297 specification, 3SE, 3SE-P, 3SR, 3SR-P, 3ME, 3ME-P, 3MG series

E. mSATA: JEDEC compliant MO-300 specification, 3SE, 3SE-P, 3SR, 3SR-P, 3ME, 3ME-P, 3MG series

F. CFast: Standard SATA 7+17pin interface, 3SE, 3ME series

(2) Industrial USB 3.0: 3SE, 3ME series

(3) CF-SATA™: Innodisk's patent for replacement for CompactFlash cards, 3SE, 3ME series

(4) nanoSSD : SATA III SSD chip

- (5) iSMART™ intelligent monitoring software
- (6) Firmware localization update
- (7) Next-generation cloud dynamic memory module
- (8) Cloud storage system with extremely fast access

2. Estimated Research and development expenses

The Company values the development of new products and technologies. The research and development expense in 2021 was NT\$194,129 thousand, and the research and development expense in 2022 is expected to be NT\$314,595 thousand.

- (iv) The impact of important domestic and foreign policy and legal changes on the Company's finance and business and countermeasures:

The Company complies with changes in domestic and foreign policies and laws, and pays close attention to possible changes in the future and prepares countermeasures at any time.

- (v) The impact of technological changes (including information security risks) and industry changes on the Company's financial business, and the countermeasures:

As an electronic manufacturer, the Company invests a lot of money in research and development every year. It keeps an eye on technological changes and the evolution of technology in the industry to provide new products to meet customers' needs every year. To date, technological changes and industry changes have not had a significant impact on the Company's finance and business matters.

- (vi) The impact of change in the corporate image on corporate crisis management and countermeasures:

The Company has been operating with integrity, and in recent years there has been no crisis in corporate management due to the change in image.

- (vii) Expected benefits and possible risks of mergers and acquisitions and countermeasures: None.

The Company has no plans for mergers and acquisitions to date.

- (viii) Expected benefits, possible risks, and countermeasures of plant expansion:

The Stage II R&D Center of Yilan Plant is with a construction scale of 5,233 pings planned along with the rapid development of global AIoT and the increasing demand for intelligent IoT, which will then become a large-scale R&D and manufacturing Park with an area of nearly 10,000 square meters in the future, including the Stage I R&D Center. It is an important base for Innodisk's connection to international research and development and also the largest smart green building landscape corridor in Yilan.

The construction of the Stage II R&D Center is expected to be completed in the fourth quarter of 2023, which can meet the operational development needs of the Company in the next 3~5 years. The investment in manufacturing equipment will be carried out successively in accordance with the sales growth to meet a small quantity product portfolio and to ensure the steady development of capacity utilization.

- (ix) Risks of concentrations of purchases or sales and countermeasures:

1. Purchase

Memory chip is the main material used by the Company, which is purchased mainly manufacture by Samsung Electronics (South Korea) and Kioxia (Japan) and purchased from their distributors "Company O" and Company A in Taiwan, respectively. The purchase ratio in 2021 was 32.72% and 21.60%, respectively. Therefore, the supply of memory chips was stable and without

the risk of short supply.

2. Sales

The Company's main sales targets are domestic and overseas distributors or end-users, and the sales targets are quite diversified and there is no risk of concentration of sales.

(x) The impact on the Company and risks of the massive transfer or change of shares by directors, supervisors or major shareholders with 10% stake or more and countermeasures: None.

(xi) The impact on the Company and risks of change in management rights and countermeasures: None.

(xii). Litigation or non-litigation events

1. For the most recent two years and the current year up to the date of publication of the annual report, if the Company has been convicted by final and binding judgments or is still bound by significant litigation, non-litigation or administrative disputes, the results of which may have a significant impact on shareholder interests or securities prices: There was no significant impact.

2. For the most recent two years and the current year up to the date of publication of the annual report, if the Company's directors, supervisors, general managers, persons in charge of the Company, substantial shareholders holding more than 10 percent of the shares, and affiliated companies have been convicted by final and binding judgments or is still bound by significant litigation, non-litigation or administrative disputes, the results of which may have a significant impact on shareholder interests or securities prices: None.

(xiii) Other important risks and countermeasures: None.

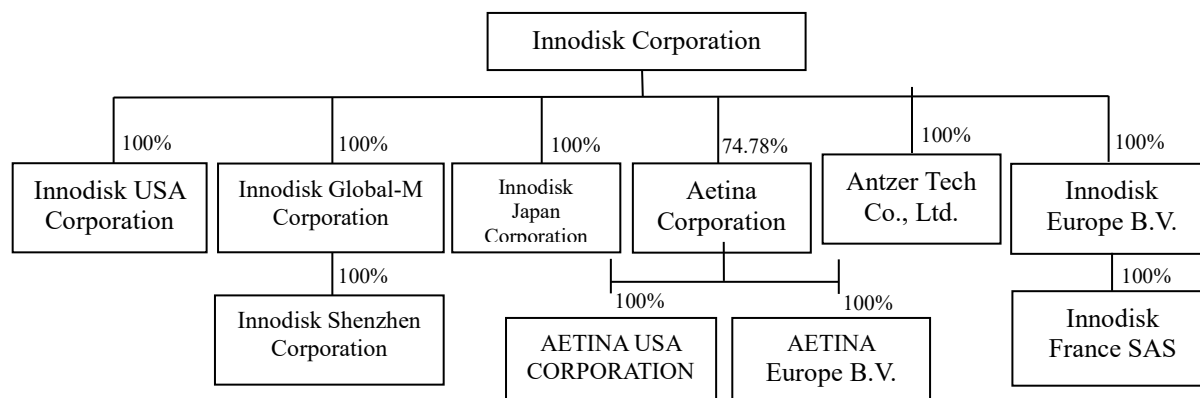
VII. Other important matters: None.

Eight. Special matters

I. Information on affiliates

(i) Consolidated affiliation reports

1. Affiliated enterprise organizational chart



2. Basic information on affiliates

Unit: Thousand NTD

Enterprise name	Date of establishment	Address	Paid-in capital	Principal business or production items
Innodisk USA Corporation	10.2008	42996 Osgood Road, Fremont, CA 94539 USA	62,051	Industrial embedded storage devices
Innodisk Global-M Corporation	10.2010	5F, No. 237, Section 1, Datong Road, Xizhi District, New Taipei City	20,154	Investment holdings
Innodisk Japan Corporation	2.2010	1-1-14 Nihonbashi Ningyocho, Chuo-ku, Tokyo	3,533	After-sales services and support of industrial embedded storage devices
Aetina Corporation	9.2013	2F-1, No. 237, Section 1, Datong Road, Xizhi District, New Taipei City	178,684	Manufacturing and sales of industrial graphics cards
Innodisk Shenzhen Corporation	1.2011	807, Block B, Hengyu Center, Dengliang Road, Nanshan District, Shenzhen	18,168	Industrial embedded storage devices
Innodisk Europe B.V.	1.2015	Pisanostraat 57 5623 CB Eindhoven, the Netherlands	17,470	After-sales services and support of industrial embedded storage devices
Innodisk France SAS	1.2021	Immeuble Stephenson 1 Rue George Stephenson 78180 Montigny-le-Bretonneux	175	After-sales services and support of industrial embedded storage devices
Antzer Tech Co., Ltd.	11.2015	7F-7, No. 237, Section 1, Datong Road, Xizhi District, New Taipei City	58,400	Electronic parts and components manufacturing.
AETINA USA CORPORATION	9.2021	42996 Osgood Road, Suite A Fremont, California, 94539 United States of America	- (Note 1)	After-sales service and support for industrial graphics cards
AETINA Europe B.V.	2.2022	Pisanostraat 57, 5623CB Eindhoven	- (Note 2)	After-sales service and support for industrial graphics cards

Note 1: AETINA USA CORPORATION was invested and established by Aetina Corporation in 2021, and the paid-in capital has not yet been collected.

Note 2: AETINA Europe B.V. was invested and established by Aetina Corporation in 2022, and the paid-in capital has not yet been collected.

3. Information on the common shareholder information for those presumed to be in a controlling

and subordinate relationship: Not applicable.

4. Information on directors, supervisors and managerial officers of affiliates

Unit: Thousand NTD; shares; %

Enterprise name	Title	Name or representative	Shareholding.	
			Number of Shares	Ownership
Innodisk USA Corporation	Chairman	Chien, Chuan-Sheng	-	-
	Director	Wang, Li-Cheng	-	-
	Director	LE VICTOR KHANH	-	-
Innodisk Global-M Corporation	Chairman	Chien, Chuan-Sheng	-	-
Innodisk Japan Corporation	Chairman	Chien, Chuan-Sheng	-	-
	Director	Kitajima Takahide	-	-
	Director	Wang, Chia-Ying	-	-
	Supervisor	Wang, Li-Cheng	-	-
Aetina Corporation	Chairman	Chien, Chuan-Sheng	13,361,737	74.78%
	Director	Chen, Qiu-Xiong	13,361,737	74.78%
	Director	Luo, Zhi-Rong	980,527	5.49%
	Supervisor	Wang, Li-Cheng	8,875	0.04%
Innodisk Shenzhen Corporation	Chairman	Chien, Chuan-Sheng	-	-
	Supervisor	Wang, Li-Cheng	-	-
Innodisk Europe B.V.	Director	Chien, Chuan-Sheng	-	-
	Director	Bo, Lu-Hua	-	-
Innodisk France SAS	Director	Chien, Chuan-Sheng	-	-
	Director	Bo, Lu-Hua	-	-
Antzer Tech Co., Ltd.	Director	Wei, Ting-Huang	58,400,000	100%
AETINA USA CORPORATION	Director	LE VICTOR KHANH	-	-
AETINA Europe B.V.	Director	Luo, Zhi-Rong	-	-
	Director	Bo, Lu-Hua	-	-

5. Operating profile of affiliates

Unit: Thousand NTD

Enterprise name	Capital	Total Assets	Total liabilities	Net worth	Operating revenue	Operating profit	Net profit and loss (after tax)	Earnings per share (NTD) (after tax)
Innodisk USA Corporation	62,051	391,235	287,904	103,331	1,695,314	3,006	38,520	18.82
Innodisk Global-M Corporation	20,154	73,629	0	73,629	0	(265)	12,903	19.40
Innodisk Japan Corporation	3,533	21,682	13,208	8,474	36,015	2,012	1,709	8717.09
Aetina Corporation	178,684	512,144	224,603	287,541	462,975	105,302	84,522	4.73
Innodisk Shenzhen Corporation	18,168	189,741	116,876	72,595	839,878	18,481	13,168	Note 1
Innodisk Europe B.V.	17,470	56,293	23,175	33,118	62,044	1,966	2,483	0.05
Antzer Tech Co., Ltd.	58,400	25,808	4,265	21,543	15,521	(2,545)	6,923	0.12
Innodisk France SAS	175	1,378	720	658	11,059	723	532	0
AETINA USA CORPORATION (Note 2)	-	-	-	-	-	-	-	-
AETINA Europe B.V. (Note 3)	-	-	-	-	-	-	-	-

Note 1: No shares issued

Note 2 AETINA USA CORPORATION was invested and established by Aetina Corporation in 2021, and the paid-in capital has not yet been collected.

Note 3: AETINA Europe B.V. was invested and established by Aetina Corporation in 2022, and the paid-in capital has not yet been collected.

(ii) Affiliated Enterprise Consolidated Financial Statements

Innodisk Corporation

Declaration of Consolidated Financial of Affiliated Enterprises

The business entities to be included in the Company's 2021 (from January 1, 2021 to December 31, 2021) "Affiliated Enterprise Consolidated Financial Statements" that are prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Report and Consolidated Financial Statements of Affiliated Enterprises" and the business entities to be included in the Company's parent-subsiidiary consolidated financial statements in accordance with IFRS No. 10 are the same; also, the relevant information to be disclosed in the "Affiliated Enterprise Consolidated Financial Statements" has already been disclosed in the aforementioned parent-subsiidiary consolidated financial statements; therefore, the "Affiliated Enterprise Consolidated Financial Statements" will not be prepared separately.

Hereby declare,

Company Name: Innodisk Corporation

Responsible Person: Chien, Chuan-Sheng

February 23, 2022

(iii) Affiliation report: None.

II. Private placement of marketable securities in the most recent year and the current year up till the publication date of this annual report: None.

III. Holding or disposal of the Company's shares by its subsidiaries in the most recent year and the current year up to the publication date of this annual report: None.

IV. Other matters that require additional explanation: None.

V. Any of the situations listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholder equity or the price of the Company's securities, which has occurred during the most recent year or the current year up to the date of publication of the annual report: None.

Independent Auditor's Report

To the Board of Directors and Stockholders of Innodisk Corporation:

Opinion

We have audited the parent company only balance sheets of Innodisk Corporation (the “Company”) as of December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2021 and 2020, and its financial performance and 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 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ responsibilities for the audit of the Parent Company Only financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2021 parent company only financial statements in our professional judgment. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Innodisk Corporation’s 2021 parent company only financial statements are as follows:

Key audit matter –Inventory Evaluation

Description

With respect to the accounting policy for inventory valuation, please refer to Note 4 (11) of the parent company only financial statements. For the uncertainty of accounting estimates and assumptions applied in inventory valuation, please refer to Note 5 (2). For the accounting entries of inventory, please refer to Note 6 (4).

Innodisk Corporate mainly manufactures and sells industrial storage devices and memory modules. Due to technological changes and price fluctuation of key raw materials, Innodisk's inventory is measured at the lower of cost and net realizable value and at the same time supplemented by separate identification of the usability of long-term inventory to recognize valuation loss. As the inventory valuation of Innodisk involves subjective judgment and the valuation is material to parent company only financial statements, we consider the inventory valuation as one of the key matters for audit.

How our audit addressed the matter

The scope of our audit responded to the risk as follows:

1. Understand the provision policy for valuation of inventory allowance to ensure that the provision policy for loss of inventory allowance during the reporting period is consistent.
2. Obtained net realizable value report for inventory items and verified that a consistent systematic logic was applied to the calculation. First, tested the assumptions such as: sources of sales data and relevant supporting estimation documents. Second, recalculated net realizable value item by item, then applied the lower of cost or net realizable value method for valuation and whether reasonable allowance was recognized.
3. Obtain an inventory aging report to conduct inventory aging test. Random sampling of inventory and compare inventory transaction records to confirm the classification of aging intervals.
4. Compared current and previous year's allowance for valuation of inventory loss and reviewed the reasonableness of allowance recognized.

Key audit matter –Existence of Sales Revenue

Description

For the accounting policy of revenue recognition, please refer to Note 4 (28) of the parent company only financial statements. For the description on accounting entries of sales revenue, please refer to Note 6 (16).

Innodisk Corporation is mainly engaged in the research, development, manufacturing and sales of

industrial storage devices and memory modules. Due to that product diversification and innovation affect changes to top ten customers sales and the large transactions with top ten customers require much resources in audit, we have listed the existence of sales revenue of the top ten customers as one of the important items for audit.

How our audit addressed the matter

The scope of our audit responded to the risk as follows:

1. Obtained an understanding of the process and basis of sales revenue recognition and collection with the top ten customers to evaluate the effectiveness of internal control of sales revenue recognition by the management, and test the effectiveness of internal control on shipping, billing and payment collection.
2. Obtain the evaluation data of the top ten customers, search for relevant information and verify them.
3. Test if the credit conditions for the top ten customers have been properly approved.
4. Selected samples of details of sales for the top ten customers to verify the related vouchers and status of subsequent payment collection.
5. Obtain details of sales returns in the subsequent period of the top ten customers and examine the status of sales returns.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

In preparing the parent company only 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 audit committee, are responsible for overseeing the

Company's financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They 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 parent company only financial statements.

As part of an audit in accordance with the generally accepted auditing standards 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 parent company only 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 parent company only 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 parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit for the parent company. 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 Company's parent company only financial statements of 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yeh, Tsui Miao

Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

February 23, 2022

Innodisk Corporation
Parent Company Only Balance Sheet
December 31, 2021 and 2020

Expressed in Thousands of NTD

Asset	Note	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6 (1)	\$ 1,824,752	23	\$ 1,992,270	33
1136	Current financial assets at amortised cost	6 (2)	600,000	8	400,000	6
1150	Notes receivable	6 (3)	1,986	-	258	-
1170	Accounts receivable, net	6 (3)	1,178,044	15	582,340	10
1180	Accounts receivable -- related parties	6 (3) and 7 (2)	357,219	5	282,216	5
1200	Other receivables		2,879	-	2,627	-
1210	Other receivables -- related parties	7 (2)	279	-	828	-
1220	Current income tax assets	6 (25)	494	-	606	-
130X	Inventories	6 (4)	1,532,434	19	737,236	12
1410	Prepayments		87,465	1	44,566	1
11XX	Current Assets		<u>5,585,552</u>	<u>71</u>	<u>4,042,947</u>	<u>67</u>
Non-current assets						
1535	Non-current financial assets at amortized cost	6(2) and 8	10,706	-	7,706	-
1550	Investments accounted for using equity method	6 (5)	469,476	6	345,306	6
1600	Property, plant and equipment	6 (6)	1,324,833	17	1,234,132	21
1755	Right-of-use assets	6 (7)	182,889	2	186,848	3
1760	Investment property, net	6 (9)	136,438	2	138,466	2
1780	Intangible assets		27,164	-	16,760	-
1840	Deferred income tax assets	6 (25)	56,350	1	34,728	1
1900	Other non-current assets	6 (10)	83,541	1	16,113	-
15XX	Non-current assets		<u>2,291,397</u>	<u>29</u>	<u>1,980,059</u>	<u>33</u>
1XXX	Total Assets		<u>\$ 7,876,949</u>	<u>100</u>	<u>\$ 6,023,006</u>	<u>100</u>

(Continued)

Innodisk Corporation
Parent Company Only Balance Sheet
December 31, 2021 and 2020

Expressed in Thousands of NTD

Liabilities and Equity	Note	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
Current liabilities						
2130	Current contract liabilities	6 (18)	\$ 8,184	-	\$ 27,005	-
2170	Accounts payable		923,937	12	537,013	9
2180	Accounts payable -- related parties	7 (2)	16,023	-	2,053	-
2200	Other payables	6 (21)	429,717	6	275,618	5
2220	Other payables -- related parties	7 (2)	8,124	-	4,226	-
2230	Current income tax liabilities	6 (25)	272,026	3	108,317	2
2250	Provisions for liabilities-current	6 (14)	59,600	1	61,193	1
2280	Current lease liabilities		7,959	-	7,005	-
2300	Other current liabilities		3,603	-	2,073	-
21XX	Current Liabilities		<u>1,729,173</u>	<u>22</u>	<u>1,024,503</u>	<u>17</u>
Non-current liabilities						
2570	Deferred income tax liabilities:	6 (25)	8,279	-	-	-
2580	Non-current lease liabilities		177,216	2	181,157	3
2600	Other non-current liabilities	7 (2)	1,292	-	1,100	-
25XX	Non-current Liabilities		<u>186,787</u>	<u>2</u>	<u>182,257</u>	<u>3</u>
2XXX	Total liabilities		<u>1,915,960</u>	<u>24</u>	<u>1,206,760</u>	<u>20</u>
Equity attributable to owners of parent						
Share capital						
3110	Share capital - common stock	6 (15)	826,680	11	813,240	13
Capital surplus						
3200	Capital surplus	6 (16)	1,213,829	15	1,082,702	18
Retained earnings						
3310	Legal reserve	6 (17)	610,743	8	517,734	9
3320	Special reserve		5,438	-	4,080	-
3350	Unappropriated retained earnings		3,317,446	42	2,403,928	40
Other equity interests						
3400	Other equity interests		(13,147)	-	(5,438)	-
3XXX	Total equity		<u>5,960,989</u>	<u>76</u>	<u>4,816,246</u>	<u>80</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet date						
3X2X	Total Liabilities and Equity		<u>\$ 7,876,949</u>	<u>100</u>	<u>\$ 6,023,006</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements; please review them together.

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Liao, Shu-Nu

Innodisk Corporation
Parent Company Only Statement of Comprehensive Income
January 1 to December 31, 2021 and 2020

Expressed in Thousands of NTD
(Except for earnings per share)

Item	Note	2021		2020	
		Amount	%	Amount	%
4000 Operating revenue	6 (18) and 7 (2)	\$ 9,427,772	100	\$ 6,626,157	100
5000 Operating costs	6 (4) and 7 (2)	(6,752,343)	(72)	(4,794,650)	(72)
5900 Gross profit before unrealized gross profit on sales to subsidiaries		2,675,429	28	1,831,507	28
5910 Unrealized profit from sales		(14,316)	-	(12,625)	-
5920 Realized profit on from sales		12,625	-	13,602	-
5950 Gross profit before unrealized gross profit on sales to subsidiaries		2,673,738	28	1,832,484	28
Operating expenses	6 (23) (24) and 7 (2)				
6100 Selling expenses		(323,578)	(3)	(284,312)	(5)
6200 General and administrative expenses		(364,014)	(4)	(265,509)	(4)
6300 Research and development expenses		(171,450)	(2)	(142,330)	(2)
6450 Expected loss on credit impairment		(493)	-	(6,226)	-
6000 Total operating expenses		(859,535)	(9)	(698,377)	(11)
6900 Operating profit		1,814,203	19	1,134,107	17
Non-operating income and expenses					
7100 Interest income	6 (19)	4,844	-	5,667	-
7010 Other income	6 (20) and 7 (2)	16,647	-	29,871	1
7020 Other gains and losses	6 (21)	(24,098)	-	(51,452)	(1)
7050 Finance cost	6 (22)	(2,304)	-	(1,715)	-
7070 Share of profit/(loss) of associates and joint ventures accounted for using equity method	6 (5)	110,802	1	27,023	-
7000 Total non-operating income and expenses		105,891	1	9,394	-
7900 Profit before income tax		1,920,094	20	1,143,501	17
7950 Income tax expense	6 (25)	(359,206)	(4)	(211,838)	(3)
8200 Profit for the year		\$ 1,560,888	16	\$ 931,663	14
Other comprehensive income					
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(\$ 7,709)	-	(\$ 1,358)	-
8360 Components of other comprehensive loss that will be reclassified to profit or loss		(7,709)	-	(1,358)	-
8500 Total comprehensive income for the year		\$ 1,553,179	16	\$ 930,305	14
Basic earnings per share					
9750 Profit for the year	6 (26)	\$ 18.94		\$ 11.46	
Diluted earnings per share					
9850 Profit for the year	6 (26)	\$ 18.61		\$ 11.21	

The accompanying notes are an integral part of the parent company only financial statements; please review them together.

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Liao, Shu-Nu

Innodisk Corporation
Parent Company Only Statement of Changes in Equity
January 1 to December 31, 2021 and 2020

Expressed in Thousands of NTD

	Note	Share capital - common stock	Capital surplus	Retained earnings			Other equity interests	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	
<u>2020</u>								
Balance at January 1, 2020		\$ 797,294	\$ 1,058,681	\$ 416,308	\$ -	\$ 2,193,268	(\$ 4,080)	\$ 4,461,471
Profit for the year		-	-	-	-	931,663	-	931,663
Other comprehensive profit and loss for the year		-	-	-	-	-	(1,358)	(1,358)
Total comprehensive profit and loss for the year		-	-	-	-	931,663	(1,358)	930,305
Appropriations and of 2019 earnings	6 (17)							
Legal reserve		-	-	101,426	-	(101,426)	-	-
Special reserve		-	-	-	4,080	(4,080)	-	-
Stock dividends		15,946	-	-	-	(15,946)	-	-
Cash dividends		-	-	-	-	(597,971)	-	(597,971)
Share-based payment	6 (13)	-	22,864	-	-	-	-	22,864
Changes in net assets of the associates and joint ventures accounted for using equity method		-	-	-	-	(1,580)	-	(1,580)
Share-based remuneration for employees of subsidiaries		-	1,157	-	-	-	-	1,157
Balance at December 31, 2020		\$ 813,240	\$ 1,082,702	\$ 517,734	\$ 4,080	\$ 2,403,928	(\$ 5,438)	\$ 4,816,246
<u>2021</u>								
Balance at January 1, 2021		\$ 813,240	\$ 1,082,702	\$ 517,734	\$ 4,080	\$ 2,403,928	(\$ 5,438)	\$ 4,816,246
Profit for the year		-	-	-	-	1,560,888	-	1,560,888
Other comprehensive profit and loss for the year		-	-	-	-	-	(7,709)	(7,709)
Total comprehensive income for the year		-	-	-	-	1,560,888	(7,709)	1,553,179
Appropriations and of 2020 earnings	6 (17)							
Legal reserve		-	-	93,009	-	(93,009)	-	-
Special reserve		-	-	-	1,358	(1,358)	-	-
Cash dividends		-	-	-	-	(553,003)	-	(553,003)
Share-based payment	6 (13)	-	19,973	-	-	-	-	19,973
Exercise of employee share options		13,440	111,055	-	-	-	-	124,495
Share-based remuneration for employees of subsidiaries		-	99	-	-	-	-	99
Balance at December 31, 2021		\$ 826,680	\$ 1,213,829	\$ 610,743	\$ 5,438	\$ 3,317,446	(\$ 13,147)	\$ 5,960,989

The accompanying notes are an integral part of the parent company only financial statements; please review them together.

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Liao, Shu-
Nu

Innodisk Corporation
Parent Company Only Statements of Cash Flow
January 1 to December 31, 2021 and 2020

Expressed in Thousands of NTD

	Note	January 1 to December 31, 2021	January 1 to December 31, 2020
<u>Cash flow from operating activities</u>			
Profit before income tax for the year		\$ 1,920,094	\$ 1,143,501
Adjustments:			
Adjustments to reconcile profit (loss)			
Depreciation charges on property, plant and equipment	6 (23)	60,532	63,405
Depreciation charges on right-of-use assets	6 (23)	9,315	6,784
Amortization charges on the intangible assets and deferred assets.	6 (23)	21,499	18,748
Depreciation charges on investment property	6 (21)	2,028	2,028
Expected loss on credit impairment		493	6,226
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	6 (4)	124,783	3,624
Loss on scrapping inventory	6 (4)	3,353	9,193
Share of (profit)/loss of associates accounted for using equity method	6 (5)	(110,802)	(27,023)
Gains on revaluation of investments accounted for using equity method	6 (21)	(2,780)	-
Loss (gain) on disposal of property, plant and equipment	6 (21)	(388)	3
Gain on disposal of intangible assets	6 (21)	-	(2,842)
Interest expense	6 (22)	2,304	1,715
Interest income	6 (19)	(4,844)	(5,667)
Compensation cost of employee stock options	6 (13)	19,973	22,864
Unrealized profit from sales		14,316	12,625
Realized profit on from sales		(12,625)	(13,602)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(1,728)	1,108
Accounts receivable, net		(596,197)	33,223
Accounts receivable -- related parties		(75,003)	81,925
Other receivables		(251)	(1,266)
Other receivables - related parties		549	188
Inventories		(923,334)	(51,686)
Prepayments		(42,899)	(5,752)
Changes in operating liabilities			
Current contract liabilities		(18,821)	20,937
Accounts payable		386,924	134,126
Accounts payable -- related parties		13,970	908
Other payables		137,751	10,202
Other payables -- related parties		3,898	(1,798)
Provisions for liabilities-current		(1,593)	2,423
Other current liabilities		1,530	(1,342)
Cash inflow generated from operations		932,047	1,464,778
Interest received		4,843	5,667
Income tax paid		(208,728)	(245,093)
Net cash flows from operating activities		728,162	1,225,352

(Continued)

Innodisk Corporation
Parent Company Only Statements of Cash Flow
January 1 to December 31, 2021 and 2020

Expressed in Thousands of NTD

	Note	January 1 to December 31, 2021	January 1 to December 31, 2020
<u>Cash Flow from Investing Activities</u>			
Increase in financial assets at amortized cost -			
current		(\$ 200,000)	(\$ 250,000)
Acquisition of investments accounted for using	6 (5)		
equity method		(19,889)	(20,494)
Proceeds from disposal of investments accounted	6 (5)		
for using equity method		-	3,493
Acquisition of property, plant and equipment	6 (28)	(129,362)	(32,158)
Disposal of property, plant and equipment		450	-
Acquisition of intangible assets		(22,885)	(13,242)
Disposal of intangible assets		-	26,653
Increase in prepayments for equipment		(68,802)	(2,656)
Increase in refundable deposits		(207)	(355)
Decrease in refundable deposits		207	945
Increase in pledged time deposits		(3,000)	-
Increase in the other non-current assets		(13,229)	(16,528)
Net cash used in investing activities		(456,717)	(304,342)
<u>Cash Flow from Financing Activities</u>			
Increase in guarantee deposits received	6 (29)	524	601
Decrease in guarantee deposits received	6 (29)	(332)	(708)
Cash dividends paid	6 (29)	(553,003)	(597,971)
Exercise of employee share options	6 (15)	124,495	-
Interest paid		(2,304)	(1,715)
Payment of lease liabilities	6 (29)	(8,343)	(6,040)
Net cash used in financing activities		(438,963)	(605,833)
Increase (decrease) in cash and cash equivalents		(167,518)	315,177
Cash and cash equivalents at beginning of year		1,992,270	1,677,093
Cash and cash equivalents at end of year		<u>\$ 1,824,752</u>	<u>\$ 1,992,270</u>

The accompanying notes are an integral part of the parent company only financial statements; please review them together.

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Liao, Shu-Nu

Innodisk Corporation
Notes to the Parent Company Only Financial Statements
Years Ended December 31, 2021 and 2020

Expressed in Thousands of NTD
(Except as otherwise indicated)

I. Company history

(I) Innodisk Corporation (hereinafter referred to as the “Company”) was established in March 2005. The Company mainly engage in the research, development, manufacturing and sales of various types of industrial embedded storage devices.

(II) The Taipei Exchange reviewed the Company’s application and approved its eligibility to be publicly traded in October, 2013 and the Company became officially on the OTC board on November 27, 2013.

II. The date of authorization for issuance of the financial statements and procedures for authorization

The parent company only financial statements have been approved and authorized for issuance by the Board of Directors on February 23, 2022.

III. Application of new standards, amendments, and interpretations

(I) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”).

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2021:

New/Amended/Revised Standards and Explanations	Effective date of issuance by IASB
Amendment to IFRS 4 “Extension of temporary exemption from the application of IFRS 9”	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, “Interest Rate Benchmark Reform— Phase 2”	January 1, 2021
Amendment to IFRS 16 “Rent concession related to COVID-19 after June 30, 2021”	April 1, 2021 (Note).

Note: the FSC allows it to apply in advance on January 1, 2021.

The Company believes that the adoption of aforementioned standards and interpretations will not have a significant impact on the parent company only financial position and performance.

(II) Effect of the new issuances of or amendments to IFRS as endorsed by the FSC but not yet adopted by the Company.

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2022:

<u>New/Amended/Revised Standards and Explanations</u>	<u>Effective date of issuance by IASB</u>
Amendment to IFRS 3 “Index to conceptual framework”	January 1, 2022
Amendment to IAS 16 “Property, plant and equipment: price before reaching the intended state of use”	January 1, 2022
Amendment to IAS 37 “Loss making contracts - Cost of performing contracts”	January 1, 2022
Annual improvement of the 2018 ~ 2020 cycle	January 1, 2022

The Company believes that the adoption of aforementioned standards and interpretations will not have a significant impact on the the parent company only financial position and performance.

(III) IFRSs issued by the IASB but not yet recognized by the FSC.

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:

<u>New/Amended/Revised Standards and Explanations</u>	<u>Effective date of issuance by IASB</u>
Amendment to IFRS 10 and IAS 28 “Sale or investment of assets between investors and their affiliates or joint ventures”	To be determined by IASB.
IFRS 17 “Insurance contracts”	January 1, 2023
Amendment to IFRS 17 “Insurance contracts”	January 1, 2023
Amendment to IFRS 17 “Initial application of IFRS 17 and IFRS 9 - comparative information”	January 1, 2023
Amendment to IAS 1 “ Classification of liabilities as current or non current”	January 1, 2023
Amendment to IAS 1 “Disclosure of accounting policies”	January 1, 2023
Amendment to IAS 8 “Definitions of accounting estimates”	January 1, 2023
Amendment to IAS 12 “Deferred income tax related to assets and liabilities arising from a single transaction”	January 1, 2023

The Company believes that the adoption of aforementioned standards and interpretations will not have a significant impact on the the parent company only financial position and performance.

IV. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these the parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Compliance statement

These parent company only financial statements of the Company have been prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers.”

(II) Basis of preparation

1. The parent company only financial report has been prepared under the historical cost convention.
2. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(III) Foreign currency translation

Items included in the parent company only financial report of the Company are measured using the currency of the primary economic environment in which the Company operates (hereinafter referred to as “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency and reporting currency.

1. Foreign currency transactions and balances

- (1) Foreign currency transactions are translated into the functional currency using spot exchange rate at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (2) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated using spot exchange rate at the balance sheet date. Exchange differences arising from re-translation at the balance sheet date are recognized in profit or loss.
- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated using spot exchange rate at the balance sheet date. Their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated using spot exchange at the balance sheet date. Their translation differences are recognized in other comprehensive income. For those which are not measured at fair value, they measured by the historical exchange rate of the initial transaction date.
- (4) All foreign exchange gains and losses are presented in the parent company only financial

statements of comprehensive income under “Other gains and losses.”

2. Translation of foreign operations

The operating results and financial position of all the company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
- (2) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.
- (3) All resulting exchange differences are recognized in other comprehensive income.

(IV) Classification of current and non-current items

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
- (2) Assets held mainly for trading purposes.
- (3) Assets that are expected to be realized within twelve months from the balance sheet date.
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

Assets that do not meet the above criteria are considered non-current.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be paid off within the normal operating cycle.
- (2) Assets held mainly for trading purposes.
- (3) Liabilities that are to be paid off within twelve months from the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Liabilities that do not meet the above criteria are considered non-current.

(V) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(VI) Financial assets measured at amortized cost

1. Refer to those that meet the following criteria at the same time:
 - (1) The objective of the business model is achieved by collecting contractual cash flows.
 - (2) The assets' contractual cash flows solely represent payments of principal and interest.
2. On a regular way purchase or sale basis, financial assets measured at amortized cost are recognized and de-recognized using trade date accounting.
3. The Company measures financial assets at fair value plus transaction costs in the initial recognition. The financial assets are subsequently amortized by the effective interest rate during the circulation to recognize interest income and impairment loss. The profits or losses are recognized in the profit and loss when the assets are derecognized.
4. The Company holds time deposits that are not considered cash equivalents. Due to the short holding period, the impact of discounting is insignificant and is measured by the amount of investment.

(VII) Accounts and notes receivable

1. Refers to accounts and notes that have been unconditionally charged for the right to exchange the value of the consideration due to the transfer of goods or services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(VIII) Impairment of financial assets

Regarding the financial assets measured at amortized cost, the Company considers all reasonable and supportable information (including forward-looking ones) and measure the loss allowance based on the 12-month expected credit losses for those that do not have their credit risk increased significantly since initial recognition. For those that have increased significantly since initial recognition, the loss allowance is measured based on the full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is also required for trade receivables that do not constitute a financing transaction.

(IX) De-recognition of financial assets

A financial asset is de-recognized when the Company's rights to receive cash flows from the financial assets have expired.

(X) Leasing arrangements (lessor) -- operating leases

Lease income from operating leases, less any incentives given to the lessee, is amortized in current profit or loss on a straight-line basis over the lease term.

(XI) Inventories

Inventories are measured at the lower of cost or net realizable value, and the cost is determined by weighted-average method. The cost of finished goods and work-in-progress comprises raw materials, direct labor, other direct costs and related production overheads, but excludes borrowing costs. At the

end of year, inventories are evaluated at the lower of cost or net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable costs of completion and selling expenses.

(XII) Investments accounted for under equity method -- subsidiaries and associates

1. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. Unrealized gains or losses on transactions between Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company recognized the profit and loss upon the acquisition of subsidiaries as the current profit and loss. Other comprehensive profit and loss after the acquisition are recognized as the other comprehensive profit and loss. If the Company's recognized profit and loss of the subsidiaries equal to or exceed the equity in the subsidiaries, the Company will continue to recognize the loss in proportion to its shareholding.
4. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are equity transactions and they are considered as transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is directly recognized in equity.
5. Associates refer to entities over which the Company has significant influence but is not in control. In general, the associates may have more than 20% of their voting shares directly or indirectly owned by the Company. The Company accounts for its investment in associates using the equity method, and the investment is initially recognized at cost.
6. The Company recognizes the profit and loss upon the acquisition of associates as the current profit and loss. Other comprehensive profit and loss after the acquisition are recognized as the other comprehensive profit and loss. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company will not recognize further losses, unless it has incurred legal or constructive obligations or make payments on behalf of the associate.
7. If an associate has changes in equity not from profit or loss or other comprehensive income, and such changes do not affect the Company's shareholding in the associate, the Company will recognize all changes in equity as "capital surplus" according to the shareholding percentage.
8. Unrealized gains on transactions between the Company and associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the

transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

9. In the event that an associate issues new shares and the Company does not subscribe to or acquire the new shares in proportion, which results in a change to the Company's shareholding percentage but the Company maintains a significant influence on the associate, the increase or decrease of the Company's share of equity interest is the adjustment of "capital surplus" and "investments accounted for under the equity method." If the investment percentage is reduced, in addition to the above adjustments, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionally on the same basis as would be required if the relevant assets or liabilities were disposed of.
10. When the Company disposes of an associate, if it loses the significant influence on the associate accordingly, the capital surplus related to the associate will be reclassified to profit or loss; if it still has a significant influence on the associate, the capital surplus will be reclassified to profit or loss according to the percentage of the disposal.
11. Pursuant to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss during the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

(XIII) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the costs of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 must be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic

benefits embodied in the assets have changed significantly, any changes are accounted for as a change in estimate under IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors,” from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings and construction	2 to 50 years
Machines and equipment	2 to 8 years
Office equipment	2 to 6 years
Others	2 to 6 years

(XIV) Leasing agreements (lessee) - right-of-use assets/lease liabilities

1. Leases are recognized as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as expenses on a straight-line basis over the lease term.
2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments include fixed payments, less any lease incentives receivables.

The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is re-measured and the amount of re-measurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

3. At the commencement date, the right-of-use asset is recognized at cost comprising the amount of initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset’s service life or the end of lease term. When the lease liability is re-measured, the amount of re-measurement is recognized as an adjustment to the right-of-use asset.

4. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease and, recognizes the difference in profit or loss.

(XV) Investment property

Investment properties are initially measured at cost and may be subsequently measured using a cost model. Except for land, the service life is recognized on a straight-line basis of depreciation and is about 24 to 32 years.

(XVI) Intangible assets

Computer and software recognized by the acquisition cost, and is amortized on a straight-line basis with an estimated service life of 1 to 8 years.

(XVII) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal cost or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exists or diminishes, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(XVIII) Borrowings

Refers to long- and short-term funds borrowed from banks. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(XIX) Accounts and notes payable

1. Refers to debts incurred as a result of the purchase of raw materials, goods or services and the notes payable due to business and non-business purposes.
2. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XX) De-recognition of financial liabilities

The Company de-recognizes financial liabilities when the obligations specified in the contract are fulfilled, cancelled or expired.

(XXI) Financial assets and liabilities are offset against each other

Financial assets and financial liabilities are offset and presented in the balance sheet on a net basis when there is a legally enforceable right to offset the amount of the recognized financial assets and liabilities and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(XXII) Provisions

Liability reserve (which is for warranty) is a present statutory or deferred obligation as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

(XXIII) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

2. Pension

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Pre-paid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

3. Employees' bonuses and directors' and supervisors' remuneration

Employees' bonuses and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any differences between the resolved amounts and the subsequently actual distributed amounts are accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(XXIV) Employee share-based payment

The share-based payment agreement for delivery of equity is a transaction in which employees' labor service is received as consideration for the Company's equity instrument at fair value. It is recognized as compensation costs during the vesting period and the equity is adjusted accordingly. The equity instrument's fair value shall reflect the effects of vesting and non-vesting conditions of market value. The recognized remuneration costs are adjusted in accordance with the expected service conditions to be met and the non-vesting market value conditions, until the final recognized amount is recognized with the vesting amount on the vesting date.

(XXV) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the balance sheet.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities. They are levied by the same taxation authority on either the same entities or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXVI) Share capital

Common stocks are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(XXVII) Dividend distribution

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities. Stock dividends are recorded as dividends to be distributed and transferred to be common stocks on the base date of issuance of new shares.

(XXVIII) Revenue recognition

1. Our Company develops, manufactures and sells various products related to industrial storage devices and memory modules. Sales revenue is recognized when the control of products is transferred to customers. That is, once products are delivered to customers, the customers have discretion on the channel and price of product sales, and the Company has no outstanding performance obligations that may affect customers' acceptance of the products. The delivery of products occurs when products are shipped to a designated location and the risk of obsolescence and loss has been transferred to customers, and the customers accept the products in accordance with the sales contract or have objective evidence that all criteria have been met.
2. The payment terms of sales transactions are usually payment in advance or net 30 to 90. With respect to the contracts signed between the Company and customers, the time interval between

the transfer products or services promised to customers and the customers' payment has not exceeded one year, so the Company has not adjusted the transaction price to reflect the time value of money.

3. Sales revenue is recognized as the net from subtracting sales discounts from the contract price. The Company estimates possible sales discounts based on past experience and different contract conditions and recognizes the refund liabilities accordingly.
4. The Company provides warranty for products sold, and has the obligation to repair product defects, which are recognized as liability provisions when goods are sold.
5. Accounts receivable are recognized when goods are delivered to customers. The Company has unconditional rights to the contract price, and will be able to collect the amount from the customers after the time has passed.

(XXIX) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the enterprise will comply with the conditions attached to the government grant and that the grant will be received. If the nature of government grants is to compensate the Company for expenses incurred, the government grants are recognized in profit or loss on a systematic basis in the period in which the related expenses are incurred.

(XXX) Business combinations

1. The Company adopts the acquisition method to account for business combinations. The consideration transferred for a combination is measured as the fair value of the assets transferred, the liabilities incurred or assumed, and the equity instruments issued at the acquisition. The consideration for the transfer includes the fair value of any assets and liabilities arising from contingent consideration agreements. All acquisition-related costs related are expensed as incurred. The identifiable assets acquired and liabilities assumed in a business combination are measured at fair value at the acquisition date. For each business combination, the Company measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
2. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference

is recognised directly in profit or loss on the acquisition date.

V. Critical accounting judgments and key sources of estimation and uncertainty

The preparation of these parent company only financial statements requires the management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Please refer to the following explanation of critical accounting judgments and key sources of estimation and uncertainty:

(I) Important judgments adopted by the accounting policies

The accounting policies adopted by the Company have been assessed and have shown no significant uncertainties.

(II) Critical accounting estimates and assumptions

Inventory Evaluation

During the inventory valuation, the Company needs to use judgment to evaluate the wear and tear, obsolescence and market sales value of the inventory to estimate the net realizable value, and write down the inventory cost to the net realizable value. Technological changes, environmental changes and sales conditions will change the inventory value, further affecting its valuation.

As of December 31, 2021, the book value of the Company's inventory was NT\$1,532,434.

VI. Statements of main accounting items

(I) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash:		
Cash on hand and revolving funds	\$ 562	\$ 569
Checking deposits and demand deposits	1,688,690	1,368,201
Cash equivalents:		
Time deposits	135,500	623,500
	<u>\$ 1,824,752</u>	<u>\$ 1,992,270</u>

1. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
2. For the status on the Company providing pledged collaterals with cash and cash equivalents which have been reclassified to other non-current assets, please refer to the details in Note 6 (10) and 8.

(II) Financial assets measured at amortized cost

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Time deposits due in more than three months	\$ 600,000	\$ 400,000
Non-current items:		
Pledged time deposits	<u>\$ 10,706</u>	<u>\$ 7,706</u>

1. Financial assets at amortized cost is recognized in the profit and loss shown as follows:

	<u>2021</u>	<u>2020</u>
Interest income	\$ 2,472	\$ 2,004

2. Please refer to Note 8 for the Company's provision of financial assets at amortized cost as pledged collateral.

(III) Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 1,986	\$ 258
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 1,986</u>	<u>\$ 258</u>
Accounts receivable	\$ 1,179,236	\$ 583,039
Accounts receivable - related parties	<u>357,219</u>	<u>282,216</u>
	1,536,455	865,255
Less: Loss allowance	(1,192)	(699)
	<u>\$ 1,535,263</u>	<u>\$ 864,556</u>

1. For the aging analysis and the related credit risk information on notes and accounts receivable, please refer to Note 12 (2).

2. As of December 31, 2021 and 2020, notes receivable and accounts receivable were from contracts with customers. The balances of notes and accounts receivable as of January 1, 2020 were NT\$987,751.

3. The Company does not hold any collateral for the aforementioned notes and accounts receivable.

(IV) Inventories

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Loss allowance for falling prices</u>	<u>Book value</u>
Raw materials	\$ 1,253,468	(\$ 171,133)	\$ 1,082,335
Work in process	193,162	(10,482)	182,680
Finished products	279,849	(12,527)	267,322
Products	189	(92)	97
	<u>\$ 1,726,668</u>	<u>(\$ 194,234)</u>	<u>\$ 1,532,434</u>

	December 31, 2020		
	Cost	Loss allowance for falling prices	Book value
	Raw materials	\$ 499,074	(\$ 57,381)
Work in process	140,574	(6,530)	134,044
Finished products	166,788	(5,510)	161,278
Products	251	(30)	221
	<u>\$ 806,687</u>	<u>(\$ 69,451)</u>	<u>\$ 737,236</u>

1. None of the above inventories are provided with pledged collaterals.
2. The cost of inventories recognized as losses by the Company.

	2021	2020
Cost of inventory sold	\$ 6,598,428	\$ 4,756,713
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	124,783	3,624
Loss on scrapping of inventory	3,353	9,193
Others	25,779	25,120
	<u>\$ 6,752,343</u>	<u>\$ 4,794,650</u>

(V) Investments accounted for using equity method

	December 31, 2021		December 31, 2020	
	Amount	Shareholding percentage	Amount	Shareholding percentage
Subsidiaries:				
Innodisk USA Corporation	\$ 91,662	100%	\$ 56,572	100%
Innodisk Japan Corporation	8,513	100%	7,901	100%
Innodisk Europe B.V.	93,118	100%	34,408	100%
Innodisk Global-M Corporation	73,883	100%	61,911	100%
Antzer Tech Co., Ltd.	28,545	100%	-	-
Aetina Corporation	215,017	74.78%	151,391	75.63%
	<u>450,738</u>		<u>312,183</u>	
Affiliates:				
AccelStor Inc.	-	40.37%	-	40.37%
Millitronic Co., Ltd.	10,501	33.55%	18,232	33.55%
Antzer Tech Co., Ltd.	-	-	4,751	31.89%
Sysinno Technology Inc.	8,237	43.00%	10,140	43.00%
	<u>18,738</u>		<u>33,123</u>	
	<u>\$ 469,476</u>		<u>\$ 345,306</u>	

Note 1: For the years ended December 31, 2021 and 2020, the Company's share of (losses) profits from affiliates recognized under the equity method was NT\$110,802 and NT\$27,023, respectively, based on the financial statements audited by the Company's independent accountants.

Note 2: For the Company's investment information and investment profit or loss with the adoption of the equity method, please refer to Schedule 5 and Statement 5.

1. Subsidiaries

(1) For information on the Company's subsidiaries, please refer to Note 4 (3) of 2021 consolidated

financial statements.

(2) Aetina Corporation

Aetina Corporation was approved by the shareholder meeting on May 4, 2021 to issue 200,000 shares as a capital increase for employees' remuneration and August 16, 2021 was the capital increase base date, with the Company's shareholding dropping to 74.78%.

Aetina Corporation was approved by the shareholder meeting on May 28, 2020 to issue 200,000 shares as a capital increase for employees' remuneration and August 31, 2020 was the capital increase base date, with the Company's shareholding dropping to 77.54%. On September 25, 2020, the Company disposed of 270,000 shares of Aetina Corporation for a total disposal price less cost of NT\$3,493, reducing the Company's shareholding to 75.63%.

(3) Antzer Tech Co., Ltd.

The Company acquired Antzer Tech Co., Ltd. on May 18, 2021 in the amount of NT\$19,889, raising the shareholding from the original 31.89% to 100%; thus, it has been included in the consolidated entities since the date of acquisition.

(4) Innodisk Global-M Corporation

On June 23, 2020, the Company increased its investment in Innodisk Global-M Corporation, amounting to NT\$1,494, and the change registration was completed on June 23, 2020.

2. Affiliates:

(1) AccelStor Inc.

As of December 31, 2021, the Company adopted the equity method to recognize the losses of AccelStor Inc. to reduce the balance of book value to NT\$0.

(2) Millitronic Co., Ltd.

The Company subscribed to Millitronic Co., Ltd.'s cash capital increase of NT\$19,000 in the 3rd quarter of 2020, but not in proportion to shareholding percentage, resulting in a change in the shareholding percentage from 31.96% to 33.55%, and the change in equity interest decreased the "retained earnings" and "investments accounted for using the equity method" by NT\$1,580.

(3) As of December 31, 2021 and 2020, the Company had no significant affiliates, and the aggregate book values of separate non-significant affiliates were NT\$18,738 and NT\$33,123, respectively. Their operating results are summarized as follows:

	2021	2020
Net loss from continuing operations	(\$ 7,854)	(\$ 13,253)
Other comprehensive income or loss (net after tax)	-	-
Total comprehensive profit and loss for the year	<u>(\$ 7,854)</u>	<u>(\$ 13,253)</u>

(4) None of the affiliates have open market quotes, so there is no information on fair value.

(VI) Property, plant and equipment

	Land	Buildings and construction	Machines and equipment	Office equipment	Unfinished construction and equipment pending acceptance	Others	Total
<u>January 1, 2021</u>							
Cost	\$ 480,076	\$ 706,574	\$ 227,410	\$ 29,813	\$ -	\$ 56,879	\$ 1,500,752
Accumulated depreciation and impairments	-	(78,617)	(132,774)	(16,115)	-	(39,114)	(266,620)
	<u>\$ 480,076</u>	<u>\$ 627,957</u>	<u>\$ 94,636</u>	<u>\$ 13,698</u>	<u>\$ -</u>	<u>\$ 17,765</u>	<u>\$ 1,234,132</u>
<u>2021</u>							
January 1	\$ 480,076	\$ 627,957	\$ 94,636	\$ 13,698	\$ -	\$ 17,765	\$ 1,234,132
Addition	-	34,117	37,615	1,515	55,500	16,963	145,710
Reclassification	-	3,680	1,425	-	-	480	5,585
Disposal	-	-	-	(8)	-	(54)	(62)
Depreciation expense	-	(20,153)	(27,736)	(5,367)	-	(7,276)	(60,532)
December 31	<u>\$ 480,076</u>	<u>\$ 645,601</u>	<u>\$ 105,940</u>	<u>\$ 9,838</u>	<u>\$ 55,500</u>	<u>\$ 27,878</u>	<u>\$ 1,324,833</u>
<u>December 31, 2021</u>							
Cost	\$ 480,076	\$ 740,469	\$ 259,792	\$ 31,174	\$ 55,500	\$ 73,064	\$ 1,640,075
Accumulated depreciation and impairments	-	(94,868)	(153,852)	(21,336)	-	(45,186)	(315,242)
	<u>\$ 480,076</u>	<u>\$ 645,601</u>	<u>\$ 105,940</u>	<u>\$ 9,838</u>	<u>\$ 55,500</u>	<u>\$ 27,878</u>	<u>\$ 1,324,833</u>
	Land	Buildings and construction	Machines and equipment	Office equipment	Unfinished construction and equipment pending acceptance	Others	Total
<u>January 1, 2020</u>							
Cost	\$ 480,076	\$ 669,720	\$ 216,099	\$ 28,203	\$ -	\$ 49,988	\$ 1,444,086
Accumulated depreciation and impairments	-	(44,521)	(101,707)	(11,160)	-	(32,723)	(190,111)
	<u>\$ 480,076</u>	<u>\$ 625,199</u>	<u>\$ 114,392</u>	<u>\$ 17,043</u>	<u>\$ -</u>	<u>\$ 17,265</u>	<u>\$ 1,253,975</u>
<u>2020</u>							
January 1	\$ 480,076	\$ 625,199	\$ 114,392	\$ 17,043	\$ -	\$ 17,265	\$ 1,253,975
Addition	-	1,000	10,930	1,755	-	6,968	20,653
Reclassification	-	22,531	381	-	-	-	22,912
Disposal	-	-	-	(3)	-	-	(3)
Depreciation expense	-	(20,773)	(31,067)	(5,097)	-	(6,468)	(63,405)
December 31	<u>\$ 480,076</u>	<u>\$ 627,957</u>	<u>\$ 94,636</u>	<u>\$ 13,698</u>	<u>\$ -</u>	<u>\$ 17,765</u>	<u>\$ 1,234,132</u>
<u>December 31, 2020</u>							
Cost	\$ 480,076	\$ 706,574	\$ 227,410	\$ 29,813	\$ -	\$ 56,879	\$ 1,500,752
Accumulated depreciation and impairments	-	(78,617)	(132,774)	(16,115)	-	(39,114)	(266,620)
	<u>\$ 480,076</u>	<u>\$ 627,957</u>	<u>\$ 94,636</u>	<u>\$ 13,698</u>	<u>\$ -</u>	<u>\$ 17,765</u>	<u>\$ 1,234,132</u>

1. As of December 31, 2021 and 2020, the Company had not provided property, plant and equipment as pledged collaterals.
2. The Company had no capitalization of interest for property, plant and equipment in 2021 and 2020
3. The abovementioned property, plant and equipment are all held and used by the Company.

(VII) Leasing arrangements - lessee

1. The underlying assets leased by the Company include land, buildings and company vehicles. Leasing contracts for buildings and company vehicles are typically made for periods of 1 to 4 years. The land for the plant site is leased from Hsinchu Science Park, and the lease period is 50 years. Lease contracts are negotiated separately and include a variety of terms and conditions. There are no restrictions for the leased assets, except that they cannot be used as loan collateral.
2. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Land	Buildings	Company vehicles	Total
January 1, 2021	\$ 185,386	\$ 1,162	\$ 300	\$ 186,848
Addition	-	5,576	1,161	6,737
Contract revision	-	(1,068)	-	(1,068)
Early termination of leases	-	(313)	-	(313)
Depreciation expense	(6,536)	(2,219)	(560)	(9,315)
December 31, 2021	<u>\$ 178,850</u>	<u>\$ 3,138</u>	<u>\$ 901</u>	<u>\$ 182,889</u>

	Land	Buildings	Company vehicles	Total
January 1, 2020	\$ 102,914	\$ 3,100	\$ 878	\$ 106,892
Addition	86,431	359	-	86,790
Early termination of leases	-	(50)	-	(50)
Depreciation expense	(3,959)	(2,247)	(578)	(6,784)
December 31, 2020	<u>\$ 185,386</u>	<u>\$ 1,162</u>	<u>\$ 300</u>	<u>\$ 186,848</u>

3. The information on profit and loss items related to lease contracts is as follows:

Items affecting current profit and loss	2021	2020
Interest expenses on lease liabilities	\$ 2,243	\$ 1,695

4. In addition to the cash outflow for lease-related expenses mentioned in Note 6(7)3. above, the Company had cash outflows of NT\$8,343 and NT\$6,040 for the years ended December 31, 2021 and 2020, respectively, due to principal repayment of lease liabilities.
5. Options to extend or terminate leases

In determining lease terms, the Company into consideration all facts and circumstances that create economic incentives to exercise an option to extend or terminate leases. The assessment of lease period is reviewed if a significant event occurs which affects the assessment of options to extend or options not to terminate.

(VIII) Leasing arrangements - lessor

1. The Company leases out assets such as land and buildings. The lease contracts are typically made for periods of 1 to 5 years. The terms of lease contracts are negotiated separately. In order to preserve the condition of leased assets, the Company usually requires lessees not to sublet, sublease or pledge all or part of the underlying leased assets.
2. The gain recognized by the Company based on the operating lease contracts are as follows:

	<u>2021</u>	<u>2020</u>
Rental income (including rental income from investment property)	<u>\$ 7,812</u>	<u>\$ 8,787</u>

3. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
2021	\$ -	\$ 7,464
2022	8,087	3,591
2023	1,625	898
	<u>\$ 9,712</u>	<u>\$ 4,489</u>

(IX) Investment property

	<u>Land</u>	<u>Buildings and construction</u>	<u>Total</u>
<u>January 1, 2021</u>			
Cost	\$ 99,301	\$ 53,888	\$ 153,189
Accumulated depreciation and impairments	-	(14,723)	(14,723)
	<u>\$ 99,301</u>	<u>\$ 39,165</u>	<u>\$ 138,466</u>
<u>2021</u>			
January 1	\$ 99,301	\$ 39,165	\$ 138,466
Depreciation expense	-	(2,028)	(2,028)
December 31	<u>\$ 99,301</u>	<u>\$ 37,137</u>	<u>\$ 136,438</u>
<u>December 31, 2021</u>			
Cost	\$ 99,301	\$ 53,888	\$ 153,189
Accumulated depreciation and impairments	-	(16,751)	(16,751)
	<u>\$ 99,301</u>	<u>\$ 37,137</u>	<u>\$ 136,438</u>

	Land	Buildings and construction	Total
<u>January 1, 2020</u>			
Cost	\$ 99,301	\$ 53,888	\$ 153,189
Accumulated depreciation and impairments	-	(12,695)	(12,695)
	<u>\$ 99,301</u>	<u>\$ 41,193</u>	<u>\$ 140,494</u>
<u>2020</u>			
January 1	\$ 99,301	\$ 41,193	\$ 140,494
Depreciation expense	-	(2,028)	(2,028)
December 31	<u>\$ 99,301</u>	<u>\$ 39,165</u>	<u>\$ 138,466</u>
<u>December 31, 2020</u>			
Cost	\$ 99,301	\$ 53,888	\$ 153,189
Accumulated depreciation and impairments	-	(14,723)	(14,723)
	<u>\$ 99,301</u>	<u>\$ 39,165</u>	<u>\$ 138,466</u>

1. Rental income and direct operating expenses of investment real estate:

	2021	2020
Rental income from investment property	<u>\$ 7,466</u>	<u>\$ 7,976</u>
Direct operating expenses incurred by investment property that generates rental income for the period	<u>\$ 3,512</u>	<u>\$ 4,083</u>

2. The fair value of the investment property held by the Company as of December 31, 2021 and 2020 were NT\$201,413 and NT\$178,834, respectively. The abovementioned fair value is obtained from the market price assessment of similar properties in the vicinity of the relevant assets, and the fair value is for Level 3 assets.

3. As of December 31, 2021 and 2020, the Company had not provided investment property as pledged collaterals.

4. The Company had no capitalization of interest for investment property in 2021 and 2020.

(X) Other non-current assets

	December 31, 2021	December 31, 2020
Equipment and plant prepayment	\$ 68,802	\$ 5,845
Refundable deposit	780	780
Others	13,959	9,488
	<u>\$ 83,541</u>	<u>\$ 16,113</u>

(XI) Other payables

	December 31, 2021	December 31, 2020
Payroll and bonus payable	\$ 227,143	\$ 151,330
Employees' remuneration and directors' and supervisors' remuneration payable	123,400	78,270
Accrued expenses	51,067	33,837
Payable on equipment	16,348	-
Others	11,759	12,181
	<u>\$ 429,717</u>	<u>\$ 275,618</u>

(XII) Pensions

The Company has established a defined contribution pension plan under the Labor Pension Act covering all regular employees with domestic citizenship. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020 were NT\$20,606 and NT\$18,577, respectively.

(XIII) Share-based payment

1. For 2021 and 2020, the Company's share-based payment agreements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>	<u>Delivery method</u>
Employee stock options (Note 2)	2019.1.29	3,000 thousand shares	4 years	Note 1	Equity delivery

Note 1: Employees with 2 years of service tenure are entitled to 50%. Those with 3 years of service tenure are entitled to 100%.

Note 2: The board resolution on November 8, 2018 determined the first employee stock option plan of 2018 and established the stock option method. A total of 3,000,000 units of employee stock options was to be issued, and each unit of stock option subscribed to 1 share, and measures became effective on December 11, 2018. The Company has processed the issuance of employee stock options on January 29, 2019.

2. The detailed information of the above share-based payment is as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Number of stock options (thousand shares)</u>	<u>Weighted average exercise price (NT\$)</u>	<u>Number of stock options (thousand shares)</u>	<u>Weighted average exercise price (NT\$)</u>
Options outstanding as of January 1	3,000	92.80	3,000	92.80
Stock options granted in this period	-	-	-	-
Free allotment of additional shares or adjustment of the number of subscribed shares	-	-	-	-
Stock options foregone in this period	(28)	92.80	-	-
Stock options exercised in this period	(1,344)	92.63	-	-
Stock options expired in this period	-	-	-	-
Stock options outstanding as of December 31	1,628	89.80	3,000	92.80
Stock options exercisable as of December 31	156	-	-	-

3. The expiration date and exercise price of stock options outstanding at the balance sheet date are as follows:

		December 31, 2021	
Approved issue date	Expiration date	Number of shares (thousand)	Exercise price (NT\$)
January 29, 2019	January 29, 2023	1,628	89.80

		December 31, 2020	
Approved issue date	Expiration date	Number of shares (thousand)	Exercise price (NT\$)
January 29, 2019	January 29, 2023	3,000	92.80

4. The weighted-average share price of the stock options exercised in 2021 was NT\$189.78 on the date of exercise.

5. The fair value of stock options granted on grant date is measured using Black-Scholes option-pricing model and the relevant information is as follows:

Type of arrangement	Grant date	Stock price (NT\$)	Exercise price (NT\$)	Expected volatility	Expected duration	Expected dividend	Risk-free rate	Weighted average fair value per unit (NT\$)
Employee stock options plan	2019.1.29	105.5	105.5	34.34%	4 years	NA	0.61%	26.4442

6. Expenses incurred on share-based payment transactions are shown below:

	2021	2020
Equity delivery	\$ 19,973	\$ 22,864

(XIV) Provisions

	2021	2020
Balance on January 1	\$ 61,193	\$ 58,770
Provision for liabilities used in the period	(6,579)	(17,456)
Provision for liabilities added in this period	4,986	19,879
Balance on December 31	\$ 59,600	\$ 61,193

The analysis of provisions is as follows:

	December 31, 2021	December 31, 2020
Current	\$ 59,600	\$ 61,193

The Company's provisions for warranty liabilities are mainly related to sales of industrial storage devices and memory modules. The provisions for warranty liabilities are estimated based on the historical warranty information of the products.

(XV) Share capital

1. As of December 31, 2021, the Company's authorized capital was NT\$1,000,000, consisting of 100,000 thousand shares (including 10,000 thousand shares which can be subscribed to as employee stock options). The paid-in capital was NT\$826,680 with a par value of NT\$10. All proceeds from shares issued have been collected.

The movements in the number of the Company's common stocks outstanding are as follows: (Unit: Share)

	2021	2020
January 1	81,324,040	79,729,451
Stock dividends	-	1,594,589
Exercise of employee share options	1,344,000	-
December 31	<u>82,668,040</u>	<u>81,324,040</u>

2. For 2021, the common shares issued due to the exercise of employee stock options were 1,344,000 shares, respectively. As of December 31, 2021, 40,000 shares had not been registered for share capital changes.

3. The shareholders' meeting resolved that the 2019 undistributed profits of NT\$15,946 would be capitalized to issue new shares on May 29, 2020. The base date for capitalization was August 29, 2020.

(XVI) Capital surplus

In accordance with the Company Act, any capital surplus arising from paid-in capital in excess of the par value on issuance of common stocks can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized, as above, should not exceed 10% of paid-in capital each year. Capital surpluses should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2021					
	Issue premium	Difference between the price of acquiring or disposing of equities of a subsidiary and the book value	Recognition of changes in ownership in subsidiaries	Employee stock options	Others	Total
January 1	\$ 1,013,516	\$ 802	\$ 24,439	\$ 43,945	\$ -	\$ 1,082,702
Share-based payment	-	-	-	19,973	-	19,973
Exercise of employee share options	143,978	-	-	(32,923)	-	111,055
Expired options	-	-	-	(674)	674	-
Share-based remuneration for employees of subsidiaries	-	-	99	-	-	99
December 31	<u>\$ 1,157,494</u>	<u>\$ 802</u>	<u>\$ 24,538</u>	<u>\$ 30,321</u>	<u>\$ 674</u>	<u>\$ 1,213,829</u>

	2020				
	Issue premium	Difference between the price of acquiring or disposing of equities of a subsidiary and the book value	Recognition of changes in ownership in subsidiaries	Employee stock options	Total
January 1	\$ 1,013,516	\$ 802	\$ 23,282	\$ 21,081	\$ 1,058,681
Share-based payment	-	-	-	22,864	22,864
Share-based remuneration for employees of subsidiaries	-	-	1,157	-	1,157
December 31	<u>\$ 1,013,516</u>	<u>\$ 802</u>	<u>\$ 24,439</u>	<u>\$ 43,945</u>	<u>\$ 1,082,702</u>

(XVII) Retained earnings / subsequent event

1. According to the Company's Articles of Incorporation, the surplus income after the final accounts is distributed to the following accounts in their respective order:
 - (1) Withholding taxes.
 - (2) Make up for past losses.
 - (3) Allocate 10% as legal reserve. If the legal reserve has reached the total share capital, no further allocations will be conducted. Special reserve is then allocated or reversed in accordance with the law or regulations of the authority.
 - (4) With respect to the balance and the accumulated undistributed surplus of the previous year, the board proposes a surplus distribution to the shareholders meeting for resolution.
2. Dividend policy: The Company considers future needs for business operations, long-term financial planning and shareholders' interest in the dividend policy. As the Company is currently in the growing stage, considering the future capital expenditure budget and the need for cash, the annual cash dividends will not be less than 10% of the total of cash and stock dividends. The Company's surplus distribution and shareholders' equity shall not be less than 30% of the current year's surplus.
3. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purposes. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
4. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

5. The Company's distribution of earnings

(1) The appropriations of 2020 and 2019 earnings had been resolved at the stockholders' meeting on July 8, 2021 and May 29, 2020, respectively. Details are summarized below:

	2020		2019	
	Amount	Dividends per share (NT\$)	Amount	Dividends per share (NT\$)
Legal reserve allocation	\$ 93,009		\$ 101,426	
Special reserve allocation	1,358		4,080	
Stock dividends	-	-	15,946	0.20
Cash dividends	553,003	6.80	597,971	7.50
	<u>\$ 647,370</u>		<u>\$ 719,423</u>	

(2) The appropriation of the Company's 2021 earnings had been resolved by the board meeting on February 23, 2022. Details are summarized below:

	2021	
	Amount	Dividends per share (NT\$)
Legal reserve allocation	\$ 156,088	
Special reserve allocation	7,709	
Stock dividends	24,801	0.30
Cash dividends	967,217	11.70
	<u>\$ 1,155,815</u>	

(XVIII) Operating revenue

1. Segmentation of revenue from contracts with customers

The Company derives its revenue from the transfer of goods and services at a point in time in the following product categories and geographical regions:

2021	Industrial storage devices and memory modules					
	Taiwan	Asia	Americas	Europe	Others	Total
Revenue from contracts with customers	\$ 2,924,669	\$ 2,625,605	\$ 1,756,930	\$ 1,933,502	\$ 187,066	\$ 9,427,772

2020	Industrial storage devices and memory modules					
	Taiwan	Asia	Americas	Europe	Others	Total
Revenue from contracts with customers	\$ 1,880,376	\$ 1,970,969	\$ 1,418,976	\$ 1,281,936	\$ 73,900	\$ 6,626,157

2. Contract liabilities

(1) Contract liabilities related to contracts with customers recognized by the Company:

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities - Product sales contracts	\$ 8,184	\$ 27,005	\$ 6,068

(2) Contract liabilities at the beginning of the period recognized as revenue of the period

	2021	2020
Product sales contracts	\$ 26,988	\$ 5,958

(XIX) Interest income

	2021	2020
Income from bank deposits and other interests	\$ 2,372	\$ 3,663
Interest income on financial assets at amortized cost	2,472	2,004
	<u>\$ 4,844</u>	<u>\$ 5,667</u>

(XX) Other income

	2021	2020
Rental income	\$ 7,812	\$ 8,787
Government grants	2,848	-
Others	5,987	21,084
	<u>\$ 16,647</u>	<u>\$ 29,871</u>

(XXI) Other gains and losses

	2021	2020
Net foreign exchange conversion loss	(\$ 24,820)	(\$ 52,142)
Gain (loss) on disposal of property, plant and equipment	388	(3)
Investments accounted for using equity method remeasured at fair value		
Gain recognized	2,780	-
Gain on disposal of intangible assets	-	2,842
Depreciation charges on investment property	(2,028)	(2,028)
Others	(418)	(121)
	<u>(\$ 24,098)</u>	<u>(\$ 51,452)</u>

(XXII) Finance cost

	2021	2020
Interest expense on bank borrowings	\$ 61	\$ 20
Interest expenses on lease liabilities	2,243	1,695
	<u>\$ 2,304</u>	<u>\$ 1,715</u>

(XXIII) Expenses by nature

	2021			2020		
	Belonging to operating costs	Belonging to operating expenses	Total	Belonging to operating costs	Belonging to operating expenses	Total
Employee benefits expense	<u>\$ 284,848</u>	<u>\$ 572,684</u>	<u>\$ 857,532</u>	<u>\$ 227,583</u>	<u>\$ 444,465</u>	<u>\$ 672,048</u>
Depreciation charges on property, plant and equipment	<u>\$ 40,594</u>	<u>\$ 19,938</u>	<u>\$ 60,532</u>	<u>\$ 43,508</u>	<u>\$ 19,897</u>	<u>\$ 63,405</u>
Depreciation charges on right-of-use assets	<u>\$ 2,888</u>	<u>\$ 6,427</u>	<u>\$ 9,315</u>	<u>\$ 2,761</u>	<u>\$ 4,023</u>	<u>\$ 6,784</u>
Amortization charges on the intangible assets and deferred assets.	<u>\$ 6,767</u>	<u>\$ 14,732</u>	<u>\$ 21,499</u>	<u>\$ 7,100</u>	<u>\$ 11,648</u>	<u>\$ 18,748</u>

(XXIV) Employee benefits expense

	2021			2020		
	Belonging to operating costs	Belonging to operating expenses	Total	Belonging to operating costs	Belonging to operating expenses	Total
Payroll expenses	\$ 242,220	\$ 478,415	\$ 720,635	\$ 189,138	\$ 360,265	\$ 549,403
Employee stock options	-	19,973	19,973	-	22,864	22,864
Labor and health insurance fees	22,141	24,445	46,586	19,462	20,882	40,344
Pension costs	9,496	11,110	20,606	8,724	9,853	18,577
Directors' remuneration	-	19,925	19,925	-	13,893	13,893
Other employee benefit expenses	10,991	18,816	29,807	10,259	16,708	26,967
	<u>\$ 284,848</u>	<u>\$ 572,684</u>	<u>\$ 857,532</u>	<u>\$ 227,583</u>	<u>\$ 444,465</u>	<u>\$ 672,048</u>

1. According to the Company's Articles of Incorporation, the no more than 2% of the net profit before tax is allocated as remunerations for directors and supervisors and no less than 3% of the net profit before tax is allocated as employees' bonuses when distributing profits.
2. For the years ended December 31, 2021 and 2020, the estimated amount of employees' remuneration was NT\$105,000 and NT\$66,270, respectively; the estimated amount of directors' and supervisors' remuneration was NT\$18,400 and NT\$12,000, respectively; the aforementioned amounts were recorded as salary expenses.

The remuneration to employees and directors and supervisors was estimated and accrued at 5.14% and 0.9%, respectively, based on the profitability of 2021. The actual amounts to be distributed based on the board's resolution were NT\$105,000 and NT\$18,400, respectively, of which employee remuneration would be paid in cash.

The remuneration to employees and remuneration to directors and supervisors approved by the board meeting for 2020 were NT\$66,270 and NT\$12,000, respectively, which were consistent with the amounts recognized in the 2020 financial statements, and have been paid in cash in full as of December 31, 2021.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(XXV) Income tax

1. Income tax expense
 - (1) Components of income tax expense:

	<u>2021</u>	<u>2020</u>
Current income tax:		
Income tax arising from income of the current period	\$ 271,532	\$ 107,711
Withholding and provisional tax	112,957	122,800
Additional tax on undistributed earnings	(14,215)	(14,741)
Income tax overestimation in the previous year	(11,940)	(20,694)
Total current income tax	<u>358,334</u>	<u>195,076</u>
Deferred income tax:		
Origination and reversal of temporary differences	(13,343)	2,021
Others:		
Additional tax on undistributed earnings	14,215	14,741
Income tax expense	<u>\$ 359,206</u>	<u>\$ 211,838</u>

(2) For the year ended 2021 and 2020, the Company had no income tax related to other comprehensive income and direct debits or credits.

2. Reconciliation between income tax expense and accounting profit

	<u>2021</u>	<u>2020</u>
Income tax calculated based on net profit before tax and statutory tax rate	\$ 384,019	\$ 228,700
Impact of income tax of investment tax credits	(16,000)	(8,000)
Unrealized investment loss on domestic operations	(11,004)	(3,379)
Impact that cannot be recognized according to laws and regulations	(421)	-
Income tax overestimation in the previous year	(11,940)	(20,694)
Additional tax on undistributed earnings	14,215	14,741
Others	337	470
Income tax expense	<u>\$ 359,206</u>	<u>\$ 211,838</u>

3. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	<u>2021</u>		
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>December 31</u>
Deferred income tax assets:			
Loss on falling prices of inventory and inventory obsolescence	\$ 13,890	\$ 24,956	\$ 38,846
Deferred unrealized sales benefits	2,525	338	2,863
Provisions for after-sales services	12,239	(319)	11,920
Attendance bonus	1,974	340	2,314
Unrealized investment loss on foreign operations	2,878	(2,878)	-
Unrealized exchange loss	1,222	(815)	407
Subtotal	<u>\$ 34,728</u>	<u>\$ 21,622</u>	<u>\$ 56,350</u>
Deferred income tax liabilities:			
Unrealized investment loss on foreign operations	\$ -	(\$ 8,279)	(\$ 8,279)
Total	<u>\$ 34,728</u>	<u>\$ 13,343</u>	<u>\$ 48,071</u>

	2020		
	January 1	Recognized in profit or loss	December 31
Deferred income tax assets:			
Loss on falling prices of inventory and inventory obsolescence	\$ 13,165	\$ 725	\$ 13,890
Deferred unrealized sales benefits	2,720	(195)	2,525
Provisions for after-sales services	11,754	485	12,239
Attendance bonus	1,388	586	1,974
Fiscal and tax difference in lease accounting	115	(115)	-
Unrealized exchange loss	2,674	(1,452)	1,222
Unrealized investment loss on foreign operations	4,933	(2,055)	2,878
Total	<u>\$ 36,749</u>	<u>(\$ 2,021)</u>	<u>\$ 34,728</u>

4. The Company's income tax returns through 2019 have been assessed and approved by the tax authority.

(XXVI) Earnings per share

	2021		
	Amount after tax	Weighted average number of share outstanding (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Current net profit attributable to ordinary shareholders	\$ <u>1,560,888</u>	<u>82,426</u>	<u>18.94</u>
<u>Diluted earnings per share</u>			
Current net profit attributable to ordinary shareholders	\$ 1,560,888	82,426	
Impact of conversion of all dilutive potential ordinary shares			
Employee remuneration	-	577	
Employee stock options	-	858	
Current net profit attributable to ordinary shareholders of the Company plus the potential conversion of all dilutive ordinary shares	<u>\$ 1,560,888</u>	<u>83,861</u>	<u>18.61</u>

	2020		
	Amount after tax	Weighted average number of share outstanding (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Current net profit attributable to ordinary shareholders	\$ 931,663	81,324	11.46
<u>Diluted earnings per share</u>			
Current net profit attributable to ordinary shareholders	\$ 931,663	81,324	
Impact of conversion of all dilutive potential ordinary shares			
Employee remuneration	-	450	
Employee stock options	-	1,371	
Current net profit attributable to ordinary shareholders of the Company plus the potential conversion of all dilutive ordinary shares	<u>\$ 931,663</u>	<u>83,145</u>	<u>11.21</u>

(XXVII) Business combinations

1. The Company acquired 68.11% in equity of Antzer Tech Co., Ltd. on May 18, 2021 in the amount of NT\$19,889 in cash, and obtained control over Antzer Tech Co., Ltd., which sells software and hardware related to automotive electronics.
2. Information on the consideration paid for the acquisition of Antzer Tech Co., Ltd., the fair value of the assets acquired and the liabilities assumed on the acquisition date, and the fair value of the non-controlling interests on the acquisition date is as follows:

	May 18, 2021
Consideration for acquisition - cash	\$ 19,889
Acquisition-date fair value of equities in Antzer Tech Co., Ltd. previously held	<u>9,311</u>
	<u>29,200</u>
Fair value of the identifiable assets acquired and the liabilities assumed	
Cash and cash equivalents	7,007
Notes receivable	13
Accounts receivable	1,583
Other receivables	134
Inventories	5,197
Prepayments	998
Property, plant and equipment	182
Intangible assets	9,000
Other non-current assets	9,616
Contract liabilities - current	(1,424)
Accounts payable	(829)
Accounts payable -- related parties	(247)
Other payables	(1,984)
Other current liabilities	(46)
Total identifiable net assets	<u>29,200</u>
Goodwill	<u>\$ -</u>

3. The fair value of the identifiable intangible assets acquired (including trademark rights and patent rights) is NT\$9,000.
4. The Company had held 31.89% of equity interests in Antzer Tech Co., Ltd. before the business combination, and the gains recognized after remeasurement at fair value were NT\$2,780.

(XXVIII) Supplemental cash flow information

1. Investing activities with partial cash payments:

	2021	2020
Purchase of property, plant and equipment	\$ 145,710	\$ 20,653
Add: Opening balance of payable on equipment	-	11,505
Less: Ending balance of payable on equipment	(16,348)	-
Cash paid during the year	<u>\$ 129,362</u>	<u>\$ 32,158</u>

2. Financing activities with no cash flow effects:

	2021	2020
Stock dividends	<u>\$ -</u>	<u>\$ 15,946</u>

(XXIX) Changes in liabilities from financing activities

	Dividends payable	Short-term loans	Lease liabilities (current/non-current)	Guarantee deposit received
January 1, 2021	\$ -	\$ -	\$ 188,162	\$ 1,100
Increase in borrowings	-	185,743	-	-
Repayment of borrowings	-	(185,743)	-	-
Declared cash dividends	553,003	-	-	-
Cash dividends paid	(553,003)	-	-	-
Increase in principal of lease liabilities	-	-	6,737	-
Payment of lease liabilities	-	-	(8,343)	-
Other non-cash transactions	-	-	(1,381)	-
Increase in guarantee deposits received	-	-	-	524
Decrease in guarantee deposits received	-	-	-	(332)
December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,175</u>	<u>\$ 1,292</u>

	Dividends payable	Short-term loans	Lease liabilities (current/non-current)	Guarantee deposit received
January 1, 2020	\$ -	\$ -	\$ 107,462	\$ 1,207
Declared cash dividends	597,971	-	-	-
Cash dividends paid	(597,971)	-	-	-
Payment of lease liabilities	-	-	(6,040)	-
Other non-cash transactions	-	-	86,740	-
Increase in guarantee deposits received	-	-	-	601
Decrease in guarantee deposits received	-	-	-	(708)
December 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,162</u>	<u>\$ 1,100</u>

VII. Related-party transactions

(I) Related parties' names and relationships

<u>Name of the related party</u>	<u>Relationship with the Company</u>
<u>Subsidiaries:</u>	
Innodisk USA Corporation	The Company's 100% owned subsidiary
Innodisk Japan Corporation	The Company's 100% owned subsidiary
Innodisk Europe B.V.	The Company's 100% owned subsidiary
Innodisk Global-M Corporation	The Company's 100% owned subsidiary
Aetina Corporation	The Company's 100% owned subsidiary
Antzer Tech Co., Ltd.	2021: The Company acquired the control over it in the second quarter of 2021, and it has become a subsidiary of the Company 2020: An entity over which the Company has a significant influence
Innodisk Shenzhen Corporation	The Company's 100% owned sub-sub-subsidiary
<u>Affiliates:</u>	
Millitronic Co., Ltd.	An entity over which the Company has a significant influence
Sysinno Technology Inc.	An entity over which the Company has a significant influence
<u>Other related parties:</u>	
I-MEDIA TECH CO., LTD.	The chairman of that company and one of the Company's directors are the same person.
Innodisk Foundation	The amount donated by the Company and the directors is more than one-third of the total fund received by the foundation.
Key management of Aetina Corporation	Subsidiary's key management and governance unit
All directors, the general manager and key executives.	The Company's key executives and governance unit

(II) Significant transactions with the related parties

1. Sales and processing transactions

(1) Operating revenue

The Company's revenue from sales of goods and services to the related parties is shown as follows:

	<u>2021</u>	<u>2020</u>
<u>Subsidiaries:</u>		
Innodisk USA Corporation	\$ 1,401,964	\$ 1,102,008
Innodisk Shenzhen Corporation	748,434	771,840
Others	12,542	3,885
An entity over which the Company has a significant influence	330	406
	<u>\$ 2,163,270</u>	<u>\$ 1,878,139</u>

The prices of products sold and services provided to the related parties from the Company are based on the agreements between the parties. The payment terms are net 25 to net 60. There are no significant differences with the non-related parties. The payment terms for non-related parties

are payment in advance and net 30 to 90 days.

(2) Accounts receivable

The Company's accounts receivable from the above transactions with related parties is shown as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries:		
Innodisk USA Corporation	\$ 270,261	\$ 136,312
Innodisk Shenzhen Corporation	85,534	145,124
Others	1,422	708
An entity over which the Company has a significant influence	<u>2</u>	<u>72</u>
	<u>\$ 357,219</u>	<u>\$ 282,216</u>

2. Purchase transaction

(1) Operating costs

Details on the Company's purchase transactions with related parties are as follows:

	<u>2021</u>	<u>2020</u>
Subsidiary		
Innodisk USA Corporation	\$ 73,589	\$ 32,274
Antzer Tech Co., Ltd.	5,232	-
Other related parties	312	101
An entity over which the Company has a significant influence	<u>232</u>	<u>-</u>
	<u>\$ 79,365</u>	<u>\$ 32,375</u>

The prices of purchase transactions with related parties are based on the agreements between the parties. The payment terms are net 90. There are no significant differences with the non-related parties. The payment terms for non-related parties are payment in advance, 7 days after shipment and net 30 to 90 days.

(2) Accounts payable

The Company's accounts payable from the above transactions with related parties is shown as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiary	\$ 15,761	\$ 2,053
Other related parties	147	-
An entity over which the Company has a significant influence	<u>115</u>	<u>-</u>
	<u>\$ 16,023</u>	<u>\$ 2,053</u>

3. Leases and services

(1) Other income

The Company's income from leasing assets to related parties and for providing administrative support and other services is detailed as follows:

	2021		2020	
	Rental income	Other income	Rental income	Other income
Subsidiaries:				
Innodisk Japan Corporation	\$ 3,336	\$ 58	\$ 3,220	\$ 65
Aetina Corporation	-	1,761	-	4,429
Innodisk USA Corporation	-	217	-	4,590
Antzer Tech Co., Ltd.	-	7C	-	-
An entity over which the Company has a significant influence:				
Entity:				
Others	127	779	544	2,065
	<u>\$ 3,463</u>	<u>\$ 2,885</u>	<u>\$ 3,764</u>	<u>\$ 11,149</u>

The Company's rental income from leasing out offices is negotiated with the related parties and is collected on a monthly basis.

(2) Other receivables

The Company's other accounts receivable from the above transactions with related parties is shown as follows:

	December 31, 2021	December 31, 2020
Subsidiaries:		
Aetina Corporation	\$ 232	\$ 551
Innodisk Japan Corporation	5	5
An entity over which the Company has a significant influence	42	272
	<u>\$ 279</u>	<u>\$ 828</u>

(3) Other non-current liabilities

The Company's deposits received from the above transactions with related parties are shown as follows:

	December 31, 2021	December 31, 2020
Subsidiaries:		
Innodisk Japan Corporation	\$ 166	\$ 166
An entity over which the Company has a significant influence	-	95
	<u>\$ 166</u>	<u>\$ 261</u>

4. Marketing promotion services and miscellaneous purchases

(1) Operating expenses

The Company's expenses incurred by marketing promotion services provided by the related parties and miscellaneous purchases are as follows:

	<u>2021</u>	<u>2020</u>
	Selling expenses	Selling expenses
Subsidiaries:		
Innodisk Japan Corporation	\$ 35,755	\$ 31,817
Innodisk Europe B.V.	61,832	55,994
Others	-	206
	<u>\$ 97,587</u>	<u>\$ 88,017</u>

(2) Other payables

The Company's other payables from the above transactions are shown as follows:

Subsidiary	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Innodisk Japan Corporation	\$ 4,332	\$ -
Innodisk Europe B.V.	3,792	4,226
	<u>\$ 8,124</u>	<u>\$ 4,226</u>

5. Transactions of sale of subsidiaries

In the third quarter of 2020, the Company sold the shares of Aetina Corporation to the key management of the entity, as described in Note 6(5).

6. Property transactions

<u>Assets acquired</u>	<u>Accounting item</u>	<u>Number of shares traded</u>	<u>Subject of transaction</u>	<u>2021</u> Price of acquisition
Antzer Tech Co., Ltd.	Note	3,802,072	Common stock	\$ 1,901

Note: The Company acquired Antzer Tech Co., Ltd. on May 18, 2021; the shares acquired increased from 31.89% to 100%, and it is listed as a subsidiary. Please refer to note 6 (27) for details.

<u>Assets acquired</u>	<u>Accounting item</u>	<u>Number of shares traded</u>	<u>Subject of transaction</u>	<u>2020</u> Price of acquisition
Innodisk Global- M Corporation	Investments accounted for using equity method	50,000	Common stock	\$ 1,494
Millitronic Co., Ltd.	Investments accounted for using equity method	1,900,000	Common stock	\$ 19,000

7. Provision of endorsements and guarantees

Endorsements and guarantees provided to related parties:

Subsidiaries:	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Innodisk USA Corporation	\$ -	\$ 19,936
Innodisk Europe B.V.	21,924	24,514
Aetina Corporation	-	45,000
	<u>\$ 21,924</u>	<u>\$ 89,450</u>

8. Donations / operating expenses

The operating expenses arising from supporting education development, fulfilling corporate social responsibility and donations to related parties are detailed as follows:

	<u>2021</u>	<u>2020</u>
Innodisk Foundation	\$ 4,000	\$ 4,000

(III) Compensation of key management personnel

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 71,819	\$ 64,409
Post-employment benefits	745	422
Share-based payment	4,228	4,382
	<u>\$ 76,792</u>	<u>\$ 69,213</u>

VIII. Pledged assets

Assets pledged by the Company as collateral are as follows:

<u>Assets</u>	<u>Book value</u>		<u>Purpose of guarantee</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Other non-current assets - pledge of time deposits	\$ 10,706	\$ 7,706	Provide pledged time deposits for lease and customs tax guarantee

IX. Significant contingent liabilities and unrecognized contract commitments

(I) Major contingent liabilities

Not applicable.

(II) Significant unrecognized contract commitments

1. The endorsements and guarantees provided by the Company for the bank borrowings to subsidiaries were NT\$21,924 and NT\$89,450 as of December 31, 2021 and 2020, respectively.
2. Capital expenditures with contracts signed that have not yet been incurred

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	\$ 268,544	\$ -

It is the contractual commitment of the Company to purchase the real estate in Xizhi District, New Taipei City, for NT\$268,544.

X. Losses due to major disasters

Not applicable.

XI. Significant events after the balance sheet date

- (1) The appropriation of 2021 earnings was resolved by the board meeting on February 23, 2022. Details are summarized in Note 6 (17).
- (2) On November 5, 2021, the Company's board meeting passed the resolution to purchase the factory office at "Taiwan Science Park" in Xizhi District, New Taipei City, for operation expansion. The total

transaction price is NT\$337,346, and NT\$68,802 (listed as “other non-current assets”) has been prepaid. On January 13, 2022, the Company obtained the property right of the factory office and paid the remaining balance.

- (3) On January 24, 2022, the Company’s board meeting resolved to build a plant in Yilan Park of Hsinchu Science Park by commissioned construction on leased land, with a total contract amount of NT\$579,500.

XII. Others

(I) Capital management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. The total debt is the total liabilities reported in the parent company only balance sheet. Total capital is calculated as “equity”, as shown in the parent company only balance sheet, plus net debt.

The Company maintained the same strategy in 2021 as in 2020. As of December 31, 2021 and 2020, the debt to capital ratio of the Company was 24% and 20%, respectively.

(II) Financial instruments

1. Types of financial instrument

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 1,824,752	\$ 1,992,270
Time deposits due in more than three months	600,000	400,000
Notes receivable	1,986	258
Accounts receivable, net	1,178,044	582,340
Accounts receivable -- related parties	357,219	282,216
Other receivables	2,879	2,627
Other receivables - related parties	279	828
Pledged time deposits	10,706	7,706
Other non-current assets -- refundable deposits	780	8,486
	<u>\$ 3,976,645</u>	<u>\$ 3,276,731</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial Liabilities</u>		
Financial assets measured at amortized cost		
Accounts payable	\$ 923,937	\$ 537,013
Accounts payable -- related parties	16,023	2,053
Other payables	429,717	275,618
Other payables -- related parties	8,124	4,226
Other non-current liabilities -- guarantee deposit received	1,292	1,100
	<u>\$ 1,379,093</u>	<u>\$ 820,010</u>
Lease liabilities - current	\$ 7,959	\$ 7,005
Lease liabilities - non-current	177,216	181,157
	<u>\$ 185,175</u>	<u>\$ 188,162</u>

2. Risk management policies

- (1) The Company's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and performance.
- (2) Risk management is carried out by the Company's central treasury department under policies approved by the senior executives, and it primarily identifies, evaluates and hedges financial risks.

3. Significant financial risks and degrees of financial risks

(1) Market risk

A. Foreign exchange risk

- (A) The Company is a multinational operation and therefore is subject to exchange rate risk arising from transactions between the different currencies of the Company and its subsidiaries, mainly in USD, RMB, JPY and Euro. The related exchange risk from future business transactions have been recognized in assets and liabilities.
- (B) The Company's management has set up policies to require companies within the Company to manage their foreign exchange risk against their functional currency. The Company hedges its overall exchange rate risk through its treasury department. Exchange rate risk arises when future business transactions and recognized assets or liabilities are denominated in foreign currencies that are not the entity's function currency.
- (C) The Company's operations involve certain non-functional currencies (the Company's functional currency is the New Taiwan dollar (NTD)), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values that would be materially affected by exchange rate fluctuations are as follows:

December 31, 2021			
(foreign currency: functional currency)	Foreign currency (in thousands)	Exchange rate	Book value (NT\$)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	87,455	27.6800	\$ 2,420,754
RMB : NTD	22,086	4.3440	95,942
JPY : NTD	224,092	0.2405	53,894
EUR : NTD	204	31.3200	6,389
<u>Non-monetary items</u>			
- Investment in subsidiaries			
USD : NTD	5,981	27.6800	165,544
RMB : USD	16,715	0.1569	72,595
JPY : NTD	35,397	0.2405	8,513
EUR : NTD	1,078	31.3200	33,777
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD : NTD	29,479	27.6800	815,979
EUR : NTD	4	31.3200	125
JPY : NTD	5,837	0.2405	1,404

December 31, 2020			
(foreign currency: functional currency)	Foreign currency (in thousands)	Exchange rate	Book value (NT\$)
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD : NTD	48,403	28.4800	\$ 1,378,517
RMB : NTD	36,129	4.3770	158,137
JPY : NTD	154,323	0.2763	42,639
EUR : NTD	102	35.0200	3,572
<u>Non-monetary items</u>			
- Investment in subsidiaries			
USD : NTD	4,155	28.4800	118,483
RMB : USD	13,677	0.1537	59,870
JPY : NTD	29,099	0.2763	7,901
EUR : NTD	983	35.0200	34,408
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD : NTD	15,173	28.4800	432,127
JPY : NTD	16,151	0.2763	4,463
EUR : NTD	126	35.0200	4,413
RMB : NTD	166	4.3770	727

(D) Total exchange gain (loss) (realized and unrealized) due to significant foreign exchange rate fluctuations on monetary items held by the Company were NT\$(24,820) and NT\$(52,142) for 2021 and 2020, respectively.

(E) The analysis of foreign currency risk due to significant exchange rate fluctuations is as follows:

		2021		
		Sensitivity Analysis		
		Fluctuation	Impact on profit or loss	Impact on other comprehensive income
<u>Financial Assets</u>				
<u>Monetary items</u>				
	USD : NTD	1%	\$ 24,208	\$ -
	RMB : NTD	1%	959	-
	JPY : NTD	1%	539	-
	EUR : NTD	1%	64	-
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
	USD : NTD	1%	(8,160)	-
	EUR : NTD	1%	(1)	-
	JPY : NTD	1%	(14)	-
		2020		
		Sensitivity Analysis		
		Fluctuation	Impact on profit or loss	Impact on other comprehensive income
<u>Financial Assets</u>				
<u>Monetary items</u>				
	USD : NTD	1%	\$ 13,785	\$ -
	RMB : NTD	1%	1,581	-
	JPY : NTD	1%	426	-
	EUR : NTD	1%	36	-
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
	USD : NTD	1%	(4,321)	-
	JPY : NTD	1%	(45)	-
	EUR : NTD	1%	(44)	-
	RMB : NTD	1%	(7)	-

B. Price risk

The Company does not invest in equity instruments and has not yet had price risk associated with equity instrument investments.

C. Cash flow and fair value interest rate risk

The Company's transactions have no significant cash flow and fair value interest rate risk.

(2) Credit risk

A. Credit risk refers to the risk of financial loss to the Company arising from default by the

clients or counterparties of financial instruments under contract obligations, and the defaults are accounts receivable and the contract cash flow from debt instruments measured at amortized cost.

- B. The management of credit risk is established with a Company perspective. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored.
- C. The credit risk of the Company's investment in debt instrument measured at amortized cost refers to counterparties defaulting on contractual obligations, leading to the Company's financial losses. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- D. In considering the past experience, if the contract payment is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk of the financial asset is significantly increased since the original recognition.
- E. In considering the past experience with payment collection, if a contract payment is overdue for more than 180 days in accordance with the agreed payment terms, it is considered a breach of contract.
- F. The Company categorizes the accounts receivable from customers based on their evaluation ratings. The loss rate method is adopted as the basis for estimating the expected credit loss.
- G. The Company has included the economic indicators and signals of the National Development Council and Basel Committee on Banking Supervision's forward-looking considerations to adjust the loss rate based on historical and current information for a specific period.
- H. The Company uses the following indicators to determine the status of credit impairments of debt instruments:
 - (A) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.
 - (B) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.

(C) The issuer delays or does not pay for the interest or principal.

(D) Unfavorable changes in the national- or regional-level economic situation resulting in the issuer's default.

I. The Company will continue the recourse for financial assets that have defaulted to protect the rights of the claims. The Company may write off the amount of financial assets that cannot be reasonably expected to be recovered after recourse.

J. The Company has incorporated forward-looking considerations to adjust the loss rate built according to historical and current data in order to estimate the loss allowance notes and accounts receivables. The loss rates are shown as follows:

	Not past due	Less than 30 days past due	31 to 60 days past due	61 to 180 days past due	More than 181 days past due	Total
<u>December 31, 2021</u>						
Expected loss rate	0.05%	0.95%	6.46%	19.67%-81.53%	100%	
Notes receivable	\$ 1,986	\$ -	\$ -	\$ -	\$ -	\$ 1,986
Accounts receivable	1,518,734	11,758	5,963	-	-	1,536,455
Total book value	\$ 1,520,720	\$ 11,758	\$ 5,963	\$ -	\$ -	\$ 1,538,441
Loss provision	(\$ 695)	(\$ 112)	(\$ 385)	\$ -	\$ -	(\$ 1,192)
<u>December 31, 2020</u>						
Expected loss rate	0.05%	1.01%	6.88%	17.85%-78.32%	100%	
Notes receivable	\$ 258	\$ -	\$ -	\$ -	\$ -	\$ 258
Accounts receivable	852,682	8,843	3,466	214	50	865,255
Total book value	\$ 852,940	\$ 8,843	\$ 3,466	\$ 214	\$ 50	\$ 865,513
Loss provision	(\$ 285)	(\$ 89)	(\$ 238)	(\$ 37)	(\$ 50)	(\$ 699)

The above is an aging report based on the number of days past due.

K. The Company adopts a simplified method in which the loss allowance for the accounts receivable is shown below:

	2021	2020
	Accounts receivable	Accounts receivable
January 1	\$ 699	\$ 455
Expected loss on credit impairment	493	6,226
Write-offs	-	(5,982)
December 31	\$ 1,192	\$ 699

(3) Liquidity risk

A. Cash flow forecasting is performed by the various departments of the Company and aggregated by the Company's treasury department. It monitors rolling forecasts of liquidity requirements to ensure the Company has sufficient cash to meet operational needs.

B. The treasury department of the Company invests the remaining funds in interest-bearing demand deposits and domestic money market funds, as the instruments chosen have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined

by the abovementioned forecasts. For the years ended December 31, 2021 and 2020, the position of the money market held by the Company is expected to generate immediate cash flow to manage liquidity risk.

C. The Company does not have derivative financial liabilities. The table below analyzes the non-derivative financial liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. Except for those listed in the table, others mature within a year. The undiscounted cash flow amount is equivalent to the amount listed in the balance sheet. The remaining undiscounted cash flow of non-derivative financial liabilities is shown as follows:

<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative Financial</u>					
<u>Liabilities:</u>					
Lease liabilities (current/non-current)	\$ 10,136	\$ 9,228	\$ 23,585	\$ 182,208	\$ 225,157
<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative Financial</u>					
<u>Liabilities:</u>					
Lease liabilities (current/non-current)	\$ 9,221	\$ 7,802	\$ 23,312	\$ 189,978	\$ 230,313

(III) Fair value information

- The Company has no financial instruments measured at fair value, and the book value of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), other non-current assets - refundable deposits and pledged time deposits, accounts payable (including related parties), other accounts payable (including related parties), lease liabilities (including current and non-current), other non-current liabilities - deposit received) is a reasonable approximation of fair value.
- For fair value information of investment property measured at cost, please refer to Note 6 (9).

(IV) Additional information

In response to the COVID-19 pandemic and the anti-pandemic measures implemented by the government, the Company has adjusted the resources, manpower, and supply chains prudently and flexibly. Meanwhile, we have adopted relevant measures, such as flexible working hours and regular screening, to reduce the impact of the pandemic on the Company's operations. As of February 23, 2022, the changes due to the pandemic did not significantly impact our operations.

XIII. Additional disclosures

(I) Significant transactions information

- Loans to others: None.

2. Provision of endorsements and guarantees to others: Please refer to Schedule 1.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to Schedule 2.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
7. The amount of goods purchased or sold with related parties reaches NT\$100 million or more than 20% of the paid-in capital: Please refer to Schedule 3.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to Schedule 4.
9. Engagement in derivative transactions: None.
10. Significant inter-company transactions during the reporting periods: Please refer to Schedule 5.

(II) Information on investees

Names, locations and other information of investee companies (not including investees in China): Please refer to Schedule 6.

(III) Information on investments in China

1. Basic information: Please refer to Schedule 7.
2. Significant transactions, either directly or indirectly through a third area, with investee companies in China: Please refer to Schedule 8.

(IV) Information on major shareholders

For information on major shareholders: Please refer to Schedule 9.

XIV. Operating Segments Information

Not applicable

Innodisk Corporation
Provision of endorsements and guarantees to others
January 1 to December 31, 2021

Schedule 1

Expressed in Thousands of NTD
(Unless otherwise specified)

Number (Note 1)	Endorser / guarantor	Party being endorsed/guaranteed		Limit on endorsements/guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/guarantee amount for the period (Note 4)	Outstanding endorsement/guarantee amount for the period	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Percentage of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor or company	Ceiling on the total amount of endorsements/guarantees provided (Note 3)	Provision of endorsements/guarantees by the parent company to the subsidiary	Provision of endorsements/guarantees by the subsidiary to the parent company	Provision of endorsements/guarantees to the party in China	Remarks
		Company name	Relationship (Note 2)											
0	Innodisk Corporation	Innodisk Europe B.V.	2	\$ 1,192,198	\$ 24,514	\$ 21,924	\$ 15,973	\$ -	0.37%	\$ 2,980,495	Y	N	N	
0	Innodisk Corporation	Innodisk USA Corporation	2	1,192,198	19,975	-	-	-	0.00%	2,980,495	Y	N	N	
0	Innodisk Corporation	Aetina Corporation	2	1,192,198	45,000	-	-	-	0.00%	2,980,495	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1). Fill in 0 for the issuer.

(2) The invested companies are numbered in order starting from 1.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of categories each case belongs to:

(1) A company with business dealings.

(2) A company in which the Company directly or indirectly holds more than 50% of its voting shares.

(3) A company which directly or indirectly holds more than 50% of the voting shares of the Company.

(4) A company in which the Company directly or indirectly holds more than 90% of its voting shares.

(5) A mutually guaranteed company of the trade or among joint constructors due to the need of the construction contract.

(6) A company jointly endorsed/guaranteed by its shareholders in proportion to their ownerships due to joint venture.

(7) Performance guarantee and joint guarantee by industry peers engaging in a house pre-sale contract in accordance with the Consumer Protection Act.

Note 3: The total amount of endorsements and guarantees of the Company must not exceed 50% of the Company's net worth, and the total amount to a single enterprise shall not exceed 20% of the Company's net worth.

Note 4: Maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Innodisk Corporation
Acquisition of real estate reaching NT\$300 million or 20% of the paid-in capital or more
January 1 to December 31, 2021

Schedule 2

The company which acquired the real estate	Property name	Date of fact	Transaction amount (note)	Payment status	Counterparty	Relationship with the endorser/ guarantor	Previous transfer information if the counterparty is a related party			Expressed in Thousands of NTD (Unless otherwise specified)		
							Relationship	Transfer date	Amount	Reference for price determination	Purpose of acquisition and status of use	Other agreed matters
Innodisk Corporation	Real estate in Xizhi District, New Taipei City	November 2021	\$ 337,346	A total of NT\$68,802 has been paid for the first to third phases, and the remaining NT\$268,544 has not yet been paid.	Kingfisher Technology Corporation	-	-	-	-	In accordance with the contract.	For the Company's operation.	No

Note: It refers to the total contract price and deed tax.

Innodisk Corporation
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
January 1 to December 31, 2021

Schedule 3

Expressed in Thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty name	Relationship with the endorser/guarantor	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared with third party transactions		Notes/accounts receivable (payable)		Remarks
			Purchase/Sales	Amount			Unit Price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Innodisk Corporation	Innodisk USA Corporation	Subsidiary	(Sales)	(\$ 1,401,964)	(15%)	Net 60	As agreed by both parties	Normal	\$ 270,261	18%	
Innodisk Corporation	Innodisk Shenzhen Corporation	Subsidiary	(Sales)	(748,434)	(8%)	Net 60	As agreed by both parties	Normal	85,534	6%	
Innodisk USA Corporation	Innodisk Corporation	Parent company	Purchase	1,401,964	19%	Net 60	As agreed by both parties	Normal	(270,261)	(29%)	
Innodisk Shenzhen Corporation	Innodisk Corporation	Parent company	Purchase	748,434	10%	Net 60	As agreed by both parties	Normal	(85,534)	(9%)	

Innodisk Corporation
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more:
 January 1 to December 31, 2021

Schedule 4

Expressed in Thousands of NTD
 (Except as otherwise indicated)

Companies with accounts receivable	Counterparty name	Relationship with the endorser/guarantor	Balance of account receivable from related parties	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Amount of recognized allowance for bad debts
					Amount	Action taken		
Innodisk Corporation	Innodisk USA Corporation	Subsidiary	\$ 270,261	6.90	\$ -	Not applicable	\$ 110,971	\$ -
Innodisk Corporation	Innodisk Shenzhen Corporation	Subsidiary	85,534	6.49	-	Not applicable	73,598	-

Innodisk Corporation
Significant inter-company transactions during the reporting periods and their business relationships.
January 1 to December 31, 2021

Schedule 5

Individual transactions less than NT\$10 million will not be disclosed. Transactions which are disclosed as part of the parent company's transactions will not be disclosed again.

Expressed in Thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Relationship	Counterparty	Relationship (Note 2)	General ledger account	Status of transaction		Percentage of consolidated total operating revenues or total assets (Note 3)
					Amount	Transaction terms	
0	Innodisk Corporation	Innodisk USA Corporation	(1)	Sales	\$ 1,401,964	Same with other customers	14%
0	Innodisk Corporation	Innodisk Shenzhen Corporation	(1)	Sales	748,434	Same with other customers	7%
0	Innodisk Corporation	Innodisk USA Corporation	(1)	Accounts receivable	270,261	Same with other customers	3%
0	Innodisk Corporation	Innodisk Shenzhen Corporation	(1)	Accounts receivable	85,534	Same with other customers	1%

Note 1: The business dealing information between the parent company and its subsidiaries shall be indicated in the number field respectively. The filling method of the number is as follows:

- (1). Parent company is "0".
- (2). The subsidiaries are numbered in order starting from "1".

Note 2: There are the following three types of relationships with the counterparty, and only the type needs to be indicated (if it is the same transaction between parent and subsidiary companies or between subsidiaries, there is no need to disclose it again. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction;

For transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction):

- (1). Parent company to subsidiary.
- (2). Subsidiary to parent company.
- (3). Subsidiary to subsidiaries.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement account.

Innodisk Corporation
Names, locations and other information of investee companies (not including investees in China)
January 1 to December 31, 2021

Schedule 6

Expressed in Thousands of NTD
(Except as otherwise indicated)

Name of Investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as of the end of period			Net profit (loss) of the investee for the current period	Investment income(loss) recognized by the Company for the current period	Remarks
				Balance at the end of period	End of the previous year	Number of Shares	Percentage	Book value			
Innodisk Corporation	Innodisk USA Corporation	United States	Industrial embedded storage devices	\$ 140,499	\$ 140,499	2,046,511	100	\$ 91,661	\$ 38,521	\$ 38,640	
Innodisk Corporation	Innodisk Japan Corporation	Japan	After-sales services and support of industrial embedded storage devices	3,533	3,533	196	100	8,513	1,709	1,733	
Innodisk Corporation	Innodisk Europe B.V.	Netherlands	After-sales services and support of industrial embedded storage devices	17,802	17,802	50,000,100	100	33,118	2,483	2,483	
Innodisk Corporation	Innodisk Global-M Corporation	Mauritius	Investment holdings	20,154	20,154	665,000	100	73,883	12,903	12,927	
Innodisk Corporation	Aetina Corporation	Taiwan	Manufacturing and sales of industrial graphics cards	24,091	24,091	13,361,737	74.78	215,018	84,521	63,528	
Innodisk Corporation	AccelStor Inc.	Taiwan	Computers and computing peripheral equipment manufacturing	224,058	224,058	16,652,700	40.37	-	-	-	
Innodisk Corporation	Millitronic Co., Ltd.	Taiwan	Electronic parts and components manufacturing.	54,157	54,157	5,415,720	33.55	10,501	(23,044)	(7,731)	
Innodisk Corporation	Antzer Tech Co., Ltd.	Taiwan	Electronic parts and components manufacturing.	57,133	37,244	58,400,000	100.00	28,545	6,923	1,125	
Innodisk Corporation	Sysinno Technology Inc.	Taiwan	Electronic parts and components manufacturing.	12,900	12,900	645,000	43.00	8,237	(4,425)	(1,903)	
Innodisk Europe B.V.	Innodisk France SAS	France	After-sales services and support of industrial embedded storage devices	175	-	-	100.00	659	532	532	
Aetina Corporation (Note 2)	Aetina USA Corporation	United States	After-sales service and support for industrial graphics cards	-	-	-	100.00	-	-	-	

Note 1: Disclosed at the historical exchange rate

Note 2: Aetina Corporation established the subsidiary Aetina USA Corporation in September 2021, and the capital injection has not been completed as of December 31, 2021.

Innodisk Corporation
Information on investments in China - Basic data
January 1 to December 31, 2021

Schedule 7

Expressed in Thousands of NTD
(Except as otherwise indicated)

Investee in China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to China	Amount remitted from Taiwan to China/Amount remitted back to Taiwan for the year		Accumulated amount of remittance from Taiwan to China	Net profit (loss) of the investee for the current period	Ownership held by the Company (direct or indirect)	Investment income(loss) recognized by the Company for the current period (Note 2)	Net profit (loss) of the investee for the year	Accumulated amount of investment income remitted back to Taiwan	Remarks
					Remitted to	Remitted back							
Innodisk Shenzhen Corporation	Industrial embedded storage devices	\$18,168 (US\$600 thousands) (Note 3)	2. Innodisk Global-M Corporation	\$18,168 (US\$600 thousands) (Note 3)	\$ -	\$ -	\$18,168 (US\$600 thousands) (Note 3)	\$ 13,168	100	\$ 13,168	\$ 72,595	\$ -	

Note 1: Investment methods are classified into the following three categories; fill in the number of the category that each case belongs to:

- (1). Directly invest in a company in China.
- (2). Re-investment in China through a company in a third area (please specify the company in the third area)
- (3). Other methods

Note 2: The investment income (loss) recognized in the current period is based on the investee company's financial statements for the same period audited by the parent company's independent accountants in Taiwan.

Note 3: Disclosed at the historical exchange rate

Company name	Accumulated amount of investment remitted from Taiwan to China at the end of the period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in China imposed by the Investment Commission of MOEA (Note 4)
Innodisk Corporation	\$18,168 (US\$600 thousands) (Note 5)	\$18,168 (US\$600 thousands) (Note 5)	\$ 3,620,106

Note 4: The cap is 60% of the net worth in accordance with the provisions of the (90) Tai-Cai-Zheng (I) #006130 announced by the Securities and Futures Commission, Ministry of Finance on November 16, 2001.

Note 5: Disclosed at the historical exchange rate

Innodisk Corporation
 Significant transactions, either directly or indirectly through a third area, with investee companies in China
 January 1 to December 31, 2021

Schedule 8

Expressed in Thousands of NTD
 (Except as otherwise indicated)

Investee in China	Sales (Purchases)		Property transactions		Accounts receivable / payable		Notes endorsement and guarantee or provision of collateral		Financial intermediation				
	Amount	%	Amount	%	Balance	%	Balance at the end of the period	Purpose	Highest balance	Balance at the end of the period	Range of interest rate	Current interest rate	Others
Innodisk Shenzhen Corporation	\$ 748,434	7%	\$ -	-	\$ 85,534	1%	\$ -	-	\$ -	\$ -	-	\$ -	-

Innodisk Corporation
Information on major shareholders
December 31, 2021

Schedule 9

Names of major shareholders	Shares	
	Number of Shares Held	Shareholding percentage
Rui Ding Invest Co., Ltd.	6,252,307	7.56%
Colbert Global Opportunities Fund II in the custody of HSBC	6,213,922	7.51%

- Note 1: The information on major shareholders in this Exhibit is compiled by Taiwan Depository & Clearing Corporation based on the last business day of the quarter in which the shareholders held 5% or more of the Company's common shares and preferred shares whose registration and delivery have been completed in non-physical form (including treasury shares). The number of shares recorded in the Company's financial statements and the actual number of shares registered and delivered in non-physical form may differ depending on the basis of preparation of the calculations.
- Note 2: If a shareholder delivers his or her shares to a trust, the above information shall be disclosed by the individual trustor account opened by the trustee. As for the shareholder's declaration of insider's equity in accordance with the Securities and Exchange Act, the shareholding of the shareholder includes his or her own shares plus the shares that he or she has delivered to a trust and has the right to decide the use of the trust property, etc. Please refer to the Market Observation Post System for information on insider's equity declaration.

Independent Auditor's Report

To the Board of Directors and Stockholders of Innodisk Corporation:

Opinion

We have audited the accompanying consolidated balance sheets of Innodisk Corporation and subsidiaries (the “Group”) as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies were also audited.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters that, in our professional judgment, were of most significance in our audit of the Group’s 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

Key audit matter –Inventory Evaluation

Description

With respect to the accounting policy for inventory valuation, please refer to Note 4 (12) of the consolidated financial statements. For the uncertainty of accounting estimates and assumptions applied in inventory valuation, please refer to Note 5 (2). For the accounting entries of inventory, please refer to Note 6 (4).

Innodisk Group mainly manufactures and sells industrial storage devices and memory modules. Due to technological changes and price fluctuation of key raw materials, Innodisk's inventory is measured at the lower of cost and net realizable value and at the same time supplemented by separate identification of the usability of long-term inventory to recognize valuation loss. As the inventory valuation of Innodisk involves subjective judgment and the valuation is material to consolidated financial statements, we consider the inventory valuation as one of the key matters for audit.

How our audit addressed the matter

The scope of our audit responded to the risk as follows:

1. Obtained the Group's policy applied to the assessment of allowance for valuation of inventory loss. Assessed whether the allowance recognition policy is applied in a manner consistent between comparative and current periods of the financial statements.
2. Obtained net realizable value report for inventory items and verified that a consistent systematic logic was applied to the calculation. First, tested the assumptions such as: sources of sales data and relevant supporting estimation documents. Second, recalculated net realizable value item by item, then applied the lower of cost or net realizable value method for valuation and whether reasonable allowance was recognized.
3. Obtain an inventory aging report to conduct inventory aging test. Random sampling of inventory and compare inventory transaction records to confirm the classification of aging intervals.
4. Compared current and previous year's allowance for valuation of inventory loss and reviewed the reasonableness of allowance recognized.

Key audit matter –Existence of Sales Revenue

Description

For the accounting policy of income recognition, please refer to Note 4 (29) of the consolidated financial statements. For the description of accounting entries of sales income, please refer to Note 6 (19).

Innodisk Group is mainly engaged in the research, development, manufacturing and sales of industrial storage devices and memory modules. Because product diversification and innovation affect

changes to the top ten customers' sales and the large transactions with top ten customers require much resources in audit, we have listed the existence of sales revenue of the top ten customers as one of the important items for audit.

How our audit addressed the matter

The scope of our audit responded to the risk as follows:

1. Obtained an understanding of the process and basis of sales revenue recognition and collection with the top ten customers to evaluate the effectiveness of internal control of sales revenue recognition by the management, and test the effectiveness of internal control on shipping, billing and payment collection.
2. Obtain the evaluation data of the top ten customers, search for relevant information and verify them.
3. Test if the credit conditions for the top ten customers have been properly approved.
4. Selected samples of details of sales for the top ten customers to verify the related vouchers and status of subsequent payment collection.
5. Obtain details of sales returns in the subsequent period of the top ten customers and examine the status of sales returns.

Other Matters -- Individual Financial Report

We have audited and expressed a modified opinion on the individual financial statements of the Innodisk Corporation for the years ended December 31, 2021 and 2020.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group

or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease

to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the governance unit, we determined the key audit matters for the audit of the Group's consolidated financial statements of 2021. 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.

Yeh, Tsui Miao

Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

February 23, 2022

Innodisk Corporation and Subsidiaries
Consolidated Balance Sheet
December 31, 2021 and 2020

Expressed in Thousands of NTD

Assets	Note	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
Current assets					
1100	Cash and cash equivalents	\$ 2,137,891	26	\$ 2,260,204	36
1136	Current financial assets at amortised cost	600,000	8	400,000	7
1150	Notes receivable	1,986	-	258	-
1170	Accounts receivable, net	1,554,637	19	879,782	14
1180	Accounts receivable -- related parties	2	-	72	-
1200	Other receivables	6,139	-	3,736	-
1210	Other receivables -- related parties	42	-	273	-
1220	Current income tax assets	494	-	777	-
130X	Inventories	1,664,349	20	791,673	13
1410	Prepayments	102,658	1	56,228	1
11XX	Current Assets	<u>6,068,198</u>	<u>74</u>	<u>4,393,003</u>	<u>71</u>
Non-current assets					
1535	Non-current financial assets at amortized cost	10,706	-	7,706	-
1550	Investments accounted for using equity method	18,738	-	33,123	1
1600	Property, plant and equipment	1,616,786	20	1,374,994	22
1755	Right-of-use assets	206,101	2	213,356	3
1760	Investment property, net	99,351	1	102,216	2
1780	Intangible assets	47,137	1	28,927	-
1840	Deferred income tax assets	76,339	1	43,707	1
1900	Other non-current assets	88,082	1	20,838	-
15XX	Non-current assets	<u>2,163,240</u>	<u>26</u>	<u>1,824,867</u>	<u>29</u>
1XXX	Total Assets	<u>\$ 8,231,438</u>	<u>100</u>	<u>\$ 6,217,870</u>	<u>100</u>

(Continued)

Innodisk Corporation and Subsidiaries
Consolidated Balance Sheet
December 31, 2021 and 2020

Expressed in Thousands of NTD

Liabilities and Equity	Note	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
Current liabilities						
2130	Current contract liabilities	6 (19)	\$ 31,810	-	\$ 41,011	1
2170	Accounts payable		956,657	12	565,168	9
2180	Accounts payable -- related parties	7 (2)	385	-	-	-
2200	Other payables	6 (21)	489,380	6	319,597	5
2230	Current income tax liabilities		292,912	4	114,838	2
2250	Provisions for liabilities-current	6 (15)	59,851	1	61,444	1
2280	Current lease liabilities		21,312	-	22,098	-
2320	Long-term liabilities -- current portion	6 (12)	2,193	-	2,451	-
2399	Other current liabilities, others		6,021	-	14,318	-
21XX	Current Liabilities		<u>1,860,521</u>	<u>23</u>	<u>1,140,925</u>	<u>18</u>
Non-current liabilities						
2540	Long-term loans	6 (12)	140,461	2	17,860	1
2570	Deferred income tax liabilities:	6 (26)	8,279	-	-	-
2580	Non-current lease liabilities		187,265	2	192,781	3
2600	Other non-current liabilities	7 (2)	1,402	-	1,243	-
25XX	Non-current Liabilities		<u>337,407</u>	<u>4</u>	<u>211,884</u>	<u>4</u>
2XXX	Total liabilities		<u>2,197,928</u>	<u>27</u>	<u>1,352,809</u>	<u>22</u>
Equity attributable to owners of parent						
Share capital						
3110	Share capital - common stock	6 (16)	826,680	10	813,240	13
Capital surplus						
3200	Capital surplus	6 (17)	1,213,829	14	1,082,702	17
Retained earnings						
3310	Legal reserve	6 (18)	610,743	8	517,734	8
3320	Special reserve		5,438	-	4,080	-
3350	Unappropriated retained earnings		3,317,446	40	2,403,928	39
Other equity interests						
3400	Other equity interests		(13,147)	-	(5,438)	-
31XX	Total equity attributable to owners of parent		<u>5,960,989</u>	<u>72</u>	<u>4,816,246</u>	<u>77</u>
36XX	Non-controlling interest		<u>72,521</u>	<u>1</u>	<u>48,815</u>	<u>1</u>
3XXX	Total equity		<u>6,033,510</u>	<u>73</u>	<u>4,865,061</u>	<u>78</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet date						
3X2X	Total Liabilities and Equity		<u>\$ 8,231,438</u>	<u>100</u>	<u>\$ 6,217,870</u>	<u>100</u>

The accompanying consolidated financial statements are an integral part of the consolidated financial statements and should be read in conjunction.

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Liao, Shu-Nu

Innodisk Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31, 2021 and 2020

Expressed in Thousands of NTD
(Except for earnings per share)

	Item	Note	2021		2020	
			Amount	%	Amount	%
4000	Operating revenue	6 (19) and 7 (2)	\$ 10,195,658	100	\$ 7,152,015	100
5000	Operating costs	6 (4) and 7 (2)	(7,103,440)	(70)	(5,018,288)	(70)
5950	Gross profit before unrealized gross profit on sales to subsidiaries		3,092,218	30	2,133,727	30
	Operating expenses	6 (24) and 7 (2)				
6100	Selling expenses		(463,863)	(4)	(399,802)	(6)
6200	General and administrative expenses		(483,752)	(5)	(364,070)	(5)
6300	Research and development expenses		(194,129)	(2)	(155,922)	(2)
6450	Expected loss on credit impairment	12 (2)	(1,228)	-	(6,640)	-
6000	Total operating expenses		(1,142,972)	(11)	(926,434)	(13)
6900	Operating profit		1,949,246	19	1,207,293	17
	Non-operating income and expenses					
7100	Interest income	6 (20)	5,860	-	6,539	-
7010	Other income	6 (21) and 7 (2)	51,745	-	22,031	-
7020	Other gains and losses	6 (22)	(23,956)	-	(52,721)	(1)
7050	Finance cost	6 (23)	(2,987)	-	(2,293)	-
7060	Shares of losses of associates and joint ventures accounted for using equity method	6 (5)	(7,854)	-	(13,253)	-
7000	Total non-operating income and expenses		22,808	-	(39,697)	(1)
7900	Profit before income tax		1,972,054	19	1,167,596	16
7950	Income tax expense	6 (26)	(390,173)	(4)	(227,063)	(3)
8200	Profit for the year		\$ 1,581,881	15	\$ 940,533	13
	Other comprehensive income					
	Components of other comprehensive income that will be reclassified to profit or loss:					
8361	Financial statements translation differences of foreign operations		(\$ 7,729)	-	(\$ 1,358)	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		(7,729)	-	(1,358)	-
8300	Other comprehensive loss for the period, net of tax		(\$ 7,729)	-	(\$ 1,358)	-
8500	Total comprehensive income for the year		\$ 1,574,152	15	\$ 939,175	13
	Profit attributable to:					
8610	Owners of the parent		\$ 1,560,888	15	\$ 931,663	13
8620	Non-controlling interest		20,993	-	8,870	-
	Profit for the year		\$ 1,581,881	15	\$ 940,533	13
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 1,553,179	15	\$ 930,305	13
8720	Non-controlling interest		20,973	-	8,870	-
	Total comprehensive income for the year		\$ 1,574,152	15	\$ 939,175	13
	Basic earnings per share	6 (27)				
9750	Profit for the year		\$ 18.94		\$ 11.46	
	Diluted earnings per share	6 (27)				
9850	Profit for the year		\$ 18.61		\$ 11.21	

The accompanying consolidated financial statements are an integral part of the consolidated financial statements and should be read in conjunction.

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Liao, Shu-Nu

Innodisk Corporation and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2021 and 2020

Expressed in Thousands of NTD

	Note	Equity attributable to owners of parent						Total	Non-controlling interest	Total equity
		Share capital - common stock	Capital surplus	Retained earnings		Unappropriated retained earnings	Other equity interests			
				Legal reserve	Special reserve		Financial statements translation differences of foreign operations			
<u>2020</u>										
Balance at January 1, 2020		\$ 797,294	\$ 1,058,681	\$ 416,308	\$ -	\$ 2,193,268	(\$ 4,080)	\$ 4,461,471	\$ 33,549	\$ 4,495,020
Profit for the year		-	-	-	-	931,663	-	931,663	8,870	940,533
Other comprehensive profit and loss for the year		-	-	-	-	-	(1,358)	(1,358)	-	(1,358)
Total comprehensive profit and loss for the year		-	-	-	-	931,663	(1,358)	930,305	8,870	939,175
Appropriations and of 2019 earnings	6 (18)									
Legal reserve		-	-	101,426	-	(101,426)	-	-	-	-
Special reserve		-	-	-	4,080	(4,080)	-	-	-	-
Stock dividends		15,946	-	-	-	(15,946)	-	-	-	-
Cash dividends		-	-	-	-	(597,971)	-	(597,971)	-	(597,971)
Share-based payment	6 (14)	-	22,864	-	-	-	-	22,864	-	22,864
Changes in net assets of the associates and joint ventures accounted for using equity method		-	-	-	-	(1,580)	-	(1,580)	-	(1,580)
Share-based remuneration for employees of subsidiaries		-	1,157	-	-	-	-	1,157	2,903	4,060
Transactions with non-controlling interests	6 (29)	-	-	-	-	-	-	-	3,493	3,493
Balance at December 31, 2020		\$ 813,240	\$ 1,082,702	\$ 517,734	\$ 4,080	\$ 2,403,928	(\$ 5,438)	\$ 4,816,246	\$ 48,815	\$ 4,865,061
<u>2021</u>										
Balance as of January 1, 2021		\$ 813,240	\$ 1,082,702	\$ 517,734	\$ 4,080	\$ 2,403,928	(\$ 5,438)	\$ 4,816,246	\$ 48,815	\$ 4,865,061
Profit for the year		-	-	-	-	1,560,888	-	1,560,888	20,993	1,581,881
Other comprehensive profit and loss for the year		-	-	-	-	-	(7,709)	(7,709)	(20)	(7,729)
Total comprehensive profit and loss for the year		-	-	-	-	1,560,888	(7,709)	1,553,179	20,973	1,574,152
Appropriations and of 2020 earnings	6 (18)									
Legal reserve		-	-	93,009	-	(93,009)	-	-	-	-
Special reserve		-	-	-	1,358	(1,358)	-	-	-	-
Cash dividends		-	-	-	-	(553,003)	-	(553,003)	-	(553,003)
Share-based payment	6 (14)	-	19,973	-	-	-	-	19,973	-	19,973
Exercise of employee share options	6 (16)	13,440	111,055	-	-	-	-	124,495	-	124,495
Share-based remuneration for employees of subsidiaries		-	99	-	-	-	-	99	2,733	2,832
Balance as of December 31, 2021		\$ 826,680	\$ 1,213,829	\$ 610,743	\$ 5,438	\$ 3,317,446	(\$ 13,147)	\$ 5,960,989	\$ 72,521	\$ 6,033,510

The accompanying consolidated financial statements are an integral part of the consolidated financial statements and should be read in conjunction.

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Liao, Shu-Nu

Innodisk Corporation and Subsidiaries
Consolidated Cash Flow Statement
January 1 to December 31, 2021 and 2020

Expressed in Thousands of NTD

	Note	January 1 to December 31, 2021	January 1 to December 31, 2020
<u>Cash flow from operating activities</u>			
Profit before income tax for the year		\$ 1,972,054	\$ 1,167,596
Adjustments:			
Adjustments to reconcile profit (loss)			
Depreciation charges on property, plant and equipment	6 (24)	67,274	69,865
Depreciation charges on right-of-use assets	6 (24)	28,566	24,302
Amortization charges on the intangible assets and deferred assets.	6 (24)	24,851	20,294
Depreciation charges on investment property	6 (22)	1,383	1,449
Expected loss (gain) on credit impairment	12 (2)	1,228	6,640
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	6 (4)	132,392	8,999
Loss on scrapping inventory	6 (4)	5,195	10,707
Gain on lease modification	6 (7)	(3)	(3)
Interest income	6 (20)	(5,860)	(6,539)
Interest expense	6 (23)	2,987	2,293
Compensation cost of employee stock options	6 (14)	19,973	22,864
Shares of losses of associates and joint ventures accounted for using equity method	6 (5)	7,854	13,253
Gains on revaluation of investments accounted for using equity method	6 (22)	(2,780)	-
Loss (gain) on disposal of property, plant and equipment	6 (22)	(372)	57
Gain on disposal of intangible assets	6 (22)	-	(2,842)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(1,728)	1,108
Accounts receivable, net		(674,500)	77,616
Accounts receivable -- related parties		70	4
Other receivables		(2,271)	811
Other receivables -- related parties		231	(111)
Inventories		(1,005,066)	(38,313)
Prepayments		(45,432)	(4,667)
Changes in operating liabilities			
Current contract liabilities		(10,625)	23,025
Accounts payable		390,660	135,719
Accounts payable -- related parties		138	-
Other payables		151,432	7,962
Provisions for liabilities-current		(1,593)	2,350
Other current liabilities, others		(8,343)	9,550
Cash inflow generated from operations		1,047,715	1,553,989
Interest received		5,862	6,587
Income taxes paid		(226,750)	(280,864)
Net cash flows from operating activities		<u>826,827</u>	<u>1,279,712</u>

(Continued)

Innodisk Corporation and Subsidiaries
Consolidated Cash Flow Statement
January 1 to December 31, 2021 and 2020

Expressed in Thousands of NTD

	<u>Note</u>	<u>January 1 to December 31, 2021</u>	<u>January 1 to December 31, 2020</u>
<u>Cash Flow from Investing Activities</u>			
Increase in financial assets at amortized cost - current		(\$ 200,000)	(\$ 250,000)
Acquisition of investments accounted for using equity method	6 (5)	-	(19,000)
Proceeds from disposal of investments accounted for using equity method	6 (29)	-	3,493
Acquisition of property, plant and equipment	6 (30)	(292,133)	(33,258)
Disposal of property, plant and equipment		460	-
Increase in refundable deposits		(732)	(7,584)
Decrease in refundable deposits		250	1,108
Acquisition of intangible assets	6 (10)	(24,564)	(13,342)
Proceeds from disposal of intangible assets		-	26,652
Increase in pledged time deposits		(3,000)	-
Net cash flow from acquisition of subsidiaries	6 (28)	(12,882)	-
Increase in prepayments for equipment		(68,802)	(2,656)
Increase in the other non-current assets		(13,223)	(12,839)
Net cash used in investing activities		(614,626)	(307,426)
<u>Cash Flow from Financing Activities</u>			
Proceeds from long-term debt	6 (31)	126,680	-
Repayment of long-term debt	6 (31)	(2,321)	(2,360)
Increase in guarantee deposits received	6 (31)	524	601
Decrease in guarantee deposits received	6 (31)	(332)	(709)
Cash dividends paid	6 (31)	(553,003)	(597,971)
Exercise of employee share options		124,495	-
Interest paid		(2,968)	(2,269)
Payment of lease liabilities	6 (31)	(28,110)	(23,390)
Net cash used in financing activities		(335,035)	(626,098)
Effects of changes in foreign exchange rates		521	9,388
Increase (decrease) in cash and cash equivalents		(122,313)	355,576
Cash and cash equivalents at beginning of year		2,260,204	1,904,628
Cash and cash equivalents at end of year		<u>\$ 2,137,891</u>	<u>\$ 2,260,204</u>

The accompanying consolidated financial statements are an integral part of the consolidated financial statements and should be read in conjunction.

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Liao, Shu-Nu

Innodisk Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended December 31, 2021 and 2020

Expressed in Thousands of NTD
(Except as otherwise indicated)

I. Company history

(I) Innodisk Corporation (hereinafter referred to as the “Company”) was established in March 2005. The Company and its subsidiaries (hereinafter referred to as the “Group”) mainly engage in the research, development, manufacturing and sales of various types of industrial embedded storage devices.

(II) The Taipei Exchange reviewed the Company’s application and approved its eligibility to be publicly traded in October, 2013 and the Company became officially on the OTC board on November 27, 2013.

II. The date of authorization for issuance of the financial statements and procedures for authorization

The consolidated financial statements were authorized for issuance by the Board of Directors on February 23, 2022.

III. Application of new standards, amendments, and interpretations

(I) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”).

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2021:

New/Amended/Revised Standards and Explanations	Effective date of issuance by IASB
Amendment to IFRS 4 “Extension of temporary exemption from the application of IFRS 9”	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, “Interest Rate Benchmark Reform— Phase 2”	January 1, 2021
Amendment to IFRS 16 “Rent concession related to COVID-19 after June 30, 2021”	April 1, 2021 (Note).

Note: the FSC allows it to apply in advance on January 1, 2021.

The Group believes that the adoption of aforementioned IFRSs will not have a significant effect on the consolidated financial position and performance.

(II) Effect of the new issuances of or amendments to IFRS as endorsed by the FSC but not yet adopted by Group

The following table summarizes the applicable new, amended and revised standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2022:

New/Amended/Revised Standards and Explanations	Effective date of issuance by IASB
Amendment to IFRS 3 “Index to conceptual framework”	January 1, 2022
Amendment to IAS 16 “Property, plant and equipment: price before reaching the intended state of use”	January 1, 2022
Amendment to IAS 37 “Onerous Contracts - Cost of Performing Contracts”	January 1, 2022
Annual improvement of the 2018 ~ 2020 cycle	January 1, 2022

The Group believes that the adoption of aforementioned IFRSs will not have a significant effect on the consolidated financial position and performance.

(III) IFRSs issued by the IASB but not yet endorsed by the FSC.

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:

New/Amended/Revised Standards and Explanations	Effective date of issuance by IASB
Amendment to IFRS 10 and IAS 28 “Sale or investment of assets between investors and their affiliates or joint ventures”	To be determined by IASB.
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17 “Insurance contracts”	January 1, 2023
Amendment to IFRS 17 -- Initial application of IFRS 17 and IFRS 9 – “Comparative information”	January 1, 2023
Amendment to IAS 1 “Classification of liabilities as current or non-current”	January 1, 2023
Amendment to IAS 1 “Disclosure of accounting policies”	January 1, 2023
Amendment to IAS 8 “Definitions of accounting estimates”	January 1, 2023
Amendment to IAS 12 “Deferred income tax related to assets and liabilities arising from a single transaction”	January 1, 2023

The Group believes that the adoption of aforementioned IFRSs will not have a significant effect on the consolidated financial position and performance.

IV. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Compliance statement

These consolidated financial statements of the Group have been prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers,” International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (hereinafter collectively referred to as the “IFRSs”).

(II) Basis of preparation

1. The consolidated financial report has been prepared under the historical cost convention.
2. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

(III) Basis of consolidation

1. The basis for preparation of consolidated financial statements
 - (1) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (3) The profit and loss and the components of other comprehensive income attribute to the owners of the parent company and non-controlling interest. The total comprehensive income also attributes to the owners of the parent company and non-controlling interest, even if this results in the non-controlling interests having a deficit balance.
 - (4) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are equity transactions, and they are considered as transactions with owners in their capacity as owners. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is directly recognized in equity.

2. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activity	Percentage of Equity Holdings		Remarks
			December 31, 2021	December 31, 2020	
Innodisk Corporation	Innodisk USA Corporation	Industrial embedded storage devices	100	100	
Innodisk Corporation	Innodisk Japan Corporation	After-sales services and support of industrial embedded storage devices	100	100	
Innodisk Corporation	Innodisk Europe B.V.	After-sales services and support of industrial embedded storage devices	100	100	
Innodisk Corporation	Innodisk Global-M Corporation	Investment holdings	100	100	Note 1
Innodisk Corporation	Aetina Corporation	Manufacturing and sales of industrial graphics cards	74.78	75.63	Note 2 Note 3
Innodisk Global-M Corporation	Innodisk Shenzhen Corporation	Industrial embedded storage devices	100	100	
Innodisk Europe B.V.	Innodisk France SAS	After-sales services and support of industrial embedded storage devices	100	-	Note 4
Innodisk Corporation	Antzer Tech Co., Ltd.	Electronic parts and components manufacturing.	100	31.89	Note 5
Aetina Corporation	Aetina USA Corporation	After-sales service and support for industrial graphics cards	100	-	Note 6

Note 1: On June 23, 2020, the Company increased its investment in Innodisk Global-M Corporation, amounting to NT\$1,494, and the change registration was completed on June 23, 2020.

Note 2: Aetina Corporation was approved by the shareholder meeting on May 4, 2021 to issue 200,000 shares as a capital increase for employees' remuneration and August 16, 2021 was the base date of capital increase, with the Company's shareholding dropping to 74.78%.

Note 3: Aetina Corporation was approved by the shareholder meeting on May 28, 2020 to issue 200,000 shares as a capital increase for employees' remuneration and August 31, 2020 was the base date of capital increase, with the Company's shareholding dropping to 77.54%. In the third quarter of 2020, the Company sold its equity interest in Aetina Corporation, and the Company's shareholding decreased to 75.63%.

Note 4: Innodisk Europe B.V. established a subsidiary, Innodisk France SAS, in January 2021.

Note 5: The Company acquired Antzer Tech Co., Ltd. on May 18, 2021 in the amount of NT\$19,889, raising the shareholding from the original 31.89% to 100%; thus, it has been included in the consolidated entities since the date of acquisition.

Note 6: Aetina Corporation established the subsidiary Aetina USA Corporation in September 2021, and the capital injection has not been completed as of December 31, 2021.

Note 7: The 2021 and 2020 financial reports of the major subsidiary, Innodisk USA Corporation and other non-major subsidiaries which are listed as consolidated entities in 2021 and 2020 have

been audited by the accountant of the Company.

3. Subsidiaries not included in the consolidated financial report: none.
4. Adjustments for subsidiaries with different balance sheet dates: none.
5. Significant restrictions: none.
6. Subsidiaries that have non-controlling interests that are material to the Group: none.

(IV) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (hereinafter referred to as the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency.

1. Foreign currency transactions and balances

- (1) Foreign currency transactions are translated into the functional currency using spot exchange rate at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (2) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated using spot exchange rate at the balance sheet date. Exchange differences arising from re-translation at the balance sheet date are recognized in profit or loss.
- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated using spot exchange rate at the balance sheet date. Their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated using spot exchange at the balance sheet date. Their translation differences are recognized in other comprehensive income. For those which are not measured at fair value, they measured by the historical exchange rate of the initial transaction date.
- (4) All foreign exchange gains and losses are presented in the statement of consolidated comprehensive income within "Other gains and losses."

2. Translation of foreign operations

- (1) The operating results and financial position of all the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
 - B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.
 - C. All resulting exchange differences are recognized in other comprehensive income.

- (2) Goodwill and fair value adjustments arising on acquisition of a foreign entity are regarded as assets and liabilities of the foreign entity, and are translated at the closing rate.

(V) Classification of current and non-current items

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
- (2) Assets held mainly for trading purposes.
- (3) Assets that are expected to be realized within twelve months from the balance sheet date.
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

Those that do not meet the above criteria are considered non-current.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be paid off within the normal operating cycle.
- (2) Assets held mainly for trading purposes.
- (3) Liabilities that are to be paid off within twelve months from the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Those that do not meet the above criteria are considered non-current.

(VI) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(VII) Financial assets measured at amortized cost

1. Refer to those that meet the following criteria at the same time:

- (1) The objective of the business model is achieved by collecting contractual cash flows.
- (2) The assets' contractual cash flows solely represent payments of principal and interest.

2. On a regular way purchase or sale basis, financial assets measured at amortized cost are recognized and de-recognized using trade date accounting.

3. The Group measures financial assets at fair value plus transaction costs in the initial recognition. The financial assets are subsequently amortized by the effective interest rate during the circulation to

recognize interest income and impairment loss. The profits or losses are recognized in the profit and loss when the assets are derecognized.

4. The Group holds time deposits that are not considered cash equivalents. Due to the short holding period, the impact of discounting is insignificant and is measured by the amount of investment.

(VIII) Accounts and notes receivable

1. Refers to accounts and notes that have been unconditionally charged for the right to exchange the value of the consideration due to the transfer of goods or services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(IX) Impairment of financial assets

Regarding the financial assets measured at amortized cost, the Group considers all reasonable and supportable information (including forward-looking ones) and measure the loss allowance based on the 12-month expected credit losses for those that do not have their credit risk increased significantly since initial recognition. For those that have increased significantly since initial recognition, the loss allowance is measured based on the full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is also required for trade receivables that do not constitute a financing transaction.

(X) De-recognition of financial assets

A financial asset is de-recognized when the Group's rights to receive cash flows from the financial assets have expired.

(XI) Leasing arrangements (lessor) -- operating leases

Lease income from operating leases, less any incentives given to the lessee, is amortized in current profit or loss on a straight-line basis over the lease term.

(XII) Inventories

Inventories are measured at the lower of cost or net realizable value, and the cost is determined by weighted-average method. The cost of finished goods and work-in-progress comprises raw materials, direct labor, other direct costs and related production overheads, but excludes borrowing costs. At the end of year, inventories are evaluated at the lower of cost or net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable costs of completion and selling expenses.

(XIII) Investments accounted for under equity method -- Associates

1. Associates refer to entities over which the Group has significant influence but is not in control. In general, the associates may have more than 20% of their voting shares directly or indirectly owned by the Group. The Group accounts for its investment in associates using the equity method, and the investment is initially recognized at cost.

2. The Group recognizes the profit and loss upon the acquisition of associates as the current profit and loss. Other comprehensive profit and loss after the acquisition are recognized as the other comprehensive profit and loss. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group will not recognize further losses, unless it has incurred legal or constructive obligations or make payments on behalf of the associate.
3. If an associate has changes in equity not from profit or loss or other comprehensive income, and such changes do not affect the Group's shareholding in the associate, the Group will recognize all changes in equity as "capital surplus" according to the shareholding percentage.
4. Unrealized gains on transactions between the Group and associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
5. In the event that an associate issues new shares and the Group does not subscribe to or acquire the new shares in proportion, which results in a change to the Group's shareholding percentage but the Group maintains a significant influence on the associate, the increase or decrease of the Group's share of equity interest is the adjustment of "capital surplus" and "investments accounted for under the equity method." If the investment percentage is reduced, in addition to the above adjustments, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionally on the same basis as would be required if the relevant assets or liabilities were disposed of.
6. When the Group loses its significant influence on an associate, the remaining investment in said associate is re-measured at fair value, and the difference between the fair value and the book value is recognized as profit or loss in the current period.
7. When the Group disposes of an associate, if it loses the significant influence on the associate, all amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses the significant influence on an associate, all gains or losses previously recognized in other comprehensive income in relation to the associate should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of. If the Group still has a significant influence on the associate, only the amount recognized in other comprehensive income previously will be transferred out in the manner above on a pro-rata basis.
8. When the Group disposes of an associate, if it loses the significant influence on the associate accordingly, the capital surplus related to the associate will be reclassified to profit or loss; if it still has a significant influence on the associate, the capital surplus will be reclassified to profit or loss according to the percentage of the disposal.

(XIV) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 must be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from the previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings and construction	2 to 50 years
Machines and equipment	2 to 8 years
Office equipment	2 to 6 years
Others	2 to 6 years

(XV) Leasing agreements (lessee) - right-of-use assets/lease liabilities

1. Leases are recognized as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as expenses on a straight-line basis over the lease term.
2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments include fixed payments, less any lease incentives receivables.

The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is re-measured and the amount of re-measurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

3. At the commencement date, the right-of-use asset is recognized at cost comprising the amount of

initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's service life or the end of lease term. When the lease liability is re-measured, the amount of re-measurement is recognized as an adjustment to the right-of-use asset.

4. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognizes the difference in profit or loss.

(XVI) Investment property

Investment properties are initially measured at cost and may be subsequently measured using a cost model. Except for land, the service life is recognized on a straight-line basis of depreciation and is about 24 to 32 years.

(XVII) Intangible assets

1. Computer software

Recognized by the acquisition cost and is amortized on a straight-line basis with an estimated service life of 1 to 8 years.

2. Trademarks and patent rights

Trademarks and patent rights acquired as a result of a business combination are recognized at fair value on the acquisition date. Trademarks and patent rights are assets with a finite useful life and are amortized at the estimated useful life of three years on a straight line basis.

3. Goodwill

Goodwill is measured in a business combination using the acquisition method.

(XVIII) Impairment of non-financial assets

1. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal cost or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
2. Goodwill regularly estimates its recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The goodwill impairment loss will not be reversed in subsequent years.
3. Goodwill is allocated to cash-generating units for the purpose of conducting the impairment testing. The allocation identified based on the operating segment, and the goodwill is allocated to cash-

generation units or groups of cash-generation units expected to benefit from the business combination that generates goodwill.

(XIX) Borrowings

Refers to long- and short-term funds borrowed from banks. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(XX) Accounts and notes payable

1. Refers to debts incurred as a result of the purchase of raw materials, goods or services and the notes payable due to business and non-business purposes.
2. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XXI) De-recognition of financial liabilities

The Group derecognizes financial liabilities when the obligations specified in the contract are fulfilled, cancelled or expired.

(XXII) Financial assets and liabilities are offset against each other

Financial assets and financial liabilities are offset and presented in the balance sheet on a net basis when there is a legally enforceable right to offset the amount of the recognized financial assets and liabilities and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(XXIII) Provisions

Liability reserve (which is for warranty) is a present statutory or deferred obligation as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

(XXIV) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

2. Pension

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Pre-paid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

3. Employees' bonuses and directors' and supervisors' remuneration

Employees' bonuses and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any differences between the resolved amounts and the subsequently actual distributed amounts are accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(XXV) Employee share-based payment

The share-based payment agreement for delivery of equity is a transaction in which employees' labor service is received as consideration for the Company's equity instrument at fair value. It is recognized as compensation costs during the vesting period and the equity is adjusted accordingly. The equity instrument's fair value shall reflect the effects of vesting and non-vesting conditions of market value. The recognized remuneration costs are adjusted in accordance with the expected service conditions to be met and the non-vesting market value conditions, until the final recognized amount is recognized with the vesting amount on the vesting date.

(XXVI) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each

balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

5. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities. They are levied by the same taxation authority on either the same entities or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXVII) Share capital

Common stocks are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(XXVIII) Dividend distribution

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities. Stock dividends are recorded as dividends to be distributed and transferred to be common stocks on the base date of issuance of new shares.

(XXIX) Revenue recognition

1. Our Group develops, manufactures and sells various products related to industrial storage devices and memory modules. Sales revenue is recognized when the control of products is transferred to customers. That is, once products are delivered to customers, the customers have discretion on the channel and price of product sales, and the Group has no outstanding performance obligations that may affect customers' acceptance of the products. The delivery of products occurs when products are shipped to a designated location and the risk of obsolescence and loss has been transferred to customers, and the customers accept the products in accordance with the sales contract or have objective evidence that all criteria have been met.
2. The payment terms of sales transactions are usually payment in advance or net 30 to 90. With respect to the contracts signed between the Group and customers, the time interval between the transfer products or services promised to customers and the customers' payment has not exceeded one year, so the Group has not adjusted the transaction price to reflect the time value of money.
3. Sales revenue is recognized as the net from subtracting sales discounts from the contract price. The Group estimates possible sales discounts based on past experience and different contract conditions, and recognizes the refund liabilities accordingly.
4. The Group provides warranty for products sold, and has the obligation to repair product defects, which are recognized as liability provisions when goods are sold.
5. Accounts receivable are recognized when goods are delivered to customers. The Group has

unconditional rights to the contract price, and will be able to collect the amount from the customers after the time has passed.

(XXX) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the enterprise will comply with the conditions attached to the government grant and that the grant will be received. If the nature of government subsidies is to compensate the Group for expenses incurred, the government subsidies are recognized in profit or loss on a systematic basis in the period in which the related expenses are incurred.

(XXXI) Business combinations

1. The Group adopts the acquisition method to account for business combinations. The consideration transferred for a combination is measured as the fair value of the assets transferred, the liabilities incurred or assumed, and the equity instruments issued at the acquisition. The consideration for the transfer includes the fair value of any assets and liabilities arising from contingent consideration agreements. All acquisition-related costs related are expensed as incurred. The identifiable assets acquired and liabilities assumed in a business combination are measured at fair value at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
2. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(XXXII) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

V. Critical accounting judgments and key sources of estimation and uncertainty

The preparation of these consolidated financial statements requires the management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Please refer to the following explanation of critical accounting judgments and key sources of estimation and uncertainty:

(XXXIII) Important judgments adopted by the accounting policies

The critical judgments adopted in the Group's accounting policies have been assessed to be free from significant uncertainty.

(XXXIV) Critical accounting estimates and assumptions

Inventory Evaluation

During the inventory valuation, the Group needs to use judgment to evaluate the wear and tear, obsolescence and market sales value of the inventory to estimate the net realizable value, and write down the inventory cost to the net realizable value. Technological changes, environmental changes and sales conditions will change the inventory value, further affecting its valuation.

As of December 31, 2021, the book value of the Group's Inventories was NT\$1,664,349.

VI. Statements of main accounting items

(I) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash:		
Cash on hand and revolving funds	\$ 921	\$ 919
Checking deposits and demand deposits	1,971,470	1,605,785
Cash equivalents:		
Time deposits	165,500	653,500
	<u>\$ 2,137,891</u>	<u>\$ 2,260,204</u>

1. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
2. For the status on the Group providing pledged collaterals with cash and cash equivalents which have been reclassified to other non-current assets, please refer to the details in Note 8.

(II) Financial assets measured at amortized cost

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Time deposits due in more than three months	\$ 600,000	\$ 400,000
Non-current items:		
Pledged time deposits	\$ 10,706	\$ 7,706

1. Financial assets at amortized cost is recognized in the profit and loss shown as follows:

	<u>2021</u>	<u>2020</u>
Interest income	\$ 2,472	\$ 2,004

2. The Group has not provided financial assets at amortized cost as a pledged collateral.

(III) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 1,986	\$ 258
Less: Loss allowance	-	-
	<u>\$ 1,986</u>	<u>\$ 258</u>
Accounts receivable	\$ 1,557,082	\$ 880,988
Accounts receivable - related parties	2	72
	<u>1,557,084</u>	<u>881,060</u>
Less: Loss allowance	(2,445)	(1,206)
	<u>\$ 1,554,639</u>	<u>\$ 879,854</u>

1. For the aging analysis and the related credit risk information on notes and accounts receivable, please refer to Note 12 (2).

2. As of December 31, 2021 and 2020, notes receivable and accounts receivable were from contracts with customers. The balance of notes and accounts receivable as of January 1, 2020 was NT\$966,049.

3. The Group does not hold any collateral for the aforementioned notes and accounts receivable.

(IV) Inventories

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Loss allowance for falling prices</u>	<u>Book value</u>
Raw materials	\$ 1,314,895	(\$ 190,531)	\$ 1,124,364
Work in process	222,201	(15,208)	206,993
Finished products	314,109	(15,341)	298,768
Products	39,032	(4,808)	34,224
	<u>\$ 1,890,237</u>	<u>(\$ 225,888)</u>	<u>\$ 1,664,349</u>
	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Loss allowance for falling prices</u>	<u>Book value</u>
Raw materials	\$ 525,617	(\$ 72,296)	\$ 453,321
Work in process	143,562	(6,790)	136,772
Finished products	179,745	(8,176)	171,569
Products	34,157	(4,146)	30,011
	<u>\$ 883,081</u>	<u>(\$ 91,408)</u>	<u>\$ 791,673</u>

1. None of the above inventories are provided with pledged collaterals.
2. The cost of inventories recognized as losses by the Group.

	<u>2021</u>	<u>2020</u>
Cost of inventory sold	\$ 6,934,892	\$ 4,968,830
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	132,392	8,999
Loss on scrapping of inventory	5,195	10,707
Others	30,961	29,752
	<u>\$ 7,103,440</u>	<u>\$ 5,018,288</u>

(V) Investments accounted for using equity method

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Amount</u>	<u>Shareholding percentage</u>	<u>Amount</u>	<u>Shareholding percentage</u>
Affiliates:				
AccelStor Inc.	\$ -	40.37%	\$ -	40.37%
Millitronic Co., Ltd.	10,501	33.55%	18,232	33.55%
Antzer Tech Co., Ltd.	-	-	4,751	31.89%
Sysinno Technology Inc.	8,237	43.00%	10,140	43.00%
	<u>\$ 18,738</u>		<u>\$ 33,123</u>	

For the years ended December 31, 2021 and 2020, the Group's share of (losses) profits from affiliates recognized under the equity method was NT\$(7,854) and NT\$(13,253), respectively, based on the financial statements audited by the Company's independent accountants.

1. AccelStor Inc.

As of December 31, 2021, the Group adopted the equity method to recognize the losses of AccelStor Inc. to reduce the balance of book value to zero.

2. Millitronic Co., Ltd.

The Group subscribed to Millitronic Co., Ltd.'s cash capital increase of NT\$19,000 in the 3rd quarter of 2020, but not in proportion to shareholding percentage, resulting in a change in the shareholding percentage from 31.96% to 33.55%, and the change in equity interest decreased the "retained earnings" and "investments accounted for using the equity method" by NT\$1,580.

3. Antzer Tech Co., Ltd.

Antzer Tech Co., Ltd. has been included in the consolidated entities since May 18, 2021.

4. As of December 31, 2021 and 2020, the Group had no significant affiliates, and the aggregate book values of separate non-significant affiliates were NT\$18,738 and NT\$33,123, respectively. Their operating results are summarized as follows:

	<u>2021</u>	<u>2020</u>
Current net loss from continuing operations	(\$ 7,854)	(\$ 13,253)
Other comprehensive income or loss (net after tax)	-	-
Total comprehensive profit and loss for the year	<u>(\$ 7,854)</u>	<u>(\$ 13,253)</u>

5. None of the affiliates have open market quotes, so there is no information on fair value.

(VI) Property, plant and equipment

	2021						
	Land	Buildings and construction	Machines and equipment	Office equipment	Unfinished construction and equipment pending acceptance	Others	Total
<u>January 1</u>							
Cost	\$ 528,288	\$ 820,165	\$ 227,965	\$ 33,827	\$ -	\$ 63,622	\$ 1,673,867
Accumulated depreciation and impairments	-	(101,849)	(133,212)	(19,137)	-	(44,675)	(298,873)
	<u>\$ 528,288</u>	<u>\$ 718,316</u>	<u>\$ 94,753</u>	<u>\$ 14,690</u>	<u>\$ -</u>	<u>\$ 18,947</u>	<u>\$ 1,374,994</u>
January 1	\$ 528,288	\$ 718,316	\$ 94,753	\$ 14,690	\$ -	\$ 18,947	\$ 1,374,994
Addition	97,153	96,623	37,700	2,375	55,500	19,130	308,481
Reclassification	-	3,680	1,425	-	-	480	5,585
Acquisition from merger	-	-	-	59	-	123	182
Disposal	-	(9)	-	(25)	-	(54)	(88)
Depreciation expense	-	(25,418)	(27,782)	(5,992)	-	(8,082)	(67,274)
Net exchange difference	(820)	(4,232)	(1)	(6)	-	(35)	(5,094)
December 31	<u>\$ 624,621</u>	<u>\$ 788,960</u>	<u>\$ 106,095</u>	<u>\$ 11,101</u>	<u>\$ 55,500</u>	<u>\$ 30,509</u>	<u>\$ 1,616,786</u>
<u>December 31</u>							
Cost	\$ 624,621	\$ 910,262	\$ 260,429	\$ 36,098	\$ 55,500	\$ 81,976	\$ 1,968,886
Accumulated depreciation and impairments	-	(121,302)	(154,334)	(24,997)	-	(51,467)	(352,100)
	<u>\$ 624,621</u>	<u>\$ 788,960</u>	<u>\$ 106,095</u>	<u>\$ 11,101</u>	<u>\$ 55,500</u>	<u>\$ 30,509</u>	<u>\$ 1,616,786</u>
	2020						
	Land	Buildings and construction	Machines and equipment	Office equipment	Unfinished construction and equipment pending acceptance	Others	Total
<u>January 1</u>							
Cost	\$ 521,007	\$ 763,876	\$ 216,662	\$ 32,177	\$ -	\$ 56,332	\$ 1,590,054
Accumulated depreciation and impairments	-	(61,987)	(102,111)	(13,824)	-	(38,141)	(216,063)
	<u>\$ 521,007</u>	<u>\$ 701,889</u>	<u>\$ 114,551</u>	<u>\$ 18,353</u>	<u>\$ -</u>	<u>\$ 18,191</u>	<u>\$ 1,373,991</u>
January 1	\$ 521,007	\$ 701,889	\$ 114,551	\$ 18,353	\$ -	\$ 18,191	\$ 1,373,991
Addition	-	1,000	10,930	2,173	-	7,650	21,753
Reclassification	7,773	42,993	381	-	-	-	51,147
Disposal	-	-	(2)	(55)	-	-	(57)
Depreciation expense	-	(26,082)	(31,109)	(5,786)	-	(6,888)	(69,865)
Net exchange difference	(492)	(1,484)	2	5	-	(6)	(1,975)
December 31	<u>\$ 528,288</u>	<u>\$ 718,316</u>	<u>\$ 94,753</u>	<u>\$ 14,690</u>	<u>\$ -</u>	<u>\$ 18,947</u>	<u>\$ 1,374,994</u>
<u>December 31</u>							
Cost	\$ 528,288	\$ 820,165	\$ 227,965	\$ 33,827	\$ -	\$ 63,622	\$ 1,673,867
Accumulated depreciation and impairments	-	(101,849)	(133,212)	(19,137)	-	(44,675)	(298,873)
	<u>\$ 528,288</u>	<u>\$ 718,316</u>	<u>\$ 94,753</u>	<u>\$ 14,690</u>	<u>\$ -</u>	<u>\$ 18,947</u>	<u>\$ 1,374,994</u>

1. Please refer to note 8 for the information on the guarantee provided by the Group with its property, plant and equipment as of December 31, 2021.
2. As of December 31, 2020, the Group had not provided property, plant and equipment as pledged collaterals.
3. The Group had no capitalization of interest for property, plant and equipment in 2021 and 2020.
4. The abovementioned property, plant and equipment are all held and used by the Group.
5. As of December 31, 2021 and 2020, the Group's prepayments for business facilities (recognized in "Other non-current assets") that have not been reclassified were NT\$68,802 and NT\$5,845, respectively.

(VII) Leasing arrangements - lessee

1. The underlying assets leased by the Group include land, buildings and company vehicles. Leasing contracts for buildings and company vehicles are typically made for periods of 1 to 4 years. The land for the plant site in Taiwan is leased from Hsinchu Science Park, and the lease period is 50 years. Lease contracts are negotiated separately and include a variety of terms and conditions. There are no restrictions for the leased assets, except that they cannot be used as loan collateral.
2. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Company vehicles</u>	<u>Total</u>
January 1, 2021	\$ 185,386	\$ 25,154	\$ 2,816	\$ 213,356
Addition	-	20,602	2,875	23,477
Contract revision	-	(1,068)	-	(1,068)
Early termination of leases	-	(598)	-	(598)
Depreciation expense	(6,536)	(19,795)	(2,235)	(28,566)
Effects of changes in foreign exchange rates	-	(327)	(173)	(500)
December 31, 2021	<u>\$ 178,850</u>	<u>\$ 23,968</u>	<u>\$ 3,283</u>	<u>\$ 206,101</u>

	<u>Land</u>	<u>Buildings</u>	<u>Company vehicles</u>	<u>Total</u>
January 1, 2020	\$ 102,914	\$ 26,834	\$ 3,035	\$ 132,783
Addition	86,431	17,162	2,420	106,013
Early termination of leases	-	(1,266)	-	(1,266)
Depreciation expense	(3,959)	(17,693)	(2,650)	(24,302)
Effects of changes in foreign exchange rates	-	117	11	128
December 31, 2020	<u>\$ 185,386</u>	<u>\$ 25,154</u>	<u>\$ 2,816</u>	<u>\$ 213,356</u>

3. The information on profit and loss items related to lease contracts is as follows:

Items affecting current profit and loss	2021	2020
	_____	_____
Interest expenses on lease liabilities	\$ 2,586	\$ 2,005
Lease modification loss (gain)	(3)	(3)

4. In addition to the cash outflow for lease related expenses mentioned in Note 6(7)3. above, the Group had cash outflows of NT\$28,110 and NT\$23,390 for the years ended December 31, 2021 and 2020, respectively, due to principal repayment of lease liabilities.

5. Options to extend or terminate leases

In determining lease terms, the Group takes into consideration all facts and circumstances that create economic incentives to exercise an option to extend or terminate leases. The assessment of lease period is reviewed if a significant event occurs which affects the assessment of options to extend or options not to terminate.

(VIII) Leasing arrangements - lessor

1. The Group leases out assets such as land and buildings. The lease contracts are typically made for periods of 1 to 5 years. The terms of lease contracts are negotiated separately. In order to preserve the condition of leased assets, the Company usually requires lessees not to sublet, sublease or pledge all or part of the underlying leased assets.

2. The gain recognized by the Group based on the operating lease contracts are as follows:

	2021	2020
	_____	_____
Rental income (including rental income from investment property)	\$ 5,676	\$ 6,856
	=====	=====

3. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2021	December 31, 2020
	_____	_____
2021	\$ -	\$ 5,096
2022	5,196	1,104
2023	1,082	552
	\$ 6,278	\$ 6,752
	=====	=====

(IX) Investment property

	2021		
	Land	Buildings and construction	Total
<u>January 1</u>			
Cost	\$ 74,337	\$ 38,244	\$ 112,581
Accumulated depreciation and impairments	-	(10,365)	(10,365)
	<u>\$ 74,337</u>	<u>\$ 27,879</u>	<u>\$ 102,216</u>
January 1	\$ 74,337	\$ 27,879	\$ 102,216
Depreciation expense	-	(1,383)	(1,383)
Net exchange difference	(647)	(835)	(1,482)
December 31	<u>\$ 73,690</u>	<u>\$ 25,661</u>	<u>\$ 99,351</u>
<u>December 31</u>			
Cost	\$ 73,690	\$ 37,316	\$ 111,006
Accumulated depreciation and impairments	-	(11,655)	(11,655)
	<u>\$ 73,690</u>	<u>\$ 25,661</u>	<u>\$ 99,351</u>
	2020		
	Land	Buildings and construction	Total
<u>January 1</u>			
Cost	\$ 81,860	\$ 43,990	\$ 125,850
Accumulated depreciation and impairments	-	(9,924)	(9,924)
	<u>\$ 81,860</u>	<u>\$ 34,066</u>	<u>\$ 115,926</u>
January 1	\$ 81,860	\$ 34,066	\$ 115,926
Reclassification	(7,773)	(5,069)	(12,842)
Depreciation expense	-	(1,449)	(1,449)
Net exchange difference	250	331	581
December 31	<u>\$ 74,337</u>	<u>\$ 27,879</u>	<u>\$ 102,216</u>
<u>December 31</u>			
Cost	\$ 74,337	\$ 38,244	\$ 112,581
Accumulated depreciation and impairments	-	(10,365)	(10,365)
	<u>\$ 74,337</u>	<u>\$ 27,879</u>	<u>\$ 102,216</u>

1. Rental income and direct operating expenses of investment real estate:

	2021	2020
Rental income from investment property	<u>\$ 5,002</u>	<u>\$ 5,793</u>
Direct operating expenses incurred by investment property that generates rental income for the period	<u>\$ 2,008</u>	<u>\$ 2,425</u>

2. The fair value of the investment property held by the Group as of December 31, 2021 and 2020 were NT\$155,848 and NT\$137,028, respectively. The abovementioned fair value is obtained from the market price assessment and actual transaction price of similar properties in the vicinity of the relevant assets, and the fair value is for Level 3 assets.

3. As of December 31, 2021 and 2020, the Group had not provided investment property as pledged collaterals.

4. The Group had no capitalization of interest for investment property in 2021 and 2020.

(X) Intangible assets

	2021				
	Patent	Computer software	Trademark rights	Goodwill	Total
<u>January 1</u>					
Cost	\$ -	\$ 53,213	\$ -	\$ 11,671	\$64,884
Accumulated amortization and impairments	-	(35,957)	-	-	(35,957)
	<u>\$ -</u>	<u>\$ 17,256</u>	<u>\$ -</u>	<u>\$ 11,671</u>	<u>\$28,927</u>
January 1	\$ -	\$ 17,256	\$ -	\$ 11,671	\$28,927
Additions - acquired separately	-	24,564	-	-	24,564
Additions- business merger	6,000	-	3,000	-	9,000
Amortization expenses	(1,333)	(13,069)	(667)	-	(15,069)
Net exchange difference	-	-	-	(285)	(285)
December 31	<u>\$4,667</u>	<u>\$ 28,751</u>	<u>\$ 2,333</u>	<u>\$ 11,386</u>	<u>\$47,137</u>
<u>December 31</u>					
Cost	\$6,000	\$ 77,776	\$ 3,000	\$ 11,386	\$98,162
Accumulated amortization and impairments	(1,333)	(49,025)	(667)	-	(51,025)
	<u>\$4,667</u>	<u>\$ 28,751</u>	<u>\$ 2,333</u>	<u>\$ 11,386</u>	<u>\$47,137</u>
	2020				
	Patent	Computer software	Goodwill	Total	
<u>January 1</u>					
Cost	\$ -	\$ 39,871	\$ 12,205	\$ 52,076	
Accumulated amortization and impairments	-	(27,709)	-	(27,709)	
	<u>\$ -</u>	<u>\$ 12,162</u>	<u>\$ 12,205</u>	<u>\$ 24,367</u>	
January 1	\$ -	\$ 12,162	\$ 12,205	\$ 24,367	
Additions - acquired separately	-	13,342	-	13,342	
Disposal	(23,810)	-	-	(23,810)	
Reclassification	23,810	-	-	23,810	
Amortization expenses	-	(8,248)	-	(8,248)	
Net exchange difference	-	-	(534)	(534)	
December 31	<u>\$ -</u>	<u>\$ 17,256</u>	<u>\$ 11,671</u>	<u>\$ 28,927</u>	
<u>December 31</u>					
Cost	\$ -	\$ 53,213	\$ 11,671	\$ 64,884	
Accumulated amortization and impairments	-	(35,957)	-	(35,957)	
	<u>\$ -</u>	<u>\$ 17,256</u>	<u>\$ 11,671</u>	<u>\$ 28,927</u>	

1. Breakdown of intangible assets amortization:

	2021	2020
Operating costs	\$ 1,100	\$ 842
Selling expenses	167	57
General and administrative expenses	7,536	4,198
Research and development expenses	6,266	3,151
	<u>\$ 15,069</u>	<u>\$ 8,248</u>

2. Goodwill is allocated to cash-generating units:

	December 31, 2021	December 31, 2020
Innodisk USA Corporation	\$ 9,855	\$ 10,141
Others	1,531	1,530
	<u>\$ 11,386</u>	<u>\$ 11,671</u>

3. Goodwill is allocated to cash-generating units identified by the Group. The recoverable amount is evaluated based on the value in use which is calculated based on the estimated cash flow before taxes. The Group calculated that the recoverable amount exceeds the carrying amount based on the value in use, so there is no impairment of goodwill. The calculation of value in use mainly considers gross margin, growth rate and discount rate.

The management determines the budgeted gross margin based on past performance and the expectations for market development. The weighted average growth rate used is consistent with the industry's reported forecast. The adopted discount rate is a pre-tax rate and reflects the specific risks of the related operating units.

4. As of December 31, 2021 and 2020, the Group had not provided intangible assets as pledged collaterals.

(XI) Other payables

	December 31, 2021	December 31, 2020
Payroll and bonus payable	\$ 259,309	\$ 175,663
Employees' remuneration and directors' and supervisors' remuneration payable	130,796	82,696
Accrued expenses	69,540	47,198
Payable on equipment	16,348	-
Others	13,387	14,040
	<u>\$ 489,380</u>	<u>\$ 319,597</u>

(XII) Long-term loans

<u>Type of borrowing</u>	<u>Borrowing period and payment method</u>	<u>Range of interest rate</u>	<u>Collateral</u>	<u>December 31, 2021</u>	
Borrowing with installment repayments Innodisk Europe B.V.					
Chinatrust Commercial Bank credit loan	The borrowing period is from December 10, 2018 to December 10, 2023; the principal is amortized annually and the interest is paid quarterly.	1.15%	No	\$	10,962
Chinatrust Commercial Bank credit loan	The borrowing period is from March 15, 2019 to March 15, 2024; the principal is amortized annually and the interest is paid quarterly.	1.15%	No		5,012
Actina Corporation Chinatrust Commercial Bank secured loan	The borrowing period is from November 24, 2021 to November 24, 2041; the grace period for the principal is two years, and the interest is paid monthly.	0.94%	Land and buildings		90,000
Chinatrust Commercial Bank unsecured loan	The borrowing period is from November 24, 2021 to November 24, 2041; the grace period for the principal is two years, and the interest is paid monthly.	1.09%	No		36,680
					142,654
Less: Long-term loans due within one year or one business cycle				(2,193)
				\$	<u>140,461</u>

<u>Type of borrowing</u>	<u>Borrowing period and payment method</u>	<u>Range of interest rate</u>	<u>Collateral</u>	<u>December 31, 2020</u>	
Borrowing with installment repayments Innodisk Europe B.V.					
Chinatrust Commercial Bank credit loan	The borrowing period is from December 10, 2018 to December 10, 2023; the principal is amortized annually and the interest is paid quarterly.	1.15%	No	\$	14,007
Chinatrust Commercial Bank credit loan	The borrowing period is from March 15, 2019 to March 15, 2024; the principal is amortized annually and the interest is paid quarterly.	1.15%	No		6,304
					20,311
Less: Long-term loans due within one year or one business cycle				(2,451)
				\$	<u>17,860</u>

Please refer to Note 6 (23) for the interest expense recognized in profit or loss by the Group.

(XIII) Pensions

1. The Company and its domestic subsidiaries have established a defined contribution pension plan under the Labor Pension Act covering all regular employees with domestic citizenship. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
2. The overseas subsidiary Innodisk Global-M Corporation has not established an employee pension plan, and the local laws do not have mandatory requirements. Innodisk USA Corporation, Innodisk Europe B.V. and Innodisk Japan Corporation have adopted a defined contribution pension plan which allocates a certain percentage of the monthly total salary of local employees as the pensions. The Company has no further obligations except for the monthly allocation.
3. Innodisk Shenzhen Corporation allocates a certain percentage of the monthly total salary of local employees as the pensions in accordance with the pension system stipulated by the government of the People's Republic of China. The pension of each employee is coordinated and arranged by the government. Other than the monthly contributions, the Group has no further obligations.
4. For 2021 and 2020, the pension costs recognized by the Group in accordance with the pension measures were NT\$32,493 and NT\$28,187, respectively.

(XIV) Share-based payment

1. For 2021 and 2020, the Company's share-based payment agreements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions	Delivery method
Employee stock options (Note 2)	2019.1.29	3,000 thousand shares	4 years	Note 1	Equity delivery

Note 1: Employees with 2 years of service tenure are entitled to 50%. Those with 3 years of service tenure are entitled to 100%.

Note 2: The board resolution on November 8, 2018 determined the first employee stock option plan of 2018 and established the stock option method. A total of 3,000,000 units of employee stock options was to be issued, and each unit of stock option subscribed to 1 share, and measures became effective on December 11, 2018. The Company has processed the issuance of employee stock options on January 29, 2019.

2. The detailed information of the above share-based payment is as follows:

	2021		2020	
	Number of stock options (thousand shares)	Weighted average exercise price (NT\$)	Number of stock options (thousand shares)	Weighted average exercise price (NT\$)
Options outstanding as of January 1	3,000	92.80	3,000	92.80
Stock options granted in this period	-	-	-	-
Free allotment of additional shares or adjustment of the number of subscribed shares	-	-	-	-
Stock options foregone in this period	(38)	92.80	-	-
Stock options exercised in this period	(1,344)	92.63	-	-
Stock options expired in this period	-	-	-	-
Stock options outstanding as of December 31	<u>1,628</u>	<u>89.80</u>	<u>3,000</u>	<u>92.80</u>
Stock options exercisable as of December 31	<u>156</u>		<u>-</u>	

3. The weighted-average share price of the stock options exercised in 2021 was NT\$189.78 on the date of exercise.

4. The expiration date and exercise price of stock options outstanding at the balance sheet date are as follows:

		December 31, 2021	
Approved issue date	Expiration date	Number of shares (thousand)	Exercise price (NT\$)
January 29, 2019	January 29, 2023	1,628	89.80

		December 31, 2020	
Approved issue date	Expiration date	Number of shares (thousand)	Exercise price (NT\$)
January 29, 2019	January 29, 2023	3,000	92.80

5. The fair value of stock options granted on grant date is measured using Black-Scholes option-pricing model and the relevant information is as follows:

Type of arrangement	Grant date	Stock price (NT\$)	Exercise price (NT\$)	Expected volatility	Expected duration	Expected dividend	Risk-free rate	Weighted average fair value per unit (NT\$)
Employee stock options plan	2019.1.29	105.50	105.50	34.34%	4 years	NA	0.61%	26.4442

6. Expenses incurred on share-based payment transactions are shown below:

	2021	2020
Equity delivery	<u>\$ 19,973</u>	<u>\$ 22,864</u>

(XV) Provisions

	<u>2021</u>	<u>2020</u>
Balance on January 1	\$ 61,444	\$ 59,094
Provision for liabilities used in the period	(7,968)	(18,692)
Provision for liabilities added in this period	6,375	21,042
Balance on December 31	<u>\$ 59,851</u>	<u>\$ 61,444</u>

The analysis of provisions is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current	<u>\$ 59,851</u>	<u>\$ 61,444</u>

The Company's provisions for warranty liabilities are mainly related to sales of industrial storage devices and memory modules. The provisions for warranty liabilities are estimated based on the historical warranty information of the products.

(XVI) Share capital

1. As of December 31, 2021, the Company's authorized capital was NT\$1,000,000, consisting of 100,000 thousand shares (including 10,000 thousand shares which can be subscribed to as employee stock options). The paid-in capital was NT\$826,680 with a par value of NT\$10. All proceeds from shares issued have been collected. The movements in the number of the Company's common stocks outstanding are as follows: (Unit: Share)

	<u>2021</u>	<u>2020</u>
January 1	81,324,040	79,729,451
Stock dividends	-	1,594,589
Exercise of employee share options	1,344,000	-
December 31	<u>82,668,040</u>	<u>81,324,040</u>

2. For 2021, the common shares issued due to the exercise of employee stock options were 1,344,000 shares, respectively. As of December 31, 2021, 40,000 shares had not been registered for share capital changes.
3. The shareholders' meeting resolved that the 2019 undistributed profits of NT\$15,946 would be capitalized to issue new shares on May 29, 2020. The base date for capitalization was August 29, 2020.

(XVII) Capital surplus

In accordance with the Company Act, any capital surplus arising from paid-in capital in excess of the par value on issuance of common stocks can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized, as above, should not exceed 10% of paid-in capital each year. Capital surpluses should not be used to cover accumulated deficit unless the legal reserve is insufficient.

2021						
	Issue premium	Difference between the price of acquiring or disposing of equities of a subsidiary and the book value	Recognition of changes in ownership in subsidiaries	Employee stock options	Others	Total
January 1	\$ 1,013,516	\$ 802	\$ 24,439	\$ 43,945	\$ -	\$ -1,082,702
Share-based payment	-	-	-	19,973	-	19,973
Exercise of employee share options	143,978	-	-	(32,923)	-	111,055
Expired options	-	-	-(674)	674	-
Share-based remuneration for employees of subsidiaries	-	-	99	-	-	99
December 31	\$ 1,157,494	\$ 802	\$ 24,538	\$ 30,321	\$ 674	\$ 1,213,829

2020						
	Issue premium	Difference between the price of acquiring or disposing of equities of a subsidiary and the book value	Recognition of changes in ownership in subsidiaries	Employee stock options		Total
January 1	\$ 1,013,516	\$ 802	\$ 23,282	\$ 21,081		\$ 1,058,681
Share-based payment	-	-	-	22,864		22,864
Share-based remuneration for employees of subsidiaries	-	-	1,157	-		1,157
December 31	\$ 1,013,516	\$ 802	\$ 24,439	\$ 43,945		\$ 1,082,702

(XVIII) Retained earnings

1. According to the Company's Articles of Incorporation, the surplus income after the final accounts is distributed to the following accounts in their respective order:

- (1) Withholding taxes.
- (2) Make up for past losses.
- (3) Allocate 10% as legal reserve. If the legal reserve has reached the total share capital, no further allocations will be conducted. Special reserve is then allocated or reversed in accordance with the law or regulations of the authority.
- (4) With respect to the balance and the accumulated undistributed surplus of the previous year, the board proposes a surplus distribution to the shareholders meeting for resolution.

2. Dividend policy: The Company considers future needs for business operations, long-term financial planning and shareholders' interest in the dividend policy. As the Company is currently in the growing stage, considering the future capital expenditure budget and the need for cash, the annual cash dividends will not be less than 10% of the total of cash and stock dividends. The Company's surplus distribution and shareholders' equity shall not be less than 30% of the current year's surplus.
3. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purposes. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
4. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
5. The Company's distribution of profits
 - (1) The appropriation of the Company's 2020 and 2019 earnings had been resolved at the shareholders' meeting on July 8, 2021 and May 29, 2020, respectively. Details are summarized below:

	2020		2019	
	Amount	Dividends per share (NT\$)	Amount	Dividends per share (NT\$)
Legal reserve allocation	\$ 93,009		\$ 101,426	
Special reserve allocation	1,358		4,080	
Stock dividends	-	-	15,946	0.20
Cash dividends	553,003	6.80	597,971	7.50
	<u>\$ 647,370</u>		<u>\$ 719,423</u>	

- (2) The appropriation of the Company's 2021 earnings had been resolved by the board meeting on February 23, 2022. Details are summarized below:

	2021	
	Amount	Dividends per share (NT\$)
Legal reserve allocation	\$ 156,088	
Special reserve allocation	7,709	
Stock dividends	24,801	0.30
Cash dividends	967,217	11.70
	<u>\$ 1,155,815</u>	

(XIX) Operating revenue

1. Segmentation of revenue from contracts with customers

The Group derives its revenue from the transfer of goods at a point in time in the following product categories and geographical regions:

Industrial storage devices and memory modules						
2021	Taiwan	Asia	Americas	Europe	Others	Total
Revenue from contracts with customers	\$ 3,049,064	\$ 3,195,044	\$ 1,650,640	\$ 2,110,579	\$ 190,331	\$ 10,195,658

Industrial storage devices and memory modules						
2020	Taiwan	Asia	Americas	Europe	Others	Total
Revenue from contracts with customers	\$ 2,005,174	\$ 2,522,618	\$ 1,209,066	\$ 1,340,936	\$ 74,221	\$ 7,152,015

2. Contract liabilities

(1) Contract liabilities related to contracts with customers recognized by the Group:

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities			
- Product sales contracts	\$ 31,810	\$ 41,011	\$ 17,986

(2) Contract liabilities at the beginning of the period recognized as revenue of the period

	2021	2020
Product sales contracts	\$ 40,577	\$ 12,987

(XX) Interest income

	2021	2020
Interest on bank deposits	\$ 3,380	\$ 4,526
Interest income on financial assets at amortized cost	2,472	2,004
Other interest income	8	9
	\$ 5,860	\$ 6,539

(XXI) Other income

	2021	2020
Government grants (note)	\$ 40,547	\$ 3,941
Rental income	5,676	6,856
Others	5,522	11,234
	\$ 51,745	\$ 22,031

Note: Due to the applicable local government subsidy policy related to COVID-19, Innodisk USA Corporation, a subsidiary of the Company, recognized a subsidy of NT\$37,699 and NT\$0 in 2021 and 2020, respectively.

(XXII) Other gains and losses

	2021	2020
Net foreign exchange gain (loss)	(\$ 25,264)	(\$ 53,641)
Gain (loss) on disposal of property, plant and equipment	372	(57)
Gain (loss) on disposal of intangible assets	-	2,842
Gains on revaluation of investments accounted for using equity method	2,780	-
Depreciation charges on investment property	(1,383)	(1,449)
Others	(461)	(416)
	<u>(\$ 23,956)</u>	<u>(\$ 52,721)</u>

(XXIII) Finance cost

	2021	2020
Interest expense on bank borrowings	\$ 401	\$ 288
Interest expenses on lease liabilities	2,586	2,005
	<u>\$ 2,987</u>	<u>\$ 2,293</u>

(XXIV) Expenses by nature

	2021	2020
Employee benefits expense	<u>\$ 1,169,023</u>	<u>\$ 927,728</u>
Depreciation charges on property, plant and equipment	<u>\$ 67,274</u>	<u>\$ 68,965</u>
Depreciation charges on right-of-use assets	<u>\$ 28,566</u>	<u>\$ 24,302</u>
Amortization charges on the intangible assets and deferred assets.	<u>\$ 24,851</u>	<u>\$ 20,294</u>

(XXV) Employee benefits expense

	2021	2020
Payroll expenses	\$ 989,278	\$ 774,616
Employee stock options	19,973	22,864
Labor and health insurance fees	70,156	55,213
Pension costs	32,493	28,187
Directors' remuneration	20,821	14,319
Other employee benefit expenses	36,302	32,079
	<u>\$ 1,169,023</u>	<u>\$ 927,278</u>

1. According to the Company's Articles of Incorporation, the no more than 2% of the net profit before tax is allocated as remunerations for directors and supervisors and no less than 3% of the net profit before tax is allocated as employees' bonuses when distributing profits.
2. For the years ended December 31, 2021 and 2020, the estimated amount of employees' remuneration was NT\$105,000 and NT\$66,270, respectively; the estimated amount of directors' and supervisors' remuneration was NT\$18,400 and NT\$12,000, respectively; the aforementioned amounts were recorded as salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 5.14% and 0.9% of the Company's profit of 2021, respectively.

The remuneration to employees and remuneration to directors and supervisors approved by the

board meeting for 2020 were NT\$66,270 and NT\$12,000, respectively, which were consistent with the amounts recognized in the 2020 financial statements, and have been paid in cash in full as of December 31, 2021.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(XXVI) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>2021</u>	<u>2020</u>
Current income tax:		
Income tax arising from income of the current period	\$ 292,418	\$ 114,061
Amount of income tax not refunded (paid) in the previous year	(308)	3,164
Tax overestimate in the previous year	(11,825)	(21,587)
Withholding and provisional tax	124,822	138,388
Additional tax on undistributed earnings	(14,215)	(14,915)
Total current income tax	<u>390,892</u>	<u>219,111</u>
Deferred income tax:		
Origination and reversal of temporary differences	(14,907)	(2,920)
Others:		
Additional tax on undistributed earnings	14,215	14,915
Effects of changes in foreign exchange rates	(27)	(4,043)
Income tax expense	<u>\$ 390,173</u>	<u>\$ 227,063</u>

(2) For the year ended 2021 and 2020, the Group had no income tax related to other comprehensive income and direct debits or credits.

2. Reconciliation between income tax expense and accounting profit

	<u>2021</u>	<u>2020</u>
Income tax calculated based on profit before tax and statutory tax rate (note)	\$ 415,047	\$ 244,682
Impact of income tax of investment tax credits	(16,000)	(8,000)
Unrealized investment loss on domestic operations	(11,004)	(3,312)
Impact that cannot be recognized according to laws and regulations	(421)	-
Tax overestimate in the previous year	(11,859)	(21,587)
Additional tax on undistributed earnings	14,215	14,915
Others	195	365
Income tax expense	<u>\$ 390,173</u>	<u>\$ 227,063</u>

Note: The basis for applicable tax rate is calculated at the rate applicable to the Company in the country where it is located at.

3. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2021			
	January 1	Recognized in profit or loss	Business combinations	December 31
Deferred income tax assets:				
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	\$ 17,617	\$ 26,470	\$ -	\$ 44,087
Deferred unrealized sales benefits	3,749	483	-	4,232
Provisions for after-sales services	12,289	(319)	-	11,970
Attendance bonus	2,098	356	-	2,454
Unrealized investment loss on foreign operations	2,878	(2,878)	-	-
Unrealized exchange loss	1,224	(818)	-	406
Tax loss	3,852	(108)	9,446	13,190
Subtotal	<u>\$ 43,707</u>	<u>\$ 23,186</u>	<u>\$ 9,446</u>	<u>\$ 76,339</u>
Deferred income tax liabilities:				
Unrealized investment loss on foreign operations	\$ -	(\$ 8,279)	\$ -	(\$ 8,279)
Total	<u>\$ 43,707</u>	<u>\$ 14,907</u>	<u>\$ 9,446</u>	<u>\$ 68,060</u>

	2020			
	January 1	Recognized in profit or loss	December 31	
Deferred income tax assets:				
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	\$ 15,686	\$ 1,931	\$	17,617
Deferred unrealized sales benefits	4,032	(283)		3,749
Provisions for after-sales services	11,819	470		12,289
Attendance bonus	1,477	621		2,098
Fiscal and tax difference in lease accounting	115	(115)		-
Unrealized investment loss on foreign operations	4,933	(2,055)		2,878
Unrealized exchange loss	2,725	(1,501)		1,224
Tax loss	-	3,852		3,852
Total	<u>\$ 40,787</u>	<u>2,920</u>		<u>43,707</u>

4. The Company's income tax returns through 2019 have been assessed and approved by the Tax

Authority.

As for the consolidated subsidiary, Aetina Corporation, the income tax returns through 2019 also have been assessed and approved by the Tax Authority.

As for the consolidated subsidiary, Antzer Tech Co.,Ltd., the income tax returns through 2019 have also been assessed and approved by the Tax Authority.

(XXVII) Earnings per share

	2021		
	Amount after tax	Weighted average number of share outstanding (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Current net profit attributable to ordinary shareholders of the parent company	\$ 1,560,888	82,426	18.94
<u>Diluted earnings per share</u>			
Current net profit attributable to ordinary shareholders of the parent company	\$ 1,560,888	82,426	
Impact of conversion of all dilutive potential ordinary shares			
- Employee remuneration	-	577	
- Employee stock options	-	858	
Current net profit attributable to ordinary shareholders of the parent company plus the impact of potential ordinary shares from conversion	\$ 1,560,888	83,861	18.61
	2020		
	Amount after tax	Weighted average number of share outstanding (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Current net profit attributable to ordinary shareholders of the parent company	\$ 931,663	81,324	11.46
<u>Diluted earnings per share</u>			
Current net profit attributable to ordinary shareholders of the parent company	\$ 931,663	81,324	
Impact of conversion of all dilutive potential ordinary shares			
- Employee remuneration	-	450	
- Employee stock options	-	1,371	
Current net profit attributable to ordinary shareholders of the parent company plus the impact of potential ordinary shares from conversion	\$ 931,663	83,145	11.21

(XXVIII) Business combinations

1. The Group acquired 68.11% of equity of Antzer Tech Co., Ltd. on May 18, 2021 in the amount of NT\$19,889 in cash, and obtained the control over Antzer Tech Co., Ltd., which sells software and hardware related to automotive electronics.
2. Information on the consideration paid for the acquisition of Antzer Tech Co., Ltd., the fair value of the assets acquired and the liabilities assumed on the acquisition date, and the fair value of the non-controlling interests on the acquisition date is as follows:

	<u>May 18, 2021</u>
Consideration for acquisition - cash	\$ 19,889
Acquisition-date fair value of equities in Antzer Tech Co., Ltd. previously held	<u>9,311</u>
	<u>29,200</u>
Fair value of the identifiable assets acquired and the liabilities assumed	
Cash and cash equivalents	7,007
Notes receivable	13
Accounts receivable	1,583
Other receivables	134
Inventories	5,197
Prepayments	998
Property, plant and equipment	182
Intangible assets	9,000
Other non-current assets	9,616
Contract liabilities - current	(1,424)
Accounts payable	(829)
Accounts payable -- related parties	(247)
Other payables	(1,984)
Other current liabilities	(46)
Total identifiable net assets	<u>29,200</u>
Goodwill	<u>\$ -</u>

3. The fair value of the identifiable intangible assets acquired (including trademark rights and patent rights) is NT\$9,000.
4. The Group had held 31.89% of equity interests in Antzer Tech Co., Ltd. before the business combination, and the gains recognized after remeasurement at fair value were NT\$2,780.
5. The Group merged with Antzer Tech Co., Ltd. on May 18, 2021, the operating revenue and the net income before income tax contributed by Antzer Tech Co., Ltd. were NT\$5,812 and NT\$893, respectively. If it is assumed that Antzer Tech Co., Ltd. had been included in the consolidated entities since January 1, 2021, the Group's operating revenue and profit before income tax for the year would be NT\$10,199,564 and NT\$1,966,409, respectively.

(XXIX) Transactions with non-controlling interests

Disposal of additional equity interests in a subsidiary (without loss of control)

On September 25, 2020, the Group received NT\$3,493 in cash for the disposal of 270,000 shares

of Aetina Corporation. The effect of the change in equity of Aetina Corporation in 2020 on the equity attributable to shareholders of the parent company is as follows:

	2020
Consideration received for disposal of non-controlling interests	\$ 3,493
Increase in book value of non-controlling interests	(3,493)
Capital surplus - difference between the proceeds from disposal of equities in subsidiaries and the book value	\$ -

(XXX) Supplemental cash flow information

1. Investing activities with partial cash payments:

	2021	2020
Purchase of property, plant and equipment	\$ 308,481	\$ 21,753
Add: Opening balance of payable on equipment	-	11,505
Less: Ending balance of payable on equipment	(16,348)	-
Cash paid during the year	\$ 292,133	\$ 33,258

2. Financing activities with no cash flow effects:

	2021	2020
Stock dividends	\$ -	\$ 15,946

(XXXI) Changes in liabilities from financing activities

	2021			
	Other payables - Cash dividends payable	Long-term loans (including the current portion)	Lease liabilities (current/non- current)	Guarantee deposit received
January 1	\$ -	\$ 20,311	\$ 214,879	\$ 1,243
Increase in borrowings	-	126,680	-	-
Repayment of borrowings	-	(2,321)	-	-
Declared cash dividends	553,003	-	-	-
Cash dividends paid	(553,003)	-	-	-
Increase in principal of lease liabilities	-	-	23,477	-
Payment of lease liabilities	-	-	(28,110)	-
Other non-cash transactions	-	-	(1,669)	-
Increase in guarantee deposits received	-	-	-	524
Decrease in guarantee deposits received	-	-	-	(332)
Impact of changes in foreign exchange rates	-	(2,016)	-	(33)
December 31	\$ -	\$ 142,654	\$ 208,577	\$ 1,402

	2020			
	Other payables - Cash dividends payable	Long-term loans (including current portion)	Lease liabilities (current/non- current)	Guarantee deposit received
January 1	\$ -	\$ 21,833	\$ 133,525	\$ 1,339
Repayment of borrowings	-	(2,360)	-	-
Declared cash dividends	597,971	-	-	-
Cash dividends paid(597,971)	-	-	-
Payment of lease liabilities	-	-	(23,390)	-
Other non-cash transactions	-	-	(104,744)	-
Increase in guarantee deposits received	-	-	-	601
Decrease in guarantee deposits received	-	-	-	(709)
Impact of changes in foreign exchange rates	-	838	-	12
December 31	\$ -	\$ 20,311	\$ 214,879	\$ 1,243

VII. Related-party transactions

(I) Related parties' names and relationships

<u>Name of the related party</u>	<u>Relationship with the Group</u>
<u>Affiliates:</u>	
Millitronic Co., Ltd.	An entity over which the Group has significant influence
Sysinno Technology Inc.	An entity over which the Group has significant influence
Antzer Tech Co., Ltd.	2021: The Group acquired the control in the second quarter of 2021 and it became a subsidiary of the Group. Therefore, the disclosure of the transactions before the control was acquired was made. 2020: An entity on which the Group has a significant influence
<u>Other related parties:</u>	
I-MEDIA TECH CO., LTD.	The chairman of that company and one of the Company's directors are the same person.
Innodisk Foundation	The amount donated by the Company and the directors is more than one-third of the total fund received by the foundation.
All directors, the general manager and key executives.	The Group's key executives and governance units
Key management of Aetina Corporation	Subsidiary's key management and governance unit

(IV) Significant transactions with the related parties

1. Sales of goods

(1) Operating revenue

The Group's revenue from sales of goods and services to the related parties is shown as follows:

	<u>2021</u>	<u>2020</u>
An entity over which the Group has significant influence	<u>\$ 362</u>	<u>\$ 406</u>

The prices of products sold and services provided to the related parties from the Group are based on the agreements between the parties. The payment terms are net 25 to net 35. There are no significant differences with the non-related parties. The payment terms for non-related parties are payment in advance and net 30 to 90 days.

(2) Accounts receivable

The Group's accounts receivable from the above transactions with related parties is shown as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
An entity over which the Group has significant influence	<u>\$ 2</u>	<u>\$ 72</u>

2. Purchase transaction

(1) Operating costs

Details on the Group's purchase transactions with related parties are as follows:

	<u>2021</u>	<u>2020</u>
An entity over which the Group has significant influence	\$ 349	\$ -
Other related parties	<u>312</u>	<u>101</u>
	<u>\$ 661</u>	<u>\$ 101</u>

The prices of purchase transactions with related parties are based on the agreements between the parties. The payment terms are payment in advance and net 90. There are no significant differences with the non-related parties. The payment terms for non-related parties are payment in advance, 7 days after shipment and net 30 to 90 days.

(2) Accounts payable

The Group's accounts payment from the above transactions with related parties is shown as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
An entity over which the Group has significant influence	\$ 238	-
Other related parties	<u>147</u>	<u>-</u>
	<u>\$ 385</u>	<u>\$ -</u>

3. Donations / operating expenses

The operating expenses arising from supporting education development, fulfilling corporate social responsibility and donations to related parties are detailed as follows:

	<u>2021</u>	<u>2020</u>
Innodisk Foundation	\$ 4,000	\$ 4,000

4. Leases and services

(1) Other income

The Group's income from leasing assets to related parties and providing administrative support and other services is detailed as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Rental income</u>	<u>Other income</u>	<u>Rental income</u>	<u>Other income</u>
An entity over which the Group has significant influence	\$ 127	\$ 779	\$ 544	\$ 2,065

The Group's rental income from leasing out offices is negotiated with the related parties and is collected on a monthly basis.

(2) Other receivables

The Group's other accounts receivable from the above transactions with related parties is shown as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
An entity over which the Group has significant influence	\$ 42	\$ 273

(3) Other non-current liabilities

The Group's deposits received from the above transactions with related parties are shown as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
An entity over which the Group has significant influence	\$ -	\$ 95

5. Transactions with non-controlling interests

In the third quarter of 2020, the Group sold part of the shares of Aetina Corporation to the Group's key management, as described in Note 6(29).

6. Property transactions

Acquisition of financial assets

				<u>2021</u>
<u>Assets acquired</u>	<u>Accounts</u>	<u>Number of shares traded</u>	<u>Subject of transaction</u>	<u>Price of acquisition</u>
Antzer Tech Co., Ltd.	Note	3,802,072	Common stock	\$ 1,901

Note: The Group acquired Antzer Tech Co., Ltd. on May 18, 2021; the shares acquired increased from 31.89% to 100%, and it is listed as a subsidiary. Please refer to note 6 (28) for details.

Assets acquired	Accounts	Number of shares traded	Subject of transaction	2020 Price of acquisition
Millitronic Co.,Ltd.	Investments accounted for using equity method	1,900,000	Common stock	\$ 19,000

(V) Compensation of key management personnel

	2021	2020
Short-term employee benefits	\$ 72,245	\$ 64,409
Post-employment benefits	745	422
Share-based payment	4,228	4,382
	\$ 77,218	\$ 69,213

VIII. Pledged assets

Assets pledged by the Group as collateral are as follows:

Assets	Book value		Purpose of guarantee
	December 31, 2021	December 31, 2020	
Other non-current assets - pledge of time deposits	\$ 10,706	\$ 7,706	Provide pledged time deposits for lease and customs tax guarantee
Land and buildings	156,159	-	Long-term loans
	\$ 166,865	\$ 7,706	

IX. Significant contingent liabilities and unrecognized contract commitments

(II) Major contingent liabilities

Not applicable.

(III) Significant unrecognized contract commitments

- The endorsements and guarantees provided by the Company for the bank borrowings to subsidiaries were NT\$21,924 and NT\$89,450 as of December 31, 2021 and 2020, respectively.
- Capital expenditures with contracts signed that have not yet been incurred

	December 31, 2021	December 31, 2020
Property, plant and equipment	\$ 268,544	\$ -

It is the contractual commitment of the Company to purchase the real estate in Xizhi District, New Taipei City, for NT\$268,544.

X. Losses due to major disasters

Not applicable.

XI. Significant events after the balance sheet date

- The appropriation of 2021 earnings was resolved by the board meeting on February 23, 2022. Details are summarized in Note 6 (18).

- (2) On November 5, 2021, the Company's board meeting passed the resolution to purchase the factory office at "Taiwan Science Park" in Xizhi District, New Taipei City, for operation expansion. The total transaction price is NT\$337,346, and NT\$68,802 (listed as "other non-current assets") has been prepaid. On January 13, 2022, the Company obtained the property right of the factory office and paid the remaining balance.
- (3) On January 24, 2022, the Company's board meeting resolved to build a plant in Yilan Park of Hsinchu Science Park by commissioned construction on leased land, with a total contract amount of NT\$579,500.

XII. Others

(V) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. The total debt is the total liabilities reported in the Consolidated Balance Sheet. Total capital is calculated as "equity" as shown in the Consolidated Balance Sheet, plus net debt.

The Group maintained the same strategy in 2021 as in 2020. For the years ended December 31, 2021 and 2020, the Group's debt-to-capital ratios were 27% and 22%, respectively.

(VI) Financial instruments

1. Types of financial instrument

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial Assets</u>		
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 2,137,891	\$ 2,260,204
Time deposits due in more than three months	600,000	400,000
Notes receivable	1,986	258
Accounts receivable	1,554,637	879,782
Accounts receivable -- related parties	2	72
Other receivables	6,139	3,736
Other receivables - related parties	42	273
Pledged time deposits	10,706	7,706
Other non-current assets -- refundable deposits	4,571	3,989
	<u>\$ 4,315,974</u>	<u>\$ 3,556,020</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial Liabilities		
Financial assets measured at amortized cost		
Accounts payable	\$ 956,657	\$ 565,168
Accounts payable -- related parties	385	-
Other payables	489,380	319,597
Long-term loans (including current portion)	142,654	20,311
Other non-current liabilities -- guarantee deposit received	1,402	1,243
	<u>\$ 1,590,478</u>	<u>\$ 906,319</u>
Lease liabilities - current	\$ 21,312	\$ 22,098
Lease liabilities - non-current	187,265	192,781
	<u>\$ 208,577</u>	<u>\$ 214,879</u>

2. Risk management policies

- (1) The Group's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and performance.
- (2) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the senior executives. The Group's treasury department primarily identifies, evaluates and hedges financial risks.

3. Significant financial risks and degrees of financial risks

(1) Market risk

A. Foreign exchange risk

- (A) The Group is a multinational operation and therefore is subject to exchange rate risk arising from transactions between the different currencies of the Company and its subsidiaries, mainly in USD, RMB, JPY and Euro. The related exchange risk from future business transactions have been recognized in assets and liabilities.
- (B) The Group's management has set up policies to require companies within the Group to manage their foreign exchange risk against their functional currency. Each company hedges its overall exchange rate risk through its treasury department. Exchange rate risk arises when future business transactions and recognized assets or liabilities are denominated in foreign currencies that are not the entity's function currency.
- (C) The Group's operations involve certain non-functional currencies (the Company's and certain subsidiaries' functional currency is the New Taiwan dollar (NTD), and for other certain subsidiaries, the functional currency is Euro, USD, JPY and Renminbi (RMB)), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities

denominated in foreign currencies whose values that would be materially affected by exchange rate fluctuations are as follows:

(foreign currency: functional currency)	December 31, 2021		
	Foreign currency (in thousands)	Exchange rate	Book value (NT\$)
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD : NTD	91,034	27.6800	\$ 2,519,821
RMB : NTD	22,109	4.3440	96,041
JPY : NTD	224,092	0.2405	53,894
EUR : NTD	320	31.3200	10,022
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD : NTD	30,209	27.6800	836,185
JPY : NTD	5,837	0.2405	1,404
EUR : NTD	4	31.3200	125
USD : RMB	3,090	6.3720	85,531

(foreign currency: functional currency)	December 31, 2020		
	Foreign currency (in thousands)	Exchange rate	Book value (NT\$)
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD : NTD	<u>52,146</u>	<u>28.4800</u>	<u>1,485,118</u>
RMB : NTD	<u>36,151</u>	<u>4.3770</u>	<u>158,233</u>
JPY : NTD	<u>154,323</u>	<u>0.2763</u>	<u>42,639</u>
EUR : NTD	<u>178</u>	<u>35.0200</u>	<u>6,234</u>
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD : NTD	<u>15,388</u>	<u>28.4800</u>	<u>438,250</u>
RMB : NTD	<u>170</u>	<u>4.3770</u>	<u>744</u>
JPY : NTD	<u>126</u>	<u>35.0200</u>	<u>4,413</u>
EUR : NTD	<u>16,151</u>	<u>0.2763</u>	<u>4,463</u>
USD : RMB	<u>5,096</u>	<u>6.5067</u>	<u>145,133</u>

(D) Total exchange gain (loss) (realized and unrealized) due to significant foreign exchange rate fluctuations on monetary items held by the Group were NT\$(25,264) and NT\$(53,641) for 2021 and 2020, respectively.

(E) The analysis of foreign currency risk due to significant exchange rate fluctuation is as follows:

2021			
<u>Sensitivity Analysis</u>			
	<u>Fluctuation</u>	<u>Impact on profit or loss</u>	<u>Impact on other comprehensive income</u>
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	25,198	=
RMB : NTD	1%	960	=
JPY : NTD	1%	539	=
EUR : NTD	1%	100	=
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	8,362	=
EUR : NTD	1%	1	=
JPY : NTD	1%	14	=
USD : RMB	1%	855	=

2020			
<u>Sensitivity Analysis</u>			
	<u>Fluctuation</u>	<u>Impact on profit or loss</u>	<u>Impact on other comprehensive income</u>
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 14,851	\$ -
RMB : NTD	1%	1,582	-
JPY : NTD	1%	426	-
EUR : NTD	1%	62	-
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	(4,383)	-
RMB : NTD	1%	(7)	-
JPY : NTD	1%	(44)	-
EUR : NTD	1%	(45)	-
USD : RMB	1%	(1,451)	-

B. Price risk

The Group does not invest in equity instruments and has not yet had price risk associated with equity instrument investments.

C. Cash flow and fair value interest rate risk

- (A) The Group's interest rate risk arises from short-term and long-term loans. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During 2021 and 2020, the Group's borrowings at floating rates were denominated in USD and EUR.
- (B) For the years ended December 31, 2021 and 2020, if the interest rate had been 1% higher, while all other variables remain unchanged, the net profit after tax for 2021 and 2020 would have been NT\$1,427 and NT\$203 lower, respectively, mainly due to higher interest expenses on floating rate borrowings.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments under contract obligations. The defaults are accounts receivable and the contract cash flow from debt instruments measured at amortized cost.
- B. The management of credit risk is established with a Group perspective. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored.
- C. The credit risk of the Group's investment in debt instrument measured at amortized cost refers to counterparties defaulting on contractual obligations, leading to the Group's financial losses. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- D. In considering the past experience, if the contract payment is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk of the financial asset is significantly increased since the original recognition.
- E. In considering the past experience with payment collection, if a contract payment is overdue for more than 180 days in accordance with the agreed payment terms, it is considered a breach of contract.
- F. The Group categorizes the accounts receivable from customers based on their evaluation ratings. The loss rate method is adopted as the basis for estimating the expected credit loss.
- G. The Group has included the economic indicators and signals of the National Development

Council and Basel Committee on Banking Supervision’s forward-looking considerations to adjust the loss rate based on historical and current information for a specific period.

H. The Group uses the following indicators to determine the status of credit impairments of debt instruments:

(A) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.

(B) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.

(C) The issuer delays or does not pay for the interest or principal.

(D) Unfavorable changes in the national- or regional-level economic situation resulting in the issuer’s default.

I. The Group will continue the recourse for financial assets that have defaulted to protect the rights of the claims. The Group may write off the amount of financial assets that cannot be reasonably expected to be recovered after recourse.

J. The Group has incorporated forward-looking considerations to adjust the loss rate built according to historic and current data in order to estimate the loss allowance notes and accounts receivables. The loss rates are shown as follows:

	Not past due	Less than 30 days past due	31 to 60 days past due	61 to 180 days past due	More than 181 days past due	Total
<u>December 31, 2021</u>						
Expected loss rate	0.03%~0.08 %	0.03%~0.9 5%	0.03%~12. 82%	0.03%~81.53 %	100.00%	
Notes receivable	\$ 1,986	\$ -	\$ -	\$ -	\$ -	\$ 1,986
Accounts receivable	1,472,521	72,779	10,907	877		1,557,084
Total book value	\$ 1,474,507	\$ 72,779	\$ 10,907	\$ 877	\$ -	\$ 1,559,070
Loss provision	(\$ 884)	(\$ 364)	(\$ 578)	\$ 619		(\$ 2,445)

	Not past due	Less than 30 days past due	31 to 60 days past due	61 to 180 days past due	More than 181 days past due	Total
<u>December 31, 2020</u>						
Expected loss rate	0.03%~0.08 %	0.03%~1.0 1%	0.03%~13. 34%	0.03%~78.73 %	100.00%	
Notes receivable	\$ 258	\$ -	\$ -	\$ -	\$ -	\$ 258
Accounts receivable	826,895	47,911	5,982	222	50	881,060
Total book value	\$ 827,153	\$ 47,911	\$ 5,982	\$ 222	\$ 50	\$ 881,318
Loss provision	(\$ 286)	(\$ 89)	(\$ 742)	\$ 39	\$ 50	(\$ 1,206)

The above is an aging report based on the number of days past due.

K. The Group adopts a simplified method in which the loss allowance for the accounts receivable is shown below:

	<u>2021</u>	<u>2020</u>
	Accounts receivable	Accounts receivable
January 1	\$ 1,206	\$ 569
Expected loss on credit impairment	1,228	6,640
Write-offs	(3)	(5,982)
Effects of changes in foreign exchange rates	14	(21)
December 31	<u>\$ 2,445</u>	<u>\$ 1,206</u>

(3) Liquidity risk

- A. Cash flow forecasting is performed by the operating entities of the Group and aggregated by the Group's treasury department. It monitors rolling forecasts of liquidity requirements to ensure the Group has sufficient cash to meet operational needs.
- B. The treasury department of the Group invests the remaining funds in interest-bearing demand deposits, as the instruments chosen have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. For the years ended December 31, 2021 and 2020, the position of the money market held by the Group is expected to generate immediate cash flow to manage liquidity risk.
- C. The Group does not have derivative financial liabilities. The table below analyzes the non-derivative financial liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. Except for those listed in the table, others mature within a year. The undiscounted cash flow amount is equivalent to the amount listed in the balance sheet. The remaining undiscounted cash flow of non-derivative financial liabilities is shown as follows:

<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative Financial Liabilities:</u>					
Lease liabilities (current/non-current)	\$ 24,510	\$ 17,390	\$ 24,708	\$ 182,208	\$ 248,816
Long-term loans (including current portion)	3,629	11,967	26,817	114,597	157,010
<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative Financial Liabilities:</u>					
Lease liabilities (current/non-current)	\$ 24,546	\$ 15,654	\$ 27,195	\$ 189,978	\$ 257,373
Long-term loans (including current portion)	2,691	2,662	15,602	-	20,955

(VII) Fair value information

1. The Group has no financial instruments measured at fair value. And the book value of the Company's financial instruments is not measured at fair value (including cash and cash equivalents, financial assets measured at amortized cost - current, notes receivable, accounts receivable (including related parties), other receivables (including related parties), other non-current assets - refundable deposits and pledged time deposits, accounts payable (including related parties), other payables, lease liabilities (including current and non-current), long-term loans, other non-current liabilities - guarantee deposit received) is a reasonable approximation of fair value.
2. For fair value information of investment property measured at cost, please refer to Note 6 (9).

(VIII) Additional information

In response to the COVID-19 pandemic and the anti-pandemic measures implemented by the government, the Group has adjusted the resources, manpower, and supply chains prudently and flexibly. Meanwhile, we have adopted relevant measures, such as flexible working hours and regular screening, to reduce the impact of the pandemic on the Group's operations. As of February 23, 2022, the changes due to the pandemic did not significantly impact our operations.

XIII. Additional disclosures

(IX) Significant transactions information

1. Loans to others: None.
2. Provision of endorsements and guarantees to others: Please refer to Schedule 1.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to Schedule 2.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
7. The amount of goods purchased or sold with related parties reaches NT\$100 million or more than 20% of the paid-in capital: Please refer to Schedule 3.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to Schedule 4.
9. Engagement in derivative transactions: None.
10. Significant inter-company transactions during the reporting periods: Please refer to Schedule 5.

(X) Information on investees

Names, locations and other information of investee companies (not including investees in China):
Please refer to Schedule 6.

(XI) Information on investments in China

1. Basic information: Please refer to Schedule 7.
2. Significant transactions, either directly or indirectly through a third area, with investee companies in China: Please refer to Schedule 8.

(XII) Information on major shareholders

For information on major shareholders: Please refer to Schedule 9.

XIV. Operating Segments Information

(XIII) General information

The Group is involved in only one industry. The main business is the research, development, manufacturing and sales of industrial memory storage devices. The Group's operating decision maker evaluates the performance and allocates resources of the Group as a whole, and has identified that the Company has only one reportable operating segment.

(XIV) Measurement of segment information

The accounting policies of the operating segments of the Group are the same as those of the Company. The Company's operating decision maker assesses the performance of each operating segments based on the operating net profit.

(XV) Information on segment profit and loss, assets and liabilities

The Group has only one reportable segment and is not required to disclose information on segment profit or loss, assets and liabilities. The accounting policies and estimates of the Company's reportable segment are the same as the significant accounting policies summarized in Note 4 and 5 and significant estimates and assumptions.

(XVI) Reconciliation for segment income

1. Sales between segments are conducted according to the principle of transactions at fair value. The operating revenue from external customers reported to the operating decision maker is measured in a manner consistent with that in the comprehensive income statement. A reconciliation of reportable segment income to the profit before tax from continuing operations is provided as follows:

	2021	2020
Profit (loss) from reportable segments	\$ 1,949,246	\$ 1,207,293
Interest income	5,860	6,539
Other income	51,745	22,031
Other gains and losses	(23,956)	(52,721)
Finance cost	(2,987)	(2,293)
Shares of losses of associates and joint ventures accounted for using equity method	(7,854)	(13,253)
Income (loss) before tax from continuing operations	<u>\$ 1,972,054</u>	<u>\$ 1,167,596</u>

2. The amount of total assets provided to the chief operating decision-maker is measured in a manner consistent with the assets on the balance sheet, and the Group's reportable segment assets are equal to total assets and no reconciliation is required.

(XVII) Information on products and services

The Group is in the business of various industrial memory storage devices, and the details on revenue balance are shown as follows:

	2021	2020
Revenue from product sales	<u>\$ 10,195,658</u>	<u>\$ 7,152,015</u>

(XVIII) Geographical information

The information of the Group's income from external customers by country and non-current assets by asset location is as follows:

	2021		2020	
	Revenue	Non-current assets (note)	Revenue	Non-current assets (note)
Taiwan	\$ 3,049,064	\$ 1,929,440	\$ 2,005,174	\$ 1,595,543
United States	1,536,890	61,158	1,088,907	65,880
Japan	677,391	6,431	482,740	10,650
Germany	667,876	-	413,408	-
China	1,962,778	11,207	1,632,113	12,640
Others	2,301,659	44,650	1,529,673	51,629
	<u>\$ 10,195,658</u>	<u>\$ 2,052,886</u>	<u>\$ 7,152,015</u>	<u>\$ 1,736,342</u>

Note: Non-current assets do not include financial assets and deferred income tax assets:

(XIX) Major customer information

For 2021 and 2020, the Group had no customers accounting for more than 10% of the sales revenue.

Innodisk Corporation and Subsidiaries
Provision of endorsements and guarantees to others
January 1 to December 31, 2021

Schedule 1

Expressed in Thousands of NTD
(Unless otherwise specified)

Number (Note 1)	Endorser / guarantor	Party being endorsed/guaranteed Company name	Relationship (Note 2)	Limit on endorsements/guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/guarantee amount for the period (Note 4)	Outstanding endorsement/ amount for the period	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Percentage of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor or company	Ceiling on the total amount of endorsements/guarantees provided (Note 3)	Provision of endorsements/guarantees by the parent company to the subsidiary	Provision of endorsements/guarantees by the subsidiary to the parent company	Provision of endorsements/guarantees to the party in China	Remarks
0	Innodisk Corporation	Innodisk Europe B.V.	2	\$ 1,192,198	\$ 24,514	\$ 21,924	\$ 15,973	\$ -	0.37%	\$ 2,980,495	Y	N	N	
0	Innodisk Corporation	Innodisk USA Corporation	2	1,192,198	19,975	-	-	-	0.00%	2,980,495	Y	N	N	
0	Innodisk Corporation	Aetina Corporation	2	1,192,198	45,000	-	-	-	0.00%	2,980,495	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1). Fill in 0 for the issuer.
- (2). The invested companies are numbered in order starting from 1.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of categories each case belongs to:

- (1). A company with business dealings.
- (2). A company in which the Company directly or indirectly holds more than 50% of its voting shares.
- (3). A company which directly or indirectly holds more than 50% of the voting shares of the Company.
- (4). A company in which the Company directly or indirectly holds more than 90% of its voting shares.
- (5). A mutually guaranteed company of the trade or among joint constructors due to the need of the construction contract.
- (6). A company jointly endorsed/guaranteed by its shareholders in proportion to their ownerships due to joint venture.
- (7). Performance guarantee and joint guarantee by industry peers engaging in a house pre-sale contract in accordance with the Consumer Protection Act.

Note 3: The total amount of endorsements and guarantees of the Company must not exceed 50% of the Company's net worth, and the total amount to a single enterprise shall not exceed 20% of the Company's net worth.

Note 4: Maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Innodisk Corporation and Subsidiaries
Acquisition of real estate reaching NT\$300 million or 20% of the paid-in capital or more
January 1 to December 31, 2021

Schedule 2

The company which acquired the real estate	Property name	Date of fact	Transaction amount (note)	Payment status	Counterparty	Relationship with the endorser/ guarantor	Previous transfer information if the counterparty is a related party			Expressed in Thousands of NTD (Unless otherwise specified)			
							Relationship with the Owner	Transfer date	Amount	Reference for price determination	Purpose of acquisition and status of use	Other agreed matters	
													with the Issuer
Innodisk Corporation	Real estate in Xizhi District, New Taipei City	November 2021	\$ 337,346	A total of NT\$68,802 has been paid for the first to third phases, and the remaining NT\$268,544 has not yet been paid.	Kingfisher Technology Corporation	-	-	-	-	-	In accordance with the contract.	For the Company's operation.	No

Note: It refers to the total contract price and deed tax.

Innodisk Corporation and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
January 1 to December 31, 2021

Schedule 3

Expressed in Thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty name	Relationship with the endorser/guarantor	Transaction				Differences in transaction terms compared with third party transactions		Notes/accounts receivable (payable)		Remarks
			Purchase/Sales	Amount	Percentage of total purchases (sales)	Credit term	Unit Price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Innodisk Corporation	Innodisk USA Corporation	Subsidiary	(Sales)	(\$ 1,401,964)	(15%)	Net 60	As agreed by both parties	Normal	\$ 270,261	18%	
Innodisk Corporation	Innodisk Shenzhen Corporation	Subsidiary	(Sales)	(748,434)	(8%)	Net 60	As agreed by both parties	Normal	85,534	6%	
Innodisk USA Corporation	Innodisk Corporation	Parent company	Purchase	1,401,964	19%	Net 60	As agreed by both parties	Normal	(270,261)	(29%)	
Innodisk Shenzhen Corporation	Innodisk Corporation	Parent company	Purchase	748,434	10%	Net 60	As agreed by both parties	Normal	(85,534)	(9%)	

Innodisk Corporation and Subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more:
 January 1 to December 31, 2021

Schedule 4

Expressed in Thousands of NTD
 (Except as otherwise indicated)

Companies with accounts receivable	Counterparty name	Relationship with the endorser/guarantor	Balance of account receivable from related parties	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Amount of recognized allowance for bad debts
					Amount	Action taken		
Innodisk Corporation	Innodisk USA Corporation	Subsidiary	\$ 270,261	6.90	\$ -	Not applicable	\$ 110,971	\$ -
Innodisk Corporation	Innodisk Shenzhen Corporation	Subsidiary	85,534	6.49	-	Not applicable	73,598	-

Innodisk Corporation and Subsidiaries
Significant inter-company transactions during the reporting periods and their business relationships.
January 1 to December 31, 2021

Schedule 5

Individual transactions less than NT\$10 million will not be disclosed. Transactions which are disclosed as part of the parent company's transactions will not be disclosed again.

Expressed in Thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Relationship	Counterparty	Relationship (Note 2)	General ledger account	Status of transaction		Percentage of consolidated total operating revenues or total assets (Note 3)
					Amount	Transaction terms	
0	Innodisk Corporation	Innodisk USA Corporation	(1)	Sales	\$ 1,401,964	Same with other customers	14%
0	Innodisk Corporation	Innodisk Shenzhen Corporation	(1)	Sales	748,434	Same with other customers	7%
0	Innodisk Corporation	Innodisk USA Corporation	(1)	Accounts receivable	270,261	Same with other customers	3%
0	Innodisk Corporation	Innodisk Shenzhen Corporation	(1)	Accounts receivable	85,534	Same with other customers	1%

Note 1: The business dealing information between the parent company and its subsidiaries shall be indicated in the number field respectively. The filling method of the number is as follows:

- (1). Parent company is "0".
- (2). The subsidiaries are numbered in order starting from "1".

Note 2: There are the following three types of relationships with the counterparty, and only the type needs to be indicated (if it is the same transaction between parent and subsidiary companies or between subsidiaries, there is no need to disclose it again. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction;

For transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction):

- (1). Parent company to subsidiary.
- (2). Subsidiary to parent company.
- (3). Subsidiary to subsidiaries.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement account.

Innodisk Corporation and Subsidiaries
Names, locations and other information of investee companies (not including investees in China)
January 1 to December 31, 2021

Schedule 6

Expressed in Thousands of NTD
(Except as otherwise indicated)

Name of Investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as of the end of period			Net profit (loss) of the investee for the current period	Investment income(loss) recognized by the Company for the current period	Remarks
				Balance at the end of period	End of the previous year	Number of Shares	Percentage	Book value			
Innodisk Corporation	Innodisk USA Corporation	United States	Industrial embedded storage devices	\$ 140,499	\$ 140,499	2,046,511	100	\$ 91,661	\$ 38,521	\$ 38,640	
Innodisk Corporation	Innodisk Japan Corporation	Japan	After-sales services and support of industrial embedded storage devices	3,533	3,533	196	100	8,513	1,709	1,733	
Innodisk Corporation	Innodisk Europe B.V.	Netherlands	After-sales services and support of industrial embedded storage devices	17,802	17,802	50,000,100	100	33,118	2,483	2,483	
Innodisk Corporation	Innodisk Global-M Corporation	Mauritius	Investment holdings	20,154	20,154	665,000	100	73,883	12,903	12,927	
Innodisk Corporation	Aetina Corporation	Taiwan	Manufacturing and sales of industrial graphics cards	24,091	24,091	13,361,737	74.78	215,018	84,521	63,528	
Innodisk Corporation	AccelStor Inc.	Taiwan	Computers and computing peripheral equipment manufacturing	224,058	224,058	16,652,700	40.37	-	-	-	
Innodisk Corporation	Millitronic Co.,Ltd.	Taiwan	Electronic parts and components manufacturing.	54,157	54,157	5,415,720	33.55	10,501	(23,044)	(7,731)	
Innodisk Corporation	Antzer Tech Co., Ltd.	Taiwan	Electronic parts and components manufacturing.	57,133	37,244	58,400,000	100.00	28,545	6,923	1,125	
Innodisk Corporation	Sysinno Technology Inc.	Taiwan	Electronic parts and components manufacturing.	12,900	12,900	645,000	43.00	8,237	(4,425)	(1,903)	
Innodisk Europe B.V.	Innodisk France SAS	France	After-sales services and support of industrial embedded storage devices	175	-	-	100.00	659	532	532	
Aetina Corporation (Note 2)	Aetina USA Corporation	United States	After-sales service and support for industrial graphics cards	-	-	-	100.00	-	-	-	

Note 1: Disclosed at the historical exchange rate

Note 2: Aetina Corporation established the subsidiary Aetina USA Corporation in September 2021, and the capital injection has not been completed as of December 31, 2021.

Innodisk Corporation and Subsidiaries
Information on investments in China - Basic data
January 1 to December 31, 2021

Schedule 7 Expressed in Thousands of NTD
(Except as otherwise indicated)

Investee in China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to China	Amount remitted from Taiwan to China/Amount remitted back to Taiwan for the year		Accumulated amount of remittance from Taiwan to China	Net profit (loss) of the investee for the current period	Ownership held by the Company (direct or indirect)	Investment income(loss) recognized by the Company for the current period (Note 2)	Net profit (loss) of the investee for the year	Accumulated amount of investment income remitted back to Taiwan	Remarks
					Remitted to	Remitted back							
Innodisk Shenzhen Corporation	Industrial embedded storage devices	\$18,168 (US\$600 thousands) (Note 3)	2. Innodisk Global-M Corporation	\$18,168 (US\$600 thousands) (Note 3)	\$ -	\$ -	\$18,168 (US\$600 thousands) (Note 3)	\$ 13,168	100	\$ 13,168	\$ 72,595	\$ -	

Note 1: Investment methods are classified into the following three categories; fill in the number of the category that each case belongs to:

- (1). Directly invest in a company in China.
- (2). Re-investment in China through a company in a third area (please specify the company in the third area)
- (3). Other methods

Note 2: The investment income (loss) recognized in the current period is based on the investee company's financial statements for the same period audited by the parent company's independent accountants in Taiwan.

Note 3: Disclosed at the historical exchange rate

Company name	Accumulated amount of investment remitted from Taiwan to China at the end of the period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in China imposed by the Investment Commission of MOEA (Note 4)
Innodisk Corporation	\$18,168 (US\$600 thousands) (Note 5)	\$18,168 (US\$600 thousands) (Note 5)	\$ 3,620,106

Note 4: The cap is 60% of the net worth in accordance with the provisions of the (90) Tai-Cai-Zheng (I) #006130 announced by the Securities and Futures Commission, Ministry of Finance on November 16, 2001.

Note 5: Disclosed at the historical exchange rate

Innodisk Corporation and Subsidiaries
 Significant transactions, either directly or indirectly through a third area, with investee companies in China
 January 1 to December 31, 2021

Schedule 8

Expressed in Thousands of NTD
 (Except as otherwise indicated)

Investee in China	Sales (Purchases)		Property transactions		Accounts receivable / payable		Notes endorsement and guarantee or provision of collateral		Financial intermediation				
	Amount	%	Amount	%	Balance	%	Balance at the end of the period	Purpose	Highest balance	Balance at the end of the period	Range of interest rate	Current interest rate	Others
Innodisk Shenzhen Corporation	\$ 748,434	7%	\$ -	-	\$ 85,534	1%	\$ -	-	\$ -	\$ -	-	\$ -	-

Innodisk Corporation and Subsidiaries
Information on major shareholders
December 31, 2021

Schedule 9

Names of major shareholders	Shares	
	Number of Shares Held	Shareholding percentage
Rui Ding Invest Co., Ltd.	6,252,307	7.56%
Colbert Global Opportunities Fund II in the custody of HSBC	6,213,922	7.51%

- Note 1: The information on major shareholders in this Exhibit is compiled by Taiwan Depository & Clearing Corporation based on the last business day of the quarter in which the shareholders held 5% or more of the Company's common shares and preferred shares whose registration and delivery have been completed in non-physical form (including treasury shares). The number of shares recorded in the Company's financial statements and the actual number of shares registered and delivered in non-physical form may differ depending on the basis of preparation of the calculations.
- Note 2: If a shareholder delivers his or her shares to a trust, the above information shall be disclosed by the individual trustor account opened by the trustee. As for the shareholder's declaration of insider's equity in accordance with the Securities and Exchange Act, the shareholding of the shareholder includes his or her own shares plus the shares that he or she has delivered to a trust and has the right to decide the use of the trust property, etc. Please refer to the Market Observation Post System for information on insider's equity declaration.

Innodisk Corporation

Chairman: Chien, Chuan-Sheng