

Innodisk Corporation
Parent Company Only Financial Statements and
Independent Auditor's Report
Years Ended December 31, 2021 and 2020
(Stock Code: 5289)

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Innodisk Corporation
Parent Company Only Financial Statements and Independent Auditor's Report
For the Years Ended December 31,2021 and 2020
Table of Contents

| <u>Items</u> | <u>Page / Number / Index</u> |
|---|------------------------------|
| I. Cover Page | 1 |
| II. Table of Contents | 2 ~ 3 |
| III. Independent Auditor's Report | 4 ~ 9 |
| IV. Parent Company Only Balance Sheet | 10 ~ 11 |
| V. Parent Company Only Statement of Comprehensive Income | 12 |
| VI. Parent Company Only Statement of Changes in Equity | 13 |
| VII. Parent Company Only Statement of Cash Flow | 14 ~ 15 |
| VIII. Notes to the Parent company only financial statements | 16 ~ 64 |
| (I) Company history | 16 |
| (II) The date of authorization for issuance of the financial statements and procedures for authorization | 16 |
| (III) Application of new standards, amendments, and interpretations | 16 ~ 17 |
| (IV) Summary of significant accounting policies | 18 ~ 28 |
| (V) Critical accounting judgments and key sources of estimation and uncertainty | 29 |
| (VI) Statements of main accounting items | 30 ~ 50 |
| (VII) Related-party transactions | 51 ~ 55 |
| (VIII) Pledged assets | 55 |

| <u>Items</u> | <u>Page / Number / Index</u> |
|--|------------------------------|
| (IX) Significant contingent liabilities and unrecognized contract commitments | 55 ~ 56 |
| (X) Losses due to major disasters | 56 |
| (XI) Significant events after the balance sheet date | 56 |
| (XII) Others | 56 ~ 63 |
| (XIII) Additional disclosures | 63 ~ 64 |
| (XIV) Operating segments information | 64 |
| IX. List of Major Accounting Items | |
| Cash and Cash Equivalents Statement | Statement 1 |
| Statement of Current Financial Assets at Amortized Cost | Statement 2 |
| Accounts Receivable Statement | Statement 3 |
| Inventory Statement | Statement 4 |
| Statement of Changes in Investments Accounted for Under Equity Method | Statement 5 |
| Statement of Changes in Costs and Accumulated Depreciation of Property, Plant and Equipment | Statement 6 |
| Accounts Payable Statement | Statement 7 |
| Statement of Sales Revenue | Statement 8 |
| Statement of Operating Costs | Statement 9 |
| Statement of Manufacturing Expenses | Statement 10 |
| Statement of Operating Expenses | Statement 11 |
| Statement of Employee Benefits, Depreciation, Depletion and Amortization in the Current Period | Statement 12 |

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) | | |
| Loss on scrapping inventory | 6 (4) | 124,783 | 3,624 |
| Share of (profit)/loss of associates accounted for using equity method | 6 (5) | 3,353 | 9,193 |
| Gains on revaluation of investments accounted for using equity method | 6 (21) | (110,802) | (27,023) |
| Loss (gain) on disposal of property, plant and equipment | 6 (21) | (2,780) | - |
| Gain on disposal of intangible assets | 6 (21) | (388) | 3 |
| Interest expense | 6 (22) | - | (2,842) |
| Interest income | 6 (19) | 2,304 | 1,715 |
| Compensation cost of employee stock options | 6 (13) | (4,844) | (5,667) |
| Unrealized profit from sales | | 19,973 | 22,864 |
| Realized profit on from sales | | 14,316 | 12,625 |
| Changes in operating assets and liabilities | | (12,625) | (13,602) |
| 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

| | <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 | 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 | | \$ 1,824,752 | \$ 1,992,270 |

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:

| <u>New/Amended/Revised Standards and Explanations</u> | <u>Effective date of issuance by IASB</u> |
|---|---|
| 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 | \$ 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. 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>\$ 1,986</u> | <u>\$ 258</u> |
| Accounts receivable | \$ 1,179,236 | \$ 583,039 |
| Accounts receivable - related parties | 357,219 | 282,216 |
| | 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

| | December 31, 2021 | | |
|-------------------|---------------------|--------------------------------------|---------------------|
| | Cost | Loss allowance for falling prices | Book value |
| 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) | \$ 441,693 |
| 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:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|--------------------|
| 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> |
| <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:

| <u>Items affecting current profit and loss</u> | 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 | <u>1,625</u> | <u>898</u> |
| | <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:

| | <u>2021</u> | <u>2020</u> |
|--|-----------------|-----------------|
| Rental income from investment property | \$ 7,466 | \$ 7,976 |
| 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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------------|--------------------------|--------------------------|
| 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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| 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:

| | 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 | (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:

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

| Approved issue date | Expiration date | December 31, 2020 | |
|---------------------|------------------|-----------------------------|-----------------------|
| | | 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 | 82,668,040 | 81,324,040 |

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 | <u>553,003</u> | 6.80 | <u>597,971</u> | 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 | Dividends per share (NT\$) |
|----------------------------|---------------------|----------------------------------|
| | Amount | |
| 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 | | | | | Total |
|---------------------------------------|---|--------------|--------------|--------------|------------|--------------|
| | Taiwan | Asia | Americas | Europe | Others | |
| 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 | | | | | Total |
|---------------------------------------|---|--------------|--------------|--------------|-----------|--------------|
| | Taiwan | Asia | Americas | Europe | Others | |
| 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:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> | <u>January 1, 2020</u> |
|--|--------------------------|--------------------------|------------------------|
| 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

| | <u>2021</u> | <u>2020</u> |
|-------------------------|-------------|-------------|
| Product sales contracts | \$ 26,988 | \$ 5,958 |

(XIX) Interest income

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

(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:

| | 2021 | | |
|--|------------------|---------------------------------|------------------|
| | January 1 | Recognized in profit or loss | December 31 |
| 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.

(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:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| 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:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| 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:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------|--------------------------|--------------------------|
| Subsidiaries: | | |
| 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:

| (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 | 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

1. 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.
2. 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

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.

(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
Cash and Cash Equivalents Statement
December 31, 2021

Statement 1

Expressed in Thousands of NTD

| <u>Item</u> | <u>Summary</u> | <u>Amount</u> | <u>Remarks</u> |
|-----------------------------------|-------------------------------------|---------------------|----------------|
| Cash on hand and petty cash | | \$ 562 | |
| Bank deposits | | | |
| - NTD demand deposit | | 666,270 | |
| - NTD checking account | | 12 | |
| - Foreign currency demand deposit | | | |
| | USD 31,853,065 at USD1=NT\$27.6800 | 881,693 | |
| | JPY 159,439,288 at JPY1=NT\$ 0.2405 | 38,345 | |
| | EUR 201,249 at EUR1=NT\$31.3200 | 6,303 | |
| | RMB 22,077,335 at RMB1=NT\$4.3440 | 95,904 | |
| | GBP 4,371 at GBP1=NT\$37.3000 | 163 | |
| Time deposits | | | |
| - NTD time deposit | | 135,500 | |
| | | <u>\$ 1,824,752</u> | |

Innodisk Corporation
Statement of Current Financial Assets at Amortized Cost
December 31, 2021

Statement 2

Expressed in Thousands of NTD

| <u>Name</u> | <u>Summary</u> | <u>Number of certificate</u> | <u>Par value</u> | <u>Total amount</u> | <u>interest rate</u> | <u>Book value</u> | <u>Accumulated impairment</u> | <u>Remarks</u> |
|-------------------------|----------------|----------------------------------|------------------|-------------------------|----------------------|-------------------|-----------------------------------|----------------|
| HSBC time deposit | | - | -\$ | 300,000 | 0.42%~0.43% | \$ 300,000 | - | |
| E.Sun Bank time deposit | | | | 300,000 | 0.55% | 300,000 | - | |
| | | | | <u>\$ 600,000</u> | | <u>\$ 600,000</u> | <u>-</u> | |

Innodisk Corporation
Accounts Receivable Statement
December 31, 2021

Statement 3

Expressed in Thousands of NTD

| <u>Customer Name</u> | <u>Summary</u> | <u>Amount</u> | <u>Remarks</u> |
|-------------------------------|----------------|---------------------|--|
| Non-related party: | | | |
| Customer Z | | \$ 126,402 | |
| Customer X | | 90,272 | |
| Others | | 962,562 | The balance of each customer account did not exceed 5% of the total balance of this account. |
| | | <u>1,179,236</u> | |
| Less: Loss allowance | | (1,192) | |
| Non-related party sub-total | | <u>1,178,044</u> | |
| Related parties: | | | |
| Innodisk USA Corporation | | 270,261 | |
| Innodisk Shenzhen Corporation | | 85,534 | |
| Others | | 1,424 | The balance of each customer account did not exceed 5% of the total balance of this account. |
| | | <u>357,219</u> | |
| Related party sub-total | | <u>357,219</u> | |
| Total | | <u>\$ 1,535,263</u> | |

Innodisk Corporation
Inventory Statement
December 31, 2021

Statement 4

Expressed in Thousands of NTD

| Item | Amount | | Remarks |
|--|---------------------|----------------------|---|
| | Cost | Net realizable value | |
| Raw materials | \$ 1,253,468 | \$ 1,186,194 | The net realizable value is determined as the balance after subtracting from the estimated selling price the estimated cost required for the completion of project and the related variable selling expenses. |
| Work in process | 193,162 | 265,190 | |
| Finished products | 279,849 | 365,842 | |
| Product inventory | 189 | 98 | |
| | 1,726,668 | \$ 1,817,324 | |
| Less: Allowance for loss from inventory falling prices | (194,234) | | |
| | <u>\$ 1,532,434</u> | | |

Innodisk Corporation
Statement of Changes in Investments Accounted for Under Equity Method
January 1 to December 31, 2021

Statement 5

Expressed in Thousands of NTD

| Name | Opening balance | | Increase in this period (Note 2) | | | Cumulative translation adjustment | Amount of other adjustments (note 1) | Decrease in this period | | Balance at the end of the period | | | Net equity value | | Provision of guarantees or pledges |
|-------------------------------|------------------|-------------------|----------------------------------|------------------|-------------------------|-----------------------------------|--------------------------------------|-------------------------|-------------|----------------------------------|---------------|-------------------|-------------------|-------------------|------------------------------------|
| | Number of Shares | Amount | Number of Shares | Amount | Investment gain or loss | | | Number of Shares | Amount | Number of Shares | Ownership (%) | Amount | Unit price (NT\$) | Total price | |
| Innodisk USA Corporation | 2,046,511 | \$ 56,572 | - | \$ - | \$ 38,641 | (\$ 2,338) | (\$ 1,214) | - | \$ - | 2,046,511 | 100.00% | \$ 91,661 | 50.49 | \$ 103,331 | No |
| Innodisk Japan Corporation | 196 | 7,901 | - | - | 1,733 | (1,121) | - | - | - | 196 | 100.00% | 8,513 | 43,234.69 | 8,474 | No |
| Innodisk Europe B.V. | 50,000,100 | 34,408 | - | - | 2,483 | (3,773) | - | - | - | 50,000,100 | 100.00% | 33,118 | 0.66 | 33,118 | No |
| Innodisk Global-M Corporation | 665,000 | 61,911 | - | - | 12,926 | (477) | (477) | - | - | 665,000 | 100.00% | 73,883 | 110.72 | 73,629 | No |
| Aetina Corporation | 10,689,390 | 151,391 | 2,672,347 | - | 63,528 | - | 99 | - | - | 13,361,737 | 74.78% | 215,018 | 16.09 | 215,018 | No |
| AccelStor Inc. | 16,652,700 | - | - | - | - | - | - | - | - | 16,652,700 | 40.37% | - | 0.00 | - | No |
| Millitronic Co., Ltd. | 5,415,720 | 18,232 | - | (7,731) | - | - | - | - | - | 5,415,720 | 33.55% | 10,501 | 1.94 | 10,501 | No |
| Antzer Tech Co., Ltd. | 18,622,118 | 4,751 | 39,777,882 | 22,669 | 1,125 | - | - | - | - | 58,400,000 | 100.00% | 28,545 | 0.37 | 21,543 | No |
| Sysinno Technology Inc. | 6,450,000 | 10,140 | - | (1,903) | - | - | - | - | - | 6,450,000 | 43.00% | 8,237 | 8.81 | 5,681 | No |
| Total | | \$ 345,306 | | \$ 22,669 | \$ 110,802 | (\$ 7,709) | (\$ 1,592) | | \$ - | | | \$ 469,476 | | \$ 471,295 | |

Note 1: Adjustment for the unrealized gain arising from downstream transactions between subsidiaries and the change in the net worth of equities of affiliates and joint ventures by equity method.

Note 2: The increase in the current period is due to the acquisition of Antzer Tech Co., Ltd. by the Company on May 18, 2021, with the holding from the original 31.89% to 100%, and a total payment of NT\$19,889. In addition, 31.89% of the shares previously held were remeasured at fair value and the recognized benefits were NT\$2,780.

Innodisk Corporation
Statement of Changes in Costs and Accumulated Depreciation of Property, Plant and Equipment
January 1 to December 31, 2021

Statement 6

Expressed in Thousands of NTD

| Item | Opening balance | Increase in this period | Decrease in this period | Transfer in the period | Balance at the end of the period | Provision of pledges |
|---|---------------------|----------------------------|----------------------------|---------------------------|-------------------------------------|----------------------|
| Cost | | | | | | |
| Land | \$ 480,076 | \$ - | \$ - | \$ - | \$ 480,076 | No |
| Buildings and construction | 706,574 | 34,117 | (3,902) | 3,680 | 740,469 | No |
| Machines and equipment | 227,410 | 37,615 | (6,658) | 1,425 | 259,792 | No |
| Office equipment | 29,813 | 1,515 | (154) | - | 31,174 | No |
| Unfinished construction and equipment pending acceptance | - | 55,500 | - | - | 55,500 | No |
| Others | 56,879 | 16,963 | (1,258) | 480 | 73,064 | No |
| Subtotal | <u>1,500,752</u> | <u>145,710</u> | <u>(11,972)</u> | <u>5,585</u> | <u>1,640,075</u> | |
| Accumulated depreciation | | | | | | |
| Buildings and construction | (78,617) | (20,153) | 3,902 | - | (94,868) | |
| Machines and equipment | (132,774) | (27,736) | 6,658 | - | (153,852) | |
| Office equipment | (16,115) | (5,367) | 146 | - | (21,336) | |
| Unfinished construction and equipment pending acceptance | - | - | - | - | - | |
| Others | (39,114) | (7,276) | 1,204 | - | (45,186) | |
| Subtotal | <u>(266,620)</u> | <u>(\$ 60,532)</u> | <u>\$ 11,910</u> | <u>\$ -</u> | <u>(315,242)</u> | |
| Total | <u>\$ 1,234,132</u> | | | | <u>\$ 1,324,833</u> | |

Note: Please refer to Note 4 (13) for the description of the depreciation method and service life

Innodisk Corporation
Accounts Payable Schedule
December 31, 2021

Statement 7

Expressed in Thousands of NTD

| <u>Customer Name</u> | <u>Summary</u> | <u>Amount</u> | <u>Remarks</u> |
|-----------------------------|----------------|-------------------|--|
| Non-related party: | | | |
| Supplier G | | \$ 296,319 | |
| Supplier C | | 283,384 | |
| Supplier W | | 53,997 | |
| Supplier A | | 44,884 | |
| Others | | 245,353 | The balance of each supplier account did not exceed 5% of the total balance of this account. |
| Non-related party sub-total | | <u>923,937</u> | |
| Related parties: | | | |
| Innodisk USA Corporation | | 15,761 | |
| Others | | 262 | The balance of each supplier account did not exceed 5% of the total balance of this account. |
| Related party sub-total | | <u>16,023</u> | |
| Total | | <u>\$ 939,960</u> | |

Innodisk Corporation
Schedule of Sales Revenue
January 1 to December 31, 2021

Statement 8

Expressed in Thousands of NTD

| <u>Item</u> | <u>Quantity</u> | <u>Amount</u> | <u>Remarks</u> |
|--|-----------------|---------------------|----------------|
| Industrial embedded storage devices | 3,888,332 | \$ 4,843,974 | |
| Industrial dynamic random-access memory module | 4,112,237 | 4,395,219 | |
| Others | 915,723 | 188,579 | |
| | | <u>\$ 9,427,772</u> | |

Innodisk Corporation
Schedule of Operating Costs
January 1 to December 31, 2021

Statement 9

Expressed in Thousands of NTD

| <u>Item</u> | <u>Summary</u> | <u>Amount</u> | <u>Remarks</u> |
|---|----------------|---------------|----------------|
| Opening product inventory | | \$ 251 | |
| Add: Purchase in the period | | 351 | |
| Less: Ending product inventory | | (189) | |
| Products transferred to expenses | | (56) | |
| Products transferred to manufacturing | | (357) | |
| Purchase cost | | - | |
| Opening raw materials | | 499,074 | |
| Add: Incoming materials in the period | | 6,968,256 | |
| Products transferred to manufacturing | | 357 | |
| Work-in-progress transferred to manufacturing | | 327,072 | |
| Finished products dismantled and transferred into raw materials | | 663 | |
| Finished goods transferred to manufacturing | | 622,579 | |
| Less: Ending raw materials | | (1,253,468) | |
| Raw materials transferred to sales | | (97,751) | |
| Inventory loss of raw materials | | (108) | |
| Raw materials scrapping loss | | (2,511) | |
| Raw materials consumed | | 7,064,163 | |
| Director labor | | 198,410 | |
| Manufacturing expenses | | 229,226 | |
| Total manufacturing cost | | 7,491,799 | |
| Add: Opening work-in-progress | | 140,574 | |
| Purchased semi-finished products | | 136,472 | |
| Less: Ending work-in-progress | | (193,162) | |
| Semi-finished products transferred to sales | | (22,968) | |
| Work-in-process scrapping loss | | (693) | |
| Work-in-progress transferred to expenses | | (7,993) | |
| Work-in-progress transferred to manufacturing | | (327,072) | |
| Cost of finished goods | | 7,216,957 | |

Innodisk Corporation
Statement of Operating Costs (Continued)
January 1 to December 31, 2021

| Statement 9 | Expressed in Thousands of NTD | | |
|--|-------------------------------|----------------------------|---------|
| Item | Summary | Amount | Remarks |
| Add: Opening finished goods | | 166,788 | |
| Purchased finished goods | | 9,306 | |
| Less: Ending finished goods | | (279,849) | |
| Finished goods scrapping loss | | (149) | |
| Finished products dismantled and transferred into raw materials | | (663) | |
| Finished goods transferred to expenses | | (12,102) | |
| Finished goods transferred to manufacturing | | (<u>622,579</u>) | |
| Cost of finished goods | | 6,477,709 | |
| Raw materials transferred to sales | | 97,751 | |
| Semi-finished products transferred to sales | | <u>22,968</u> | |
| Cost of manufacturing and sales | | <u>6,598,428</u> | |
| Other adjustments: | | | |
| Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories | | 124,783 | |
| Loss on scrapping inventory | | 3,353 | |
| Product warranty cost | | 16,071 | |
| Inventory loss | | 108 | |
| Revenue from sales of leftovers and scraps | | (107) | |
| Others | | <u>9,707</u> | |
| Other operating costs | | <u>153,915</u> | |
| Operating costs | | <u><u>\$ 6,752,343</u></u> | |

Innodisk Corporation
Schedule of Manufacturing Expenses
January 1 to December 31, 2021

Statement 10

Expressed in Thousands of NTD

| <u>Item</u> | <u>Summary</u> | <u>Amount</u> | <u>Remarks</u> |
|-----------------------|----------------|-------------------|---|
| Processing expense | | \$ 31,135 | |
| Indirect labor | | 79,469 | |
| Various depreciations | | 43,482 | |
| Various amortizations | | 6,767 | |
| Others | | 68,373 | The balance of each account did not exceed 5% of the total balance of this account. |
| | | <u>\$ 229,226</u> | |

Innodisk Corporation
Schedule of Operating Expenses
January 1 to December 31, 2021

Statement 11

Expressed in Thousands of NTD

| <u>Item</u> | <u>Selling expenses</u> | <u>General and administrative expenses</u> | <u>Research and development expenses</u> | <u>Expected loss on credit impairment</u> | <u>Total</u> |
|------------------------------------|-------------------------|--|--|---|-------------------|
| Employee benefits expense | \$ 140,933 | \$ 296,409 | \$ 135,342 | \$ - | \$ 572,684 |
| Various depreciations | 438 | 17,320 | 8,607 | - | 26,365 |
| Shipping expense | 19,898 | 14 | 36 | - | 19,948 |
| Advertising expense | 22,667 | 140 | - | - | 22,807 |
| Expected loss on credit impairment | - | - | - | 493 | 493 |
| Other expenses (note) | 139,642 | 50,131 | 27,465 | - | 217,238 |
| | <u>\$ 323,578</u> | <u>\$ 364,014</u> | <u>\$ 171,450</u> | <u>\$ 493</u> | <u>\$ 859,535</u> |

Note: None of the other items exceeded 5% of this account's balance.

Innodisk Corporation
Schedule of Operating Expenses
January 1 to December 31, 2021

Statement 12

Expressed in Thousands of NTD

| Nature \ Function | 2021 | | | 2020 | | |
|---------------------------------|------------------------------|---------------------------------|------------|------------------------------|---------------------------------|------------|
| | Belonging to operating costs | Belonging to operating expenses | Total | Belonging to operating costs | Belonging to operating expenses | Total |
| Employee benefits expense | | | | | | |
| 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 |
| Depreciation expense | 43,482 | 26,365 | 69,847 | 46,269 | 23,920 | 70,189 |
| Amortization expenses | 6,767 | 14,732 | 21,499 | 7,100 | 11,648 | 18,748 |

Note:

1. As of the end of the current year and the previous year, there were 615 and 576 employees, respectively, including 7 and 8 directors, respectively who did not hold concurrent employee positions.
2. If the stock is listed on the Taiwan Stock Exchange or the Taipei Exchange, the following information should be disclosed:
 - (1) The average employee benefit expense for the year is NT\$1,378 ((Current year's total employee benefit expenses - Total remuneration of directors) / (Current year's number of employees - Number of directors who do not hold concurrent employee positions)).
The average employee benefit expense for the previous year is NT\$1,158 ((Previous year's total employee benefit expenses - Total remuneration of directors) / (Previous year's number of employees - Number of directors who do not hold concurrent employee positions)).
 - (2) The average employee salary expense for the year is NT\$1,185 ((Current year's total employee salary expense / (Current year's number of employees - Number of directors who do not hold concurrent employee positions)).
The average employee salary expense for the previous year is NT\$967 ((Previous year's total employee salary expense / (Previous year's number of employees - Number of directors who do not hold concurrent employee positions)).
 - (3) The average employee salary expense is adjusted by 23% ((This year's average employee salary expense - Previous year's average employee salary expense) / Previous year's average employee salary expense)).
 - (4) The Company has only independent directors, so there is no remuneration for supervisors.
 - (5) The Company's policy on payment of remuneration.
 - A. Remuneration of directors: It is calculated in accordance with the "Measures for the Payment of Directors' Remuneration" established by the Company, and the Remuneration Committee makes recommendations to the board meeting for approval after considering the extent of their participation in the Company's operations and the value of their contributions.
 - B. Managerial officers: Their remuneration includes fixed salaries and variable salaries. The fixed salary is paid every month, and the variable salary is year-end bonus and employee remuneration.
 - C. Employees: Employee salary includes fixed salary and variable salary. The fixed salary is paid every month, and the variable salary is year-end bonus and employee remuneration.
 - (a) Fixed salary: It is determined based on the title, grade, education (experience), professional ability and job responsibilities undertaken, with reference to industry standards.
 - (b) Year-end bonus: It is based on the Company's current-year operation and performance achievement.
 - (c) Employee profit-sharing: 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 profit-sharing with employees and directors as compensation to employees if there is any remaining balance after making up for losses.
The actual amount is resolved by the board meeting and submitted to the shareholder meeting for approval.

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.