

Innodisk Corporation
Standalone Financial Statements and Independent
Auditor's Report
Years Ended December 31,2020 and 2019
(Stock Code: 5289)

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Innodisk Corporation
2020 and 2019 Standalone Financial Statements and Independent Auditor's Report
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Independent Auditor's Report Translated from Chinese

To the Board of Directors and Stockholders of Innodisk Corporation:

Opinion

We have audited the accompanying standalone balance sheets of Innodisk Corporation (the “Company”) as at December 31, 2020 and 2019, and the related standalone statements of comprehensive income, of changes in equity and cash flows for the years then ended, and notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as at December 31, 2020 and 2019, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ responsibilities for the audit of the standalone 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 2020 standalone financial statements of the current period in our professional judgment. These matters were addressed in the context of our audit of the standalone 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 2020 standalone financial statements are stated as follows:

Key audit matter –Inventory Evaluation

Description

With respect to the accounting policy for inventory valuation, please refer to Note 4 (11) of the standalone 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 standalone financial statements, we consider the inventory valuation as one of the key matters for audit.

How our audit addressed the matter

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

1. Obtained the Company's policy applied to the assessment of allowance for valuation of inventory loss. Assessed whether the allowance recognition policy is applied in a manner consistent between comparative and current periods of the financial statements.
2. Obtained net realisable 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

realisable value item by item, then applied the lower of cost or net realizable value method for valuation and whether reasonable allowance was recognised.

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 recognised.

Key audit matter –Existence of Sales Revenue

Description

For the accounting policy of revenue recognition, please refer to Note 4 (28) of the standalone financial statements. For the description of accounting entries of sales revenue, please refer to Note 6 (18).

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 cash 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 with 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 standalone financial statements

Management is responsible for the preparation and fair presentation of the standalone 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 standalone financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the standalone 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 standalone financial statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic

decisions of users taken on the basis of these standalone 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 standalone 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 standalone 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 standalone financial statements, including the disclosures, and whether the standalone 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 standalone financial statements. We are responsible for the direction, supervision and performance of the audit for the standalone entity. 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 standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yeh, Tsui Miao

Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

February 25, 2021

Innodisk Corporation
Standalone Balance Sheet
December 31, 2020 and 2019

Unit: Thousand NTD

Asset	Note	December 31, 2020		December 31, 2019		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6 (1)	\$ 1,992,270	33	\$ 1,677,093	31
1136	Current financial assets at amortised cost	6 (2)	400,000	6	150,000	3
1150	Notes receivable, net	6 (3)	258	-	1,366	-
1170	Accounts receivable, net	6 (3)	582,340	10	621,789	11
1180	Accounts receivable -- related parties	6 (3) and 7 (2)	282,216	5	364,141	6
1200	Other receivables		2,627	-	1,361	-
1210	Other receivables -- related parties	7 (2)	828	-	1,016	-
1220	Current income tax assets	6 (25)	606	-	420	-
130X	Inventories, net	6 (4)	737,236	12	698,367	13
1410	Prepayments	7 (2)	44,566	1	62,624	1
11XX	Current Assets		<u>4,042,947</u>	<u>67</u>	<u>3,578,177</u>	<u>65</u>
Non-current assets						
1550	Investments accounted for using equity method	6 (5)	345,306	6	302,086	5
1600	Property, plant and equipment	6 (6)	1,234,132	21	1,253,975	23
1755	Right-of-use assets	6 (7)	186,848	3	106,892	2
1760	Investment property, net	6 (9)	138,466	2	140,494	3
1780	Intangible assets		16,760	-	11,427	-
1840	Deferred income tax assets	6 (25)	34,728	1	36,749	1
1900	Other non-current assets	6 (10) and 8	23,819	-	38,977	1
15XX	Non-current assets		<u>1,980,059</u>	<u>33</u>	<u>1,890,600</u>	<u>35</u>
1XXX	Total Assets		<u>\$ 6,023,006</u>	<u>100</u>	<u>\$ 5,468,777</u>	<u>100</u>

(Continued)

Innodisk Corporation
Standalone Balance Sheet
December 31, 2020 and 2019

Unit: Thousand NTD

Liabilities and Equity		Note	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
Current liabilities						
2130	Current contract liabilities	6 (18)	\$ 27,005	-	\$ 6,068	-
2170	Accounts payable		537,013	9	402,887	7
2180	Accounts payable -- related parties	7 (2)	2,053	-	1,145	-
2200	Other payables	6 (21)	275,618	5	276,921	5
2220	Other payables -- related parties	7 (2)	4,226	-	6,024	-
2230	Current income tax liabilities	6 (25)	108,317	2	143,407	3
2250	Provisions for liabilities-current	6 (14)	61,193	1	58,770	1
2280	Current lease liabilities		7,005	-	4,157	-
2300	Other current liabilities		2,073	-	3,415	-
21XX	Current Liabilities		<u>1,024,503</u>	<u>17</u>	<u>902,794</u>	<u>16</u>
Non-current liabilities						
2580	Non-current lease liabilities		181,157	3	103,305	2
2600	Other non-current liabilities	7 (2)	1,100	-	1,207	-
25XX	Non-current Liabilities		<u>182,257</u>	<u>3</u>	<u>104,512</u>	<u>2</u>
2XXX	Total liabilities		<u>1,206,760</u>	<u>20</u>	<u>1,007,306</u>	<u>18</u>
Equity attributable to owners of parent						
Share capital						
3110	Share capital - common stock	6 (15)	813,240	13	797,294	15
Capital surplus						
3200	Capital surplus	6 (16)	1,082,702	18	1,058,681	19
Retained earnings						
3310	Legal reserve	6 (17)	517,734	9	416,308	8
3320	Special reserve		4,080	-	-	-
3350	Unappropriated retained earnings		2,403,928	40	2,193,268	40
Other equity interests						
3400	Other equity interests		(5,438)	-	(4,080)	-
3XXX	Total equity		<u>4,816,246</u>	<u>80</u>	<u>4,461,471</u>	<u>82</u>
Significant contingent liabilities and unrecognized contract commitments						
		9				
Significant events after the balance sheet date						
		11				
3X2X	Total Liabilities and Equity		<u>\$ 6,023,006</u>	<u>100</u>	<u>\$ 5,468,777</u>	<u>100</u>

The notes attached are part of the standalone financial report for your reference.

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Liao, Shu-Nu

Innodisk Corporation
Standalone Statement of Comprehensive Income
December 31, 2020 and 2019

Unit: Thousand NTD
(Except for earnings per share)

Item	Note	2020		2019		
		Amount	%	Amount	%	
4000	Operating revenue	6 (18) and 7 (2)	\$ 6,626,157	100	\$ 6,696,506	100
5000	Operating costs	6 (4) and 7 (2)	(4,794,650)	(72)	(4,756,393)	(71)
5900	Gross profit before unrealized gross profit on sales to subsidiaries		1,831,507	28	1,940,113	29
5910	Unrealized gross profit on sales to subsidiaries		(12,625)	-	(13,602)	-
5920	Realized gross profit on sales to subsidiaries		13,602	-	17,156	-
5950	Gross profit before unrealized gross profit on sales to subsidiaries		1,832,484	28	1,943,667	29
	Operating expenses	6 (23) (24) and 7 (2)				
6100	Selling expenses		(284,312)	(5)	(299,534)	(4)
6200	General and administrative expenses		(265,509)	(4)	(246,847)	(4)
6300	Research and development expenses		(142,330)	(2)	(136,565)	(2)
6450	Expected gain (loss) on credit impairment	12 (2)	(6,226)	-	992	-
6000	Total operating expenses		(698,377)	(11)	(681,954)	(10)
6900	Operating profit		1,134,107	17	1,261,713	19
	Non-operating income and expenses					
7100	Interest income	6 (19)	5,667	-	6,321	-
7010	Other income	6 (20) and 7 (2)	29,871	1	20,256	-
7020	Other gains and losses	6 (21)	(51,452)	(1)	(31,299)	-
7050	Finance cost	6 (22)	(1,715)	-	(1,624)	-
7070	Share of profit/(loss) of associates and joint ventures accounted for using equity method	6 (5)	27,023	-	17,425	-
7000	Total non-operating income and expenses		9,394	-	11,079	-
7900	Profit before income tax		1,143,501	17	1,272,792	19
7950	Income tax expense	6 (25)	(211,838)	(3)	(258,538)	(4)
8200	Profit for the year		\$ 931,663	14	\$ 1,014,254	15
	Other comprehensive income					
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(\$ 1,358)	-	(\$ 4,957)	-
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method		-	-	380	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		(1,358)	-	(4,577)	-
8500	Total comprehensive income for the year		\$ 930,305	14	\$ 1,009,677	15
	Basic earnings per share					
9750	Basic earnings per share	6 (26)	\$ 11.46		\$ 12.47	
	Diluted earnings per share					
9850	Diluted earnings per share	6 (26)	\$ 11.21		\$ 12.29	

The notes attached are part of the standalone financial report for your reference.

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Liao, Shu-Nu

Innodisk Corporation
Standalone Statement of Changes in Equity
December 31, 2020 and 2019

Unit: Thousand NTD

	Note	Share capital - common stock	Capital surplus	Retained earnings			Other equity interests	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences arising on translation of foreign operations	
<u>2019</u>								
Balance at January 1, 2019		\$ 781,661	\$ 1,037,330	\$ 332,000	\$ 6,193	\$ 1,741,759	\$ 497	\$ 3,899,440
Net income for 2019		-	-	-	-	1,014,254	-	1,014,254
Other comprehensive profit and loss for the year		-	-	-	-	-	(4,577)	(4,577)
Total comprehensive profit and loss for the year		-	-	-	-	1,014,254	(4,577)	1,009,677
Appropriation of 2018 earnings	6 (17)							
Legal reserve		-	-	84,308	-	(84,308)	-	-
Special reserve		-	-	-	(6,193)	6,193	-	-
Stock dividends		15,633	-	-	-	(15,633)	-	-
Cash dividends		-	-	-	-	(468,997)	-	(468,997)
Share-based payment	6 (13)	-	21,081	-	-	-	-	21,081
Share-based remuneration for employees of subsidiaries		-	270	-	-	-	-	270
Balance at December 31, 2019		\$ 797,294	\$ 1,058,681	\$ 416,308	\$ -	\$ 2,193,268	(\$ 4,080)	\$ 4,461,471
<u>2020</u>								
Balance at January 1, 2020		\$ 797,294	\$ 1,058,681	\$ 416,308	\$ -	\$ 2,193,268	(\$ 4,080)	\$ 4,461,471
Net income for 2020		-	-	-	-	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

The notes attached are part of the standalone financial report for your reference.

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Liao, Shu-Nu

Innodisk Corporation
Standalone Cash Flow Statement
December 31, 2020 and 2019

Unit: Thousand NTD

	<u>Note</u>	<u>January 1 to December 31, 2020</u>	<u>January 1 to December 31, 2019</u>
<u>Cash flow from operating activities</u>			
Profit before income tax for the year		\$ 1,143,501	\$ 1,272,792
Adjustments:			
Adjustments to reconcile profit (loss)			
Depreciation charges on property, plant and equipment	6 (23)	63,405	47,443
Depreciation charges on right-of-use assets	6 (23)	6,784	4,275
Amortization charges on the intangible assets and deferred assets.	6 (23)	18,748	26,484
Depreciation charges on investment property	6 (21)	2,028	2,027
Expected credit (profit) loss	12 (2)	6,226 (	992)
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	6 (4)	3,624 (	65,759)
Loss on scrapping inventory	6 (4)	9,193	10,127
Share of (profit)/loss of associates accounted for using equity method	6 (5)	(27,023 ) (	17,425)
Loss on disposal of property, plant and equipment	6 (22)	3	-
Gain on disposal of intangible assets		(2,842)	-
Gain on lease modification		-	(4)
Interest expense	6 (22)	1,715	1,624
Interest income	6 (19)	(5,667 ) (	6,321)
Compensation cost of employee stock options	6 (15)	22,864	21,081
Unrealized profit from sales		12,625	13,602
Realized profit on from sales		(13,602 ) (	17,156)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		1,108	1,002
Accounts receivable, net		33,223	24,281
Accounts receivable -- related parties		81,925	122,306
Other receivables		(1,266)	109
Other receivables - related parties		188	141
Inventories		(51,686)	6,215
Prepayments		(5,752 ) (	27,502)
Changes in operating liabilities			
Current contract liabilities		20,937	2,038
Accounts payable		134,126 (	149,518)
Accounts payable -- related parties		908 (	9,289)
Other payables		10,202	13,906
Other payables -- related parties		(1,798)	3,443
Current provisions for liabilities		2,423	13,760
Other current liabilities		(1,342)	1,680
Cash inflow generated from operations		1,464,778	1,294,370
Interest received		5,667	6,175
Income tax paid		(245,093 ) (	265,355)
Net cash flows from operating activities		<u>1,225,352</u>	<u>1,035,190</u>

(Continued)

Innodisk Corporation
Standalone Cash Flow Statement
December 31, 2020 and 2019

Unit: Thousand NTD

	Note	January 1 to December 31, 2020	January 1 to December 31, 2019
<u>Cash Flow from Investing Activities</u>			
Increase in financial assets at amortized cost	6 (2)	(\$ 250,000)	(\$ 150,000)
Acquisition of investments accounted for using equity method	6 (5)	(20,494)	(12,900)
Proceeds from disposal of investments accounted for using equity method	6 (5)	3,493	-
Acquisition of property, plant and equipment	6 (27)	(32,158)	(75,359)
Acquisition of intangible assets		(13,242)	(4,768)
Disposal of intangible assets		26,653	-
Increase in prepayments for equipment		(2,656)	(2,919)
Increase in refundable deposits		(355)	(305)
Decrease in refundable deposits		945	106
Increase in the other non-current assets		(<u>16,528</u>)	(<u>11,383</u>)
Net cash used in investing activities		(<u>304,342</u>)	(<u>257,528</u>)
<u>Cash Flow from Financing Activities</u>			
Repayment of long-term debt		-	(100,000)
Increase in guarantee deposits received	6 (28)	601	-
Decrease in guarantee deposits received	6 (28)	(708)	(124)
Cash dividends paid	6 (28)	(597,971)	(468,997)
Interest paid		(1,715)	(1,640)
Payment of lease liabilities	6 (28)	(<u>6,040</u>)	(<u>3,701</u>)
Net cash used in financing activities		(<u>605,833</u>)	(<u>574,462</u>)
Increase in cash and cash equivalents		315,177	203,200
Cash and cash equivalents at beginning of year		<u>1,677,093</u>	<u>1,473,893</u>
Cash and cash equivalents at end of year		<u>\$ 1,992,270</u>	<u>\$ 1,677,093</u>

The notes attached are part of the standalone financial report for your reference.

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Liao, Shu-Nu

Innodisk Corporation
Notes to the Standalone Financial Statements
Years Ended December 31, 2020 and 2019

Unit: Thousand 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 authorisation for issuance of the financial statements and procedures for authorisation

The accompanying standalone financial statements have been approved and authorized for issuance by the Board of Directors on February 25, 2021.

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 2020:

<u>Newly released / corrected / amended standards and interpretations</u>	<u>Effective Date Issued by IASB</u>
IAS 1 and IAS 8 amendments, Disclosure Initiative - Definition of Materials.	January 1, 2020
IFRS 3 amendments, Definition of a business	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 -- Interest rate benchmark reform	January 1, 2020
Amendment to IFRS 16 "Rent Reduction associated with the Covid-19 pandemic."	June 1, 2020 (Note).

Note: The Financial Supervisory Commission allowed an earlier application date of January 1, 2020.

The Company believes that the adoption of aforementioned standards and interpretations will not have a significant impact on the standalone 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 2021:

<u>Newly released / corrected / amended standards and interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendment to IFRS 4 "Extension of Provisional Exemption for Application of IFRS 9"	January 1, 2021
Amendments to the IFRS 9, IAS 39, and IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase II."	January 1, 2021

The Company believes that the adoption of aforementioned standards and interpretations will not have a significant impact on the standalone 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>Newly released / corrected / amended standards and interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendment to IFRS 3 "Update the index of the conceptual framework."	January 1, 2022
IFRS 10 and IAS 28 amendments, Sale or contribution of assets between an investor and its associate or joint venture	To be determined by the IASB.
IFRS 17 "Insurance contracts"	January 1, 2023
Amendment to IFRS 17 "Insurance contracts."	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 "Disclosure of Accounting Policies."	January 1, 2023
Amendment to IAS 16 "Property, plant and equipment: price before reaching the intended state of use"	January 1, 2022
Amendment to IAS 37 "Onerous Contracts - Cost of Performing Contracts." Improvements for the 2018-2020 cycle	January 1 to December 31, 2022

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

IV. Summary of significant accounting policies

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

(I) Compliance statement

These standalone 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 standalone 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 standalone 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 standalone 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 standalone statement 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 effective interest rate subsequently amortizes the financial assets during the circulation to recognize interest income and impairment loss. The gains 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. When the Company loses control of a subsidiary, the Company re-measures any

investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

6. 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.
7. 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.
8. 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.
9. 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.
10. 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.

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 standalone 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 structures	2 to 50 years
Machinery and equipment	2 to 6 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 reduce the scope of the lease, the lessee reduces the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognizes the difference between this amount and the remeasurement amount of the lease liability 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 5 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 is 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) Share-based payment to employees

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.

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

The preparation of these standalone 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, 2020, the book value of the Company's inventory was NT737,236.

VI. Statements of main accounting items

(I) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash:		
Cash on hand and revolving funds	\$ 569	\$ 428
Checking accounts and demand deposits	1,368,201	826,171
Cash equivalents:		
Time deposits	623,500	850,494
	<u>\$ 1,992,270</u>	<u>\$ 1,677,093</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

	December 31, 2020	December 31, 2019
Current items:		
Time deposits with a maturity of more than three months	\$ 400,000	\$ 150,000

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

	2020	2019
Interest income	\$ 1,988	\$ 803

2. The Company has not provided financial assets at amortized cost as a pledged collateral.

(III) Accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 258	\$ 1,366
Less: Loss allowance	-	-
	\$ 258	\$ 1,366
Accounts receivable	\$ 583,039	\$ 622,244
Account receivable - Related parties	282,216	364,141
	865,255	986,385
Less: Loss allowance	(699)	(455)
	\$ 864,556	\$ 985,930

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, 2020 and 2019, notes receivable and accounts receivable were from contracts with customers. The balances of notes and accounts receivable as of January 1, 2019 were NT\$1,135,337.

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

(IV) Inventories

	December 31, 2020		
	Cost	Allowance for Valuation loss	Book value
Raw materials	\$ 499,074	(\$ 57,381)	\$ 441,693
Work in process	140,574	(6,530)	134,044
Finished goods	166,788	(5,510)	161,278
Merchandises	251	(30)	221
	<u>\$ 806,687</u>	<u>(\$ 69,451)</u>	<u>\$ 737,236</u>

	December 31, 2019		
	Cost	Allowance for Valuation loss	Book value
Raw materials	\$ 401,624	(\$ 52,039)	\$ 349,585
Work in process	181,690	(7,437)	174,253
Finished goods	180,839	(6,348)	174,491
Merchandises	41	(3)	38
	<u>\$ 764,194</u>	<u>(\$ 65,827)</u>	<u>\$ 698,367</u>

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

	2020	2019
Cost of goods sold	\$ 4,756,713	\$ 4,779,706
(Reversal gain of) loss on decline in market value of inventories	3,624 (	65,759)
Loss on scrapping of inventory	9,193	10,127
Others	25,120	32,319
	<u>\$ 4,794,650</u>	<u>\$ 4,756,393</u>

The Company recorded a reversal gain due to a decrease in the allowance for inventory write-down as a result of the disposal of the inventories that had been charged with a decline in market value or were slow-moving.

(V) Investments accounted for under the equity method

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
Subsidiaries:	<u>Amount</u>	<u>Ownership</u>	<u>Amount</u>	<u>Ownership</u>
Innodisk USA Corporation	\$ 56,572	100%	\$ 78,544	100%
Innodisk Japan Corporation	7,901	100%	7,430	100%
Innodisk Europe B.V.	34,408	100%	29,526	100%
Innodisk Global-M Corporation	61,911	100%	34,052	100%
Aetina Corporation	151,391	75.63%	123,578	78.65%
	<u>312,183</u>		<u>273,130</u>	
Affiliates:				
AccelStor Inc.	-	40.37%	-	40.37%
Millitronic Co.,Ltd.	18,232	33.55%	6,651	31.96%
Antzer Tech Co.,Ltd.	4,751	31.89%	9,862	31.89%
Sysinno Technology Inc.	10,140	43.00%	12,443	43.00%
	<u>33,123</u>		<u>28,956</u>	
	<u>\$ 345,306</u>		<u>\$ 302,086</u>	

Note 1: For the years ended December 31, 2020 and 2019, the Company's share of (losses) profits from affiliates recognized under the equity method was NT\$27,023 and NT\$17,425, 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 Table 5 and Schedule 4.

1. Subsidiaries

(1) For information on the Company's subsidiaries, please refer to Note 4 (3) of 2020 consolidated financial statements.

(2) 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.

(3) Aetina Corporation

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%.

2. Affiliates:

(1) AccelStor Inc.

As of December 31, 2020, the Company adopted the equity method to recognize the losses of AccelStor Inc. to reduce the balance of book value to \$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 \$1,580.

(3) Sysinno Technology Inc.

In the fourth quarter of 2019, the Company increases investment of NT\$12,900 in Sysinno Technology Inc. to reach a shareholdings percentage of 43%.

(4) As of December 31, 2020 and 2019, the Company had no significant affiliates, and the aggregate book values of separate non-significant affiliates were \$33,123 and \$28,956, respectively. Their operating results are summarized as follows:

	2020	2019
Net loss from continuing operations	(\$ 13,253)	(\$ 57,874)
Other comprehensive income or loss (net)	-	380
Total comprehensive profit and loss for the year	(\$ 13,253)	(\$ 57,494)

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

(VI) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Office equipment	Others	Total
<u>January 1, 2020</u>						
Cost	\$ 480,076	\$ 669,720	\$ 216,099	\$ 28,203	\$ 49,988	\$ 1,444,086
Accumulated depreciation and impairments	-	(44,521)	(101,707)	(11,160)	(32,723)	(190,111)
	<u>\$ 480,076</u>	<u>\$ 625,199</u>	<u>\$ 114,392</u>	<u>\$ 17,043</u>	<u>\$ 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
Additions	-	1,000	10,930	1,755	6,968	20,653
Reclassification	-	22,531	381	-	-	22,912
Disposal	-	-	-	(3)	(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>\$ 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>\$ 17,765</u>	<u>\$ 1,234,132</u>
<u>January 1, 2019</u>						
Cost	\$ 480,076	\$ 664,768	\$ 184,784	\$ 13,981	\$ 42,587	\$ 1,386,196
Accumulated depreciation and impairments	-	(31,388)	(77,912)	(9,643)	(27,009)	(145,952)
	<u>\$ 480,076</u>	<u>\$ 633,380</u>	<u>\$ 106,872</u>	<u>\$ 4,338</u>	<u>\$ 15,578</u>	<u>\$ 1,240,244</u>
<u>2019</u>						
January 1	\$ 480,076	\$ 633,380	\$ 106,872	\$ 4,338	\$ 15,578	\$ 1,240,244
Additions	-	4,952	33,927	14,249	8,136	61,264
Reclassification	-	-	24	(114)	(90)	(90)
Depreciation expense	-	(13,133)	(26,431)	(1,544)	(6,335)	(47,443)
December 31	<u>\$ 480,076</u>	<u>\$ 625,199</u>	<u>\$ 114,392</u>	<u>\$ 17,043</u>	<u>\$ 17,265</u>	<u>\$ 1,253,975</u>
<u>December 31, 2019</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>\$ 17,265</u>	<u>\$ 1,253,975</u>

1. As of December 31, 2020 and 2019, 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 2020 and

2019.

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, 2020	\$ 102,914	\$ 3,100	\$ 878	\$ 106,892
Additions	86,431	359	-	86,790
Early termination of leases	-	(50)	-	(50)
Depreciation expense	(3,959)	(2,247)	(578)	(6,784)
December 31, 2020	\$ 185,386	\$ 1,162	\$ 300	\$ 186,848
	Land	Buildings	Company vehicles	Total
January 1, 2019	\$ 105,036	\$ 802	\$ 694	\$ 106,532
Additions	-	4,950	763	5,713
Early termination of leases	-	(1,070)	(8)	(1,078)
Depreciation expense	(2,122)	(1,582)	(571)	(4,275)
December 31, 2019	\$ 102,914	\$ 3,100	\$ 878	\$ 106,892

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

<u>Items affecting current profit and loss</u>	<u>2020</u>	<u>2019</u>
Interest expenses on lease liabilities	\$ 1,695	\$ 1,286
Lease modification losses (gains)	-	4

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\$6,040 and NT\$3,701 for the years ended December 31, 2020 and 2019, 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:

	2020	2019
Rental income (including rental income from investment property)	\$ 8,787	\$ 6,525

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

	December 31, 2020	December 31, 2019
2020	\$ -	\$ 6,870
2021	7,464	5,758
2022	3,591	57
2023	898	-
	\$ 11,953	\$ 12,685

(IX) Investment property

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

	Land	Buildings and structures	Total
<u>January 1, 2019</u>			
Cost	\$ 99,301	\$ 53,888	\$ 153,189
Accumulated depreciation and impairments	-	(10,668)	(10,668)
	<u>\$ 99,301</u>	<u>\$ 43,220</u>	<u>\$ 142,521</u>
<u>2019</u>			
January 1	\$ 99,301	\$ 43,220	\$ 142,521
Depreciation expense	-	(2,027)	(2,027)
December 31	<u>\$ 99,301</u>	<u>\$ 41,193</u>	<u>\$ 140,494</u>
<u>December 31, 2019</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>

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

	2020	2019
Rental income from investment property	<u>\$ 7,976</u>	<u>\$ 6,123</u>
Direct operating expenses incurred by investment property that generates rental income for the period	<u>\$ 4,083</u>	<u>\$ 3,879</u>

2. The fair value of the investment property held by the Company as of December 31, 2020 and 2019 were \$178,834 and \$180,015, 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 2 assets.

3. As of December 31, 2020 and 2019, the Company had not provided investment property as pledged collaterals.

4. The Company had no capitalization of interest for investment property in 2020 and 2019.

(X) Other non-current assets

	December 31, 2020	December 31, 2019
Pledged time deposits	\$ 7,706	\$ 2,756
Payable on equipment	5,845	3,189
Refundable deposit	780	1,370
Others	9,488	31,662
	<u>\$ 23,819</u>	<u>\$ 38,977</u>

(XI) Other payables

	December 31, 2020	December 31, 2019
Payroll and bonus payable	\$ 151,330	\$ 142,724
Employees' bonuses and directors' and supervisors' remuneration payable	78,270	85,268
Accrued expenses	33,837	30,352
Payable on equipment	-	11,505
Others	12,181	7,072
	<u>\$ 275,618</u>	<u>\$ 276,921</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, 2020 and 2019 were \$18,577 and \$16,816, respectively.

(XIII) Share-based payment

1. For 2020 and 2019, the Company's share-based payment agreements were as follows:

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

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

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

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

	2020		2019	
	Number of options (thousand shares)	Weighted average exercise price (NT)	Number of options (thousand shares)	Weighted average exercise price (NT)
Options outstanding as of January 1	3,000	92.80	3,000	98.70
Share options granted this period	-	-	-	-
Addition of stock dividends or adjustment of number of shares subscribed	-	-	-	-
Share options foregone this period	-	-	-	-
Share options exercised this period	-	-	-	-
Share options expired this period	-	-	-	-
Options outstanding as of December 31	<u>3,000</u>	92.80	<u>3,000</u>	98.70
Options exercisable as of December 31	<u>-</u>	-	<u>-</u>	-

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

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

		December 31, 2019	
Approved issue date	Expiration date	Number of shares (thousand)	Exercise price (NT\$)
January 29, 2019	January 29, 2023	3,000	98.70

4. 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	2019.1.29	105.5	105.5	34.34%	4 years	NA	0.61%	26.4442

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

	<u>2020</u>	<u>2019</u>
Equity delivery	\$ 22,864	\$ 21,081

(XIV) Provision

	<u>2020</u>	<u>2019</u>
Balance as of January 1	\$ 58,770	\$ 45,010
Provisions used for the period	(17,456)	(13,026)
Provision added this period	<u>19,879</u>	<u>26,786</u>
Balance on December 31	<u>\$ 61,193</u>	<u>\$ 58,770</u>

The analysis of provisions is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current	<u>\$ 61,193</u>	<u>\$ 58,770</u>

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

(XV) Share capital

1. As of December 31, 2020, the Company's authorized capital was \$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 \$813,240 with a par value of NT\$10. All proceeds from shares issued have been collected.

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

	<u>2020</u>	<u>2019</u>
January 1	79,729,451	78,166,129
Stock dividends	<u>1,594,589</u>	<u>1,563,322</u>
December 31	<u>81,324,040</u>	<u>79,729,451</u>

2. The shareholder meeting resolved that the 2019 unappropriated earnings of \$15,946 would be capitalized to issue new shares on May 29, 2020. The base date for capitalization was

August 29, 2020.

3. The shareholders' meeting resolved that the 2018 undistributed profits of \$15,633 would be capitalized to issue new shares on June 6, 2019. The base date for capitalization was August 30, 2019, and the change in capital has been registered.

(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.

	2020				
	Total capital surplus, additional paid-in capital	Difference between the price of acquiring or disposing of an equity interest in a subsidiary and its carrying value	Recognition of changes in ownership interest in subsidiaries	Employee stock options	Total
January 1	\$ 1,013,516	\$ 802	\$ 23,282	\$ 21,081	\$ 1,058,681
Share-based payment	-	-	-	22,864	22,864
Share-based remuneration for employees of subsidiaries	-	-	1,157	-	1,157
December 31	\$ 1,013,516	\$ 802	\$ 24,439	\$ 43,945	\$ 1,082,702

	2019				
	Total capital surplus, additional paid-in capital	Difference between the price of acquiring or disposing of an equity interest in a subsidiary and its carrying value	Recognition of changes in ownership interest in subsidiaries	Employee stock options	Total
January 1	\$ 1,013,516	\$ 802	\$ 23,012	\$ -	\$ 1,037,330
Share-based payment	-	-	-	21,081	21,081
Share-based remuneration for employees of subsidiaries	-	-	270	-	270
December 31	\$ 1,013,516	\$ 802	\$ 23,282	\$ 21,081	\$ 1,058,681

(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 2019 and 2018 earnings had been resolved at the stockholders' meeting on May 29, 2020 and June 6, 2019, respectively. Details are summarized below:

	2019		2018	
	Amount	Dividends Per Share (NT\$)	Amount	Dividends Per Share (NT\$)
Legal reserve allocated	\$ 101,426		\$ 84,308	
Provision (reversal) of special reserve	4,080		(6,193)	
Stock dividends	15,946	0.20	15,633	0.20
cash dividends	597,971	7.50	468,997	6.00
	<u>\$ 719,423</u>		<u>\$ 562,745</u>	

(2) The appropriations of 2020 earnings had been resolved by the Board of Directors on February 25, 2021. Details are summarized below:

	2020	
	Amount	Dividends Per Share (NT\$)
Legal reserve allocated	\$ 93,008	
Allocated special reserve	1,358	
cash dividends	553,003	6.80
	<u>\$ 647,369</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:

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

2019	Industrial storage devices and memory modules					
	Taiwan	Asia	Americas	Europe	Others	Total
Revenue from contracts with customers	\$ 1,522,402	\$ 1,905,002	\$ 1,547,961	\$ 1,585,961	\$ 135,180	\$ 6,696,506

2. Contract liabilities

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract liabilities - Product sales contracts	\$ 27,005	\$ 6,068	\$ 4,030

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

	<u>2020</u>	<u>2019</u>
Product sales contracts	\$ 5,958	\$ 3,980

(XIX) Interest income

	<u>2020</u>	<u>2019</u>
Income from bank deposits and other interests	\$ 3,679	\$ 5,518
Interest income on financial assets at amortized cost	1,988	803
	<u>\$ 5,667</u>	<u>\$ 6,321</u>

(XX) Other income

	<u>2020</u>	<u>2019</u>
Rental income	\$ 8,787	\$ 6,525
Others	21,084	13,731
	<u>\$ 29,871</u>	<u>\$ 20,256</u>

(XXI) Other gains and losses

	<u>2020</u>	<u>2019</u>
Net foreign exchange gains (losses)	(\$ 52,142)	(\$ 29,217)
Loss on disposal of property, plant and equipment	(3)	-
Gains (losses) on disposal of intangible assets	2,842	-
Depreciation charges on investment property	(2,028)	(2,027)
Others	(121)	(55)
	<u>(\$ 51,452)</u>	<u>(\$ 31,299)</u>

(XXII) Finance cost

	2020	2019
Interest expense on bank borrowings	\$ 20	\$ 338
Interest expenses on lease liabilities	1,695	1,286
	<u>\$ 1,715</u>	<u>\$ 1,624</u>

(XXIII) Expenses by nature

	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense	\$ 227,583	\$ 444,465	\$ 672,048	\$ 223,248	\$ 414,175	\$ 637,423
Depreciation charges on property, plant and equipment	\$ 43,508	\$ 19,897	\$ 63,405	\$ 35,234	\$ 12,209	\$ 47,443
Depreciation expenses of right-of-use assets	\$ 2,761	\$ 4,023	\$ 6,784	\$ 2,782	\$ 1,493	\$ 4,275
Amortization charges on the intangible assets and deferred assets.	\$ 7,100	\$ 11,648	\$ 18,748	\$ 13,542	\$ 12,942	\$ 26,484

(XXIV) Employee benefits expense

	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Payroll expenses	\$ 189,138	\$ 360,265	\$ 549,403	\$ 187,889	\$ 334,459	\$ 522,348
Employee stock options	-	22,864	22,864	-	21,081	21,081
Labor and health insurance fees	19,462	20,882	40,344	17,782	19,189	36,971
Pension costs	8,724	9,853	18,577	7,594	9,222	16,816
Directors' remuneration	-	13,893	13,893	-	14,872	14,872
Other employee benefit expenses	10,259	16,708	26,967	9,983	15,352	25,335
	<u>\$ 227,583</u>	<u>\$ 444,465</u>	<u>\$ 672,048</u>	<u>\$ 223,248</u>	<u>\$ 414,175</u>	<u>\$ 637,423</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, 2020 and 2019, the estimated amount of employees' remuneration was \$66,270 and \$72,268, respectively; the estimated amount of directors' and supervisors' remuneration was \$12,000 and \$13,000, respectively, and

the aforementioned amount was recorded as salary expense.

The remuneration to employees and directors and supervisors was estimated and accrued at 5.42% and 0.98%, respectively, based on the profitability of 2020. The actual amounts to be distributed based on the board's resolution were \$66,270 and \$12,000, respectively, of which employee remuneration would be paid in cash.

The remuneration to employees and remuneration to directors and supervisors for 2019 were NT\$72,268 and NT\$13,000, respectively, as approved by the Board of Directors, which were consistent with the amounts recognized in the 2019 financial statements and had been paid in cash as of December 31, 2020.

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>2020</u>	<u>2019</u>
Current tax:		
Income taxes arising from incomes for the current period	\$ 107,711	\$ 142,987
Withholding and provisional tax	122,800	114,426
Additional tax on undistributed earnings (	14,741)	(14,017)
Prior year income tax overestimation	(20,694)	(10,794)
Total current tax	<u>195,076</u>	<u>232,602</u>
Deferred income tax:		
Origination and reversal of temporary differences	<u>2,021</u>	<u>11,919</u>
Others:		
Additional tax on undistributed earnings	<u>14,741</u>	<u>14,017</u>
Income tax expense	<u>\$ 211,838</u>	<u>\$ 258,538</u>

(2) For the year ended 2020 and 2019, 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>2020</u>	<u>2019</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 228,700	\$ 254,558
Income tax effect of investment tax credits	(8,000)	-
Unrealized investment loss on domestic operations	(3,379)	252
Prior year income tax over or underestimate	(20,694)	(10,794)
Additional tax on undistributed earnings	14,741	14,017
Others	<u>470</u>	<u>505</u>
Income tax expense	<u>\$ 211,838</u>	<u>\$ 258,538</u>

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

	<u>2020</u>		
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>December 31</u>
Deferred income tax assets:			
Loss on falling prices of inventory and inventory obsolescence	\$ 13,165	\$ 725	\$ 13,890
Deferred unrealized gross profit on sales to subsidiaries	2,720	(195)	2,525
Provisions for after-sales services	11,754	485	12,239
Attendance bonuses	1,388	586	1,974
Fiscal 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 2018 have been assessed and approved by the tax authority.

(XXVI) Earnings per share

	2020		
	Amount after tax	Weighted average share outstanding (thousand shares)	Earnings per share (NT\$)
<u>Total basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 931,663	81,324	11.46
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 931,663		
Assumed conversion of all dilutive potential ordinary shares			
Employee compensation	-	450	
Employee stock options	-	1,371	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 931,663	83,145	11.21
	2019		
	Amount after tax	Weighted average share outstanding (thousand shares)	Earnings per share (NT\$)
<u>Total basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,014,254	81,324	12.47
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,014,254		
Assumed conversion of all dilutive potential ordinary shares			
Employee compensation	-	517	
Employee stock options	-	681	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 1,014,254	82,522	12.29

The abovementioned weighted average shares outstanding have been retrospectively adjusted to the number of shares of the Company's stock dividends in 2019.

(XXVII) Supplemental cash flow information

1. Investing activities with partial cash payments:

	<u>2020</u>	<u>2019</u>
Purchase of property, plant and equipment	\$ 20,653	\$ 61,264
Add: Opening balance of payable on equipment	11,505	25,600
Less: Ending balance of payable on equipment	<u>-</u>	<u>(11,505)</u>
Cash paid during the year	<u>\$ 32,158</u>	<u>\$ 75,359</u>

2. Financing activities with no cash flow effects:

	<u>2020</u>	<u>2019</u>
Stock dividends	<u>\$ 15,946</u>	<u>\$ 15,633</u>

(XXVIII) Changes in liabilities from financing activities

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

	Dividends payable	Long-term borrowings (including current portion)	Lease liabilities (Current/ Non- current)	Guarantee deposit received
January 1, 2019	\$ -	\$ 100,000	\$ 106,532	\$ 1,331
Repayment of borrowings	-	(100,000)	-	-
Declared cash dividends	468,997	-	-	-
Cash dividends paid (	468,997)	-	-	-
Repayment of principal of lease liabilities	-	-	(3,701)	-
Other non-cash transactions	-	-	4,631	-
Decrease in guarantee deposit	-	-	-	(124)
December 31, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,462</u>	<u>\$ 1,207</u>

VII. Related-Party Transactions

(I) Related parties' names and relationships

<u>Name of the related parties</u>	<u>Relationship with the Company</u>
<u>Subsidiaries:</u>	
Innodisk USA Corporation	The Company's 100% wholly owned subsidiary
Innodisk Japan Corporation	The Company's 100% wholly owned subsidiary
Innodisk Europe B.V.	The Company's 100% wholly owned subsidiary
Innodisk Global-M Corporation	The Company's 100% wholly owned subsidiary
Aetina Corporation	The Company's 100% wholly owned subsidiary
Innodisk Shenzhen Corporation	The Company's 100% wholly owned sub-subsidiary
<u>Affiliates:</u>	
Millitronic Co.,Ltd.	An entity over which the Company has a significant influence
Antzer Tech 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
AccelStor Inc.	An entity over which the Company has a significant influence
AccelStor Ltd.	An entity over which the Company has a significant influence
Other related party:	
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
All directors, the general manager and key executives.

Subsidiary's key management and governance units
The Company's key executives and governance units

(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>2020</u>	<u>2019</u>
Subsidiaries:		
Innodisk USA Corporation	\$ 1,102,008	\$ 1,298,041
Innodisk Shenzhen Corporation	771,840	697,702
Others	3,885	3,176
An entity over which the Company has a significant influence	<u>406</u>	<u>363</u>
	<u>\$ 1,878,139</u>	<u>\$ 1,999,282</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:

	December 31, 2020	December 31, 2019
Subsidiaries:		
Innodisk USA Corporation	\$ 136,312	\$ 195,973
Innodisk Shenzhen Corporation	145,124	167,739
Others	708	353
An entity over which the Company has a significant influence	<u>72</u>	<u>76</u>
	<u>\$ 282,216</u>	<u>\$ 364,141</u>

2. Purchase transaction

(1) Operating costs

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

	<u>2020</u>	<u>2019</u>
Subsidiary	\$ 32,274	\$ 510
Entities controlled by key executives	101	105
An entity over which the Company has a significant influence	-	5,789
	<u>\$ 32,375</u>	<u>\$ 6,404</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, 2020</u>	<u>December 31, 2019</u>
Subsidiary	\$ 2,053	\$ 1,145

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:

	<u>2020</u>		<u>2019</u>	
	<u>Rental income</u>	<u>Other income</u>	<u>Rental income</u>	<u>Other income</u>
Subsidiaries:				
Innodisk Japan Corporation	\$ 3,220	\$ 65	\$ 2,095	\$ 64
Aetina Corporation	-	4,429	-	4,065
Innodisk USA Corporation	-	4,590	-	4,226
An entity over which the Company has significant influence:				
AccelStor Ltd.	-	-	1,566	60
Others	544	2,065	136	789
	<u>\$ 3,764</u>	<u>\$ 11,149</u>	<u>\$ 3,797</u>	<u>\$ 9,204</u>

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

(2) Other receivables

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

	December 31, 2020	December 31, 2019
Subsidiaries:		
Aetina Corporation	\$ 551	\$ 854
Innodisk Japan Corporation	5	-
An entity over which the Company has a significant influence	272	162
	<u>\$ 828</u>	<u>\$ 1,016</u>

(3) Other non-current liabilities

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

	December 31, 2020	December 31, 2019
Subsidiaries:		
Innodisk Japan Corporation	\$ 166	\$ 166
An entity over which the Company has a significant influence	95	95
	<u>\$ 261</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:

	2020 Marketing expenses	2019 Marketing expenses
Subsidiaries:		
Innodisk Japan Corporation	\$ 31,817	\$ 35,816
Innodisk Europe B.V.	55,994	57,386
Others	206	-
	<u>\$ 88,017</u>	<u>\$ 93,202</u>

(2) Other payables

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

	December 31, 2020	December 31, 2019
Subsidiary		
Innodisk Japan Corporation	\$ -	\$ 2,933
Innodisk Europe B.V.	4,226	3,091
	<u>\$ 4,226</u>	<u>\$ 6,024</u>

5. Prepayments/Intangible assets

The Company's prepayments for intangible assets are shown as follows:

	December 31, 2020	December 31, 2019
An entity over which the Company has a significant influence		
AccelStor Ltd.	\$ -	\$ 23,810

The prepayment for the purchase of intangible assets of NT\$23,810 as of December 31, 2019 was transferred to intangible assets upon completing the change registration in the second quarter of 2020.

6. 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).

7. Property transactions

(1) Acquisition of property, plant and equipment

	December 31, 2020	December 31, 2019
An entity over which the Company has a significant influence		
AccelStor Ltd.	\$ -	\$ 12,508

(2) Acquisition of financial assets

<u>Assets acquired</u>	<u>Accounting item</u>	<u>Number of shares traded</u>	<u>Subject of transaction</u>	<u>2020</u> <u>Price of acquisition</u>
Innodisk Global-M Corporation	Investments accounted for under the equity method	50,000	Common stock	\$ 1,494
Millitronic Co.,Ltd.	Investments accounted for under the equity method	1,900,000	Common stock	\$ 19,000

<u>Assets acquired</u>	<u>Accounting item</u>	<u>Number of shares traded</u>	<u>Subject of transaction</u>	<u>2019</u> <u>Price of acquisition</u>
Sysinno Technology Inc.	Investments accounted for under the equity method	645,000	Common stock	\$ 12,900

8. Provision of endorsements and guarantees

Endorsements and guarantees provided to related parties:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Subsidiaries:		
Innodisk USA Corporation	\$ 19,936	\$ 20,986
Innodisk Europe B.V.	24,514	23,513
Aetina Corporation	45,000	45,000
	<u>\$ 89,450</u>	<u>\$ 89,499</u>

9. 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>2020</u>	<u>2019</u>
Innodisk Foundation	\$ 4,000	\$ 4,000

(III) Compensation of key management personnel

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 64,409	\$ 61,885
Post-employment benefits	422	430
Share-based payment	4,382	4,041
	<u>\$ 69,213</u>	<u>\$ 66,356</u>

VIII. Pledged assets

Assets pledged by the Company as collateral are as follows:

<u>Assets</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Other non-current assets - Pledged time deposits	<u>\$ 7,706</u>	<u>\$ 2,756</u>	Guarantees for short-term loans of subsidiaries and deposits for plant

IX. Significant contingent liabilities and unrecognised contract commitments

(I) Contingencies

Not applicable.

(II) Commitments

Please refer to Note 13, Table 1, for details of the bank endorsement and guarantee provided by the Company for its subsidiaries.

X. Losses due to major disasters

Not applicable.

XI. Significant events after the balance sheet date

The appropriations of 2020 earnings had been resolved by the Board of Directors on February 25, 2021. Details are summarized in Note 6 (17).

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 standalone balance sheet. Total capital is calculated as "equity", as shown in the standalone balance sheet, plus net debt.

The Company maintained the same strategy in 2020 as in 2019. For the years ended December 31, 2020 and 2019, the debt-to-capital ratios were 20% and 18%, respectively.

(II) Financial instruments

1. Types of financial instrument

	December 31, 2020	December 31, 2019
<u>Financial assets</u>		
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 1,992,270	\$ 1,677,093
Financial assets measured at amortized cost	400,000	150,000
Notes receivable, net	258	1,366
Accounts receivable, net	582,340	621,789
Accounts receivable -- Related parties	282,216	364,141
Other receivables	2,627	1,361
Other receivables - related parties	828	1,016
Other non-current assets -- Refundable deposits and Pledged time deposits	8,486	4,126
	<u>\$ 3,269,025</u>	<u>\$ 2,820,892</u>
	December 31, 2020	December 31, 2019
<u>Financial liabilities</u>		
Financial assets measured at amortized cost		
Accounts payable	\$ 537,013	\$ 402,887
Accounts payable -- Related parties	2,053	1,145
Other payables	275,618	276,921

Other payables -- Related parties	4, 226	6,024
Other non-current liabilities -- Guarantee deposit received	1,100	1,207
	<u>\$ 820,010</u>	<u>\$ 688,184</u>
Current lease liabilities	\$ 7, 005	\$ 4,157
Non-current lease liabilities	181,157	103,305
	<u>\$ 188,162</u>	<u>\$ 107,462</u>

2. Risk management policies

- (1) The Company's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and performance.
- (2) Risk management is carried out by the Company's central treasury department under policies approved by the senior executives, and it primarily identifies, evaluates and hedges financial risks.

3. Significant financial risks and degrees of financial risks

(1) Market risk

A. Foreign exchange risk

- (A) The Company is a multinational operation and therefore is subject to exchange rate risk arising from transactions between the different currencies of the Company and its subsidiaries, mainly in USD, RMB, JPY and Euro. The related exchange risk from future business transactions have been recognized in assets and liabilities.
- (B) The Company's management has set up policies to require companies within the Company to manage their foreign exchange risk against their functional currency. The Company hedges its overall exchange rate risk through its treasury department. Exchange rate risk arises when future business transactions and recognized assets or liabilities are denominated in foreign currencies that are not the entity's function currency.
- (C) The Company's operations involve certain non-functional currencies (the Company's functional currency is the New Taiwan dollar (NTD)), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values that would be

materially affected by exchange rate fluctuations are as follows:

December 31, 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>			
- investments 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
December 31, 2019			
(Foreign currency: functional currency)	Foreign currency (in thousands)	Exchange rate	Book value (NT\$)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	43,689	29.9800	\$ 1,309,796
RMB : NTD	38,126	4.3050	164,132
JPY : NTD	95,585	0.2760	26,381
EUR : NTD	71	33.5900	2,385
<u>Non-monetary items</u>			
- investments in subsidiaries			
USD : NTD	3,756	29.9800	112,595
RMB : USD	7,769	0.1436	33,448
JPY : NTD	26,920	0.2760	7,430
EUR : NTD	879	33.5900	29,526
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	10,132	29.9800	303,757
JPY : NTD	20,955	0.2760	5,784
EUR : NTD	92	33.5900	3,090
GBP : NTD	6	39.9800	240

(D) Total exchange gain, including realized and unrealized gains from significant foreign exchange variations on monetary items held by the Company amounted to a loss of (\$52,142) and (\$29,217) for the years ended December 31, 2020 and 2019, respectively.

(E) The analysis of foreign currency risk due to significant exchange rate fluctuations is as follows:

		2020		
		Sensitivity Analysis		
		Fluctuation	Effect on profit or loss	Effect 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)	-

		2019		
		Sensitivity Analysis		
		Fluctuation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD : NTD	1%	\$ 13,098	\$ -
	RMB : NTD	1%	1,641	-
	JPY : NTD	1%	264	-
	EUR : NTD	1%	24	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD : NTD	1%	(3,038)	-
	JPY : NTD	1%	(58)	-
	EUR : NTD	1%	(31)	-
	GBP : NTD	1%	(2)	-

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

(A) The Company's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During 2020 and 2019, the Company's borrowings at the variable rate were denominated in NTD.

(B) For the years ended December 31, 2020 and 2019, if interest rates had been 1% higher, while all other variables held constant, the net profit after tax for 2020 and 2019 would have been \$0 and \$0 lower, respectively, mainly due to the higher interest expense on floating rate borrowings.

(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 associates 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 in 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:

	<u>Not past due</u>	<u>Less than 30 days past due</u>	<u>31 to 60 days past due</u>	<u>61 to 180 days past due</u>	<u>More than 181 days past due</u>	<u>Total</u>
December 31, 2020						
Expected loss rate	0.05%	1.01%	6.88%	17.85%-78.32%	100%	
Notes receivable	\$ 258	\$ -	\$ -	\$ -	\$ -	\$ 258
Accounts receivable	<u>852,682</u>	<u>8,843</u>	<u>3,466</u>	<u>214</u>	<u>50</u>	<u>865,255</u>
Total book value	\$ <u>852,940</u>	\$ <u>8,843</u>	\$ <u>3,466</u>	\$ <u>214</u>	\$ <u>50</u>	\$ <u>865,513</u>
Loss allowance	<u>(\$ 285)</u>	<u>(\$ 89)</u>	<u>(\$ 238)</u>	<u>(\$ 37)</u>	<u>(\$ 50)</u>	<u>(\$ 699)</u>

	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
December 31, 2019						
Expected loss rate	0.05%	0.83%	6%	13.59%-71.68%	100%	
Notes receivable	\$ 1,366	\$ -	\$ -	\$ -	\$ -	\$ 1,366
Accounts receivable	962,529	22,604	680	365	207	986,385
Total book value	\$ 963,895	\$ 22,604	\$ 680	\$ 365	\$ 207	\$ 987,751
Loss allowance	\$ -	\$ -	(\$ 136)	(\$ 112)	(\$ 207)	(\$ 455)

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:

	2020 Accounts receivable	2019 Accounts receivable
January 1	\$ 455	\$ 1,444
Expected loss (gain) on credit impairment	6,226 (	992)
Write-offs	(5,982)	-
Write-off recovery	-	3
December 31	\$ 699	\$ 455

(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, 2020 and 2019, the position of 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, 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>
Non-derivative financial liabilities:					
Lease liabilities (Current/ Non-current)	\$ 9,221	\$ 7,802	\$ 23,312	\$ 189,978	\$ 230,313

<u>December 31, 2019</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>
Non-derivative financial liabilities:					
Lease liabilities (Current/ Non-current)	\$ 5,423	\$ 4,206	\$ 8,477	\$ 122,461	\$ 140,567

(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 is not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivable (including related parties), other non-current assets - refundable deposits and pledged time deposits, accounts payable (including related parties), other accounts payable, lease liabilities, 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).

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 \$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of real estate exceeding \$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate exceeding \$300 million or 20% of paid-in capital or more: None.
7. Purchases from or sales to related parties with amounts exceeding \$100 million or 20% of paid-in capital or more: Please refer to Schedule 2.

8. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more:
Please refer to Schedule 3.

9. Engagement in derivative transactions: None.

10. Significant inter-company transactions during the reporting periods: Please refer to
Schedule 4.

(II) Information on investees

Names, locations and other information of investee companies (not including investees in
China): Please refer to Schedule 5.

(III) Information on investments in China

1. Basic information: Please refer to Schedule 6.

2. Significant transactions, either directly or indirectly through a third area, with investee
companies in China: Please refer to Schedule 7.

(IV) Information on major shareholders

For information on major shareholders: Please refer to Schedule 8.

XIV. Operating Segments Information

Not applicable

Innodisk Corporation and Subsidiaries
Provision of endorsements and guarantees to others
January 1 to December 31, 2020

Schedule 1

Expressed in Thousands of NTD
(Except as Unless otherwise indicated specified)

Number (Note 1)	Endorser / guarantor	Party being endorsed/guaranteed Company name	Relatio nship (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount for the period (Note 4)	Outstanding endorsement/ guarantee amount for the period	Actual amount drawn down	Amount of endorseme nts/guarant ees secured with collateral	Percentage of accumulated endorsement/gu arantee amount to net asset value of the endorser/guaran tor company	Ceiling on the total amount of endorsemen ts/guarantee s provided (Note 3)	Provision		Provision of endorseme nts/guaran tees to the party in China	Remarks
											of endorsemen ts/guarantee s by the parent company to the subsidiary	of endorseme nts/guarant ees by the subsidiary parent company		
0	Innodisk Corporation	Innodisk Europe B.V.	2	\$ 963,249	\$ 24,514	\$ 24,514	\$ 20,312	\$ -	0.51%	\$ 2,408,123	Y	N	N	
0	Innodisk Corporation	Innodisk USA Corporation	2	963,249	21,158	19,936	-	-	0.41%	2,408,123	Y	N	N	
0	Innodisk Corporation	Aetina Corporation	2	963,249	75,000	45,000			0.93%	2,408,123	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) Issuer fills in 0.
- (2) The subsidiaries 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 which it has business dealings.
- (2) The Company directly or indirectly holds more than 50% of the voting shares of the other company.
- (3) The other company directly or indirectly holds more than 50% of the voting shares of the Company.
- (4) The Company directly or indirectly holds more than 90% of the voting shares of the other company.
- (5) Mutual guarantee of the trade or joint proprietor as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Industry peers provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The total amount of endorsements and guarantees of the Company must not exceed 50% of the Company's net worth, and the total amount to a single enterprise shall not exceed 20% of the Company's net worth.

Note 4: Maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Innodisk Corporation and Subsidiaries
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
January 1 to December 31, 2020

Schedule 2

Expressed in Thousands of NTD (Except as Unless otherwise indicated specified)											
				Transaction		Differences in transaction terms compared with third party transactions		Notes/accounts receivable (payable)		Percentage of total notes/accounts receivable (payable)	
Purchaser/seller	Counterparty name	Relationship with the endorser/guarantor	Purchase / Sales	Amount	Percentage of total purchases (sales)	Credit term	Unit Price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Remarks
Innodisk Corporation	Innodisk USA Corporation	Subsidiary	(Sales)	(\$ 1,102,008)	(17%)	Net 60	As agreed by both parties	Normal	\$ 136,312	16%	
Innodisk Corporation	Innodisk Shenzhen Corporaion	Subsidiary	(Sales)	(771,840)	(12%)	Net 60	As agreed by both parties	Normal	145,124	17%	
Innodisk USA Corporation	Innodisk Corporation	Parent company	Purchase	1,102,008	23%	Net 60	As agreed by both parties	Normal	(136,312)	(25%)	
Innodisk Shenzhen Corporaion	Innodisk Corporation	Parent company	Purchase	771,840	16%	Net 60	As agreed by both parties	Normal	(145,124)	(27%)	

Innodisk Corporation and Subsidiaries
 Receivables from related parties reaching \$100 million or 20% of paid-in capital or more:
 January 1 to December 31, 2020

Schedule 3

Expressed in Thousands of NTD
 (Except as Unless otherwise indicated specified)

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	\$ 136,312	6.63	\$ -	Not applicable	\$ 69,141	\$ -
Innodisk Corporation	Innodisk Shenzhen Corporaion	Subsidiary	145,124	4.93	-	Not applicable	55,821	-

Innodisk Corporation and Subsidiaries
Significant inter-company transactions during the reporting periods and their business relationships.
January 1 to December 31, 2020

Schedule 4

Individual transactions less than \$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 Unless otherwise indicated specified)

Number (Note 1)	Relationship	Counterparty	Relationship with the counterparty (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	\$ 1,102,008	Same with other customers	15%
0	Innodisk Corporation	Innodisk Shenzhen Corporaion	(1)	Sales	771,840	Same with other customers	11%
0	Innodisk Corporation	Innodisk USA Corporation	(1)	Accounts receivable	136,312	Same with other customers	2%
0	Innodisk Corporation	Innodisk Shenzhen Corporaion	(1)	Accounts receivable	145,124	Same with other customers	2%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is "0."
- (2) The subsidiaries are numbered in order starting from "1."

Note 2: Relationship between the transaction company and the counterparty is classified into the following three categories; fill in the number of categories each case belongs to (If transactions between the parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; similarly for subsidiary-subsidiary transactions.

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiaries.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement account

Innodisk Corporation and Subsidiaries
Names, locations and other information of investee companies (not including investees in China)
January 1 to December 31, 2020

Schedule 5

Expressed in Thousands of NTD (Except as Unless otherwise indicated specified)											
Name of Investor	Investee	Location	Main business activities	Initial investment amount (Note)		Shares held as of the end of period			Net profit (loss) of the investee for the current period	Investment income (loss) recognized for the current period	Remarks
				Balance at the end of period	End of the previous year	Number of Shares	Ownership	Book value			
Innodisk Corporation	Innodisk USA Corporation	United States	Industrial embedded storage devices	\$ 140,499	\$ 140,499	2,046,511	100	\$ 56,572	(\$ 18,886)	(\$ 18,966)	
Innodisk Corporation	Innodisk Japan	Japan	After-sales services and support of industrial embedded storage devices	3,533	3,533	196	100	7,901	460	465	
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	34,408	3,489	3,489	
Innodisk Corporation	Innodisk Global-M Corporation	Mauritius	Investment holdings	20,154	18,659	665,000	100	61,911	25,146	25,139	
Innodisk Corporation	Aetina Corporation	Taiwan	Manufacturing and sales of industrial graphics cards	24,091	24,700	10,689,390	75.63	151,391	39,000	30,149	
Innodisk Corporation	AccelStorInc.	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	35,157	5,415,720	33.55	18,233	(17,835)	(5,839)	
Innodisk Corporation	Antzer Tech	Taiwan	Electronic parts and components manufacturing.	37,244	37,244	18,622,118	31.89	4,751	(16,028)	(5,111)	
Innodisk Corporation		Taiwan	Electronic parts and components manufacturing.	12,900	12,900	645,000	43.00	10,140	(5,355)	(2,303)	
	Sysinno Technology Inc.		manufacturing.								

Note: Disclosed at the historical exchange rate.

Innodisk Corporation and Subsidiaries
Information on investments in China
January 1 to December 31, 2020

Schedule 6

Expressed in Thousands of NTD
(Except as Unless otherwise indicated specified)

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 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 Corporaion	Industrial embedded storage devices	\$18,168 (US\$600 thousand) (Note 3)	2.Innodisk Global-M Corporation	\$18,168 (US\$600 thousand) (Note 3)	\$ -	\$ -	\$18,168 (US\$600 thousand) (Note 3)	\$ 25,299	100%	\$ 25,299	\$ 59,870	\$ -	

Note 1: Investment methods are classified into the following three categories; fill in the number of categories that each case belongs to:

- (1). Directly invest in a company in China.
- (2) Through investing in an existing company in the third area (please specify the company), which then invests in China.
- (3) Others.

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 remittance from Taiwan to China	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)	\$ 2,889,748

Note 4: 60% of the net worth in accordance with the provisions of the (90) Tai-Cai-Zheng (I) #006130 announced by the Securities and Futures Commission, Ministry of Finance, on November 16, 2001.

Note 5: Disclosed at the historical exchange rate.

Innodisk Corporation and Subsidiaries
 Significant transactions, either directly or indirectly through a third area, with investee companies in China
 January 1 to December 31, 2020

Schedule 7

Expressed in Thousands of NTD
 (Except as Unless otherwise indicated specified)

Investee in China	Sales / Purchase		Property transactions		Accounts receivable / payable		Notes endorsement and guarantee or provision of collateral		Financial intermediation					
	Amount	%	Amount	%	Balance	%	Balance at the end of period	Purpose	Highest balance	Balance at the end of period	Range of interest rate	Current interest rate	Others	
Innodisk Shenzhen Corporaion	\$ 771,840	11%	\$ -	-	\$ 145,124	2%	\$ -	-	\$ -	\$ -	-	-	\$ -	-

Innodisk Corporation and Subsidiaries
Information on major shareholders
December 31, 2020

Schedule 8

Expressed in Thousands of NTD
(Except as Unless otherwise indicated specified)

Names of major shareholders	Number of Shares Held	Ownership
Rui Ding Invest Co., Ltd.	5,947,037	7.31%

Note 1: The information on major shareholders in this Exhibit is compiled by Taiwan Depository & Clearing Corporation based on the last business day of the quarter in which the shareholders held 5% or more of the Company's common shares and preferred shares whose registration and delivery have been completed in non-physical form (including treasury shares). The number of shares recorded in the Company's financial statements and the actual number of shares registered and delivered in non-physical form may differ depending on the basis of preparation of the calculations.

Note 2: If a shareholder delivers his or her shares to a trust, the above information shall be disclosed by the individual trustor account opened by the trustee. As for the shareholder's declaration of insider's equity in accordance with the Securities and Exchange Act, the shareholding of the shareholder includes his or her own shares plus the shares that he or she has delivered to a trust and has the right to decide the use of the trust property, etc. Please refer to the Market Observation Post System for information on insider's equity declaration.

Innodisk Corporation
Cash and Cash Equivalents Schedule
December 31, 2020

Statement 1

Expressed in Thousands of NTD

Item	Summary	Amount	Remarks
Cash on hand and petty cash		\$ 569	
Bank savings			
- Demand deposit in NTD		657,393	
- Checking account in NTD		44	
- Demand deposit in foreign currency			
	USD 18,022,100; exchange rate 28.4800	513,269	
	JPY 129,374,328; exchange rate 0.2763	35,746	
	EUR 99,199; exchange rate 35.0200	3,474	
	RMB 36,120,866; exchange rate 4.3770	158,101	
	GBP 4,480; exchange rate 38.9000	174	
Time deposits			
- Time deposit in NTD		<u>623,500</u>	
		<u>\$ 1,992,270</u>	

Innodisk Corporation
Schedule of current financial assets at amortized cost
December 31, 2020

Statement 2

Expressed in Thousands of NTD

- Name	Summary	Number of certificate	Par value	Total amount	interest rate	Book value	Accumulated impairment
HSBC Time Deposit		-	\$ -	\$ 400,000	0.40%	\$ 400,000	-
				<u>\$ 400,000</u>		<u>\$ 400,000</u>	<u>-</u>

Innodisk Corporation
Accounts Receivable Schedule
December 31, 2020

Statement 3

Expressed in Thousands of NTD

Customer Name	Summary	Amount	Remarks
Non-related party:			
Customer Z		\$ 42,846	
Others		540,193	The balance of each customer account did not exceed 5% of the total balance of this account.
		583,039	
Less: Loss allowance		(699)	
Non-related party sub-total		582,340	
Related party:			
Innodisk USA Corporation		136,312	
Innodisk Shenzhen Corporation		145,124	
Others		779	The balance of each customer account did not exceed 5% of the total balance of this account.
Related party sub-total		282,216	
Total		\$ 864,556	

Innodisk Corporation
Inventory Schedule
December 31, 2020

Statement 4

Expressed in Thousands of NTD

Item	Amount		Remarks
	Cost	Net realizable value	
Raw materials	\$ 499,074	\$ 463,502	The net realizable value is determined as the balance after subtracting the estimated cost required for the completion of project and the related variable selling expenses from the estimated selling price
Work in process	140,574	177,901	
Finished goods	166,788	214,147	
Product inventory	251	221	
	<u>806,687</u>	<u>\$ 855,771</u>	
Less: Loss from the allowance for the price drop of inventory	(69,451)		
	<u>\$ 737,236</u>		

Innodisk Corporation
Schedule of Changes in Investments Accounted for Under Equity Method
January 1 to December 31, 2020

Statement 5

Expressed in Thousands of NTD

- Name	Opening Balance		Increase in this period		Investment gains or losses	Cumulative translation adjustments	Amount of other adjustments (Note)	Decrease in this period		Balance at the end of period			Equity net value		Provision of guarantees or pledges
	Number of Shares	Amount	Number of Shares	Amount				Number of Shares	Amount	Number of Shares	Ownership (%)	Amount	Total price (NT\$)	Total price	
Innodisk USA Corporation	2,046,511	\$ 78,544	-	-	(\$ 18,966)	(\$3,812)	\$ 806	-	-	2,046,511	100.00%	\$ 56,572	32.81	\$ 67,149	No
Innodisk Japan Corporation	196	7,430	-	-	465	6	-	-	-	196	100.00%	7,901	40,237.35	7,887	No
Innodisk Europe B.V.	50,000,100	29,526	-	-	3,489	1,393	-	-	-	50,000,100	100.00%	34,408	0.69	34,408	No
Innodisk Global-M Coproration	615,000	34,052	50,000	1,494	25,139	1,055	171	-	-	665,000	100.00%	61,911	92.03	61,203	No
Aetina Corporation	6,088,550	123,578	4,870,840	-	30,149	-	1,157	(270,000)	(3,493)	10,689,390	75.63%	151,391	14.16	151,391	No
AccelStor Inc.	16,652,700	-	-	-	-	-	-	-	-	16,652,700	40.37%	-	0.00	-	No
Millitronic Co.,Ltd.	3,515,720	6,651	1,900,000	19,000	(5,839)	-	(1,580)	-	-	5,415,720	33.55%	18,232	3.37	18,232	No
Antzer Tech Co., Ltd.	18,622,118	9,862	-	-	(5,111)	-	-	-	-	18,622,118	31.89%	4,751	0.25	4,662	No
Sysinno Technology Inc.	645,000	12,443	-	-	(2,303)	-	-	-	-	6,450,000	43.00%	10,140	11.76	7,583	No
Total		\$ 302,086		\$ 20,494	\$ 27,023	(\$1,358)	\$ 554		(\$ 3,493)			\$ 345,306		\$ 352,515	

Note: Adjustments from unrealized gains arising from downstream transactions between affiliates and the changes in the net worth of equity of affiliates and joint venture using the equity method

Innodisk Corporation
Schedule of Changes in Costs and Accumulated Depreciation of Property, Plant and Equipment
January 1 to December 31, 2020

Statement 6

Expressed in Thousands of NTD

Item	Opening Balance	Increase this period	Decrease this period	Reclassification for the year	Balance at the end of period	Provision of pledges
Cost						
Land	\$ 480,076	\$ -	\$ -	\$ -	\$ 480,076	No
Buildings and structures	669,720	1,000	-	35,854	706,574	No
Machinery and equipment	216,099	10,930	-	381	227,410	No
Office equipment	28,203	1,755	(145)	-	29,813	No
Others	49,988	6,968	(77)	-	56,879	No
Subtotal	<u>1,444,086</u>	<u>20,653</u>	<u>(222)</u>	<u>36,235</u>	<u>1,500,752</u>	
Accumulated depreciation						
Buildings and structures	(44,521)	(20,773) ¹	-	(13,323)	(78,617)	
Machinery and equipment	(101,707)	(31,067) ¹	-	-	(132,774)	
Office equipment	(11,160)	(5,097) ¹	142	-	(16,115)	
Others	(32,723)	(6,468) ¹	77	-	(39,114)	
Subtotal	<u>(190,111)</u>	<u>(\$ 63,405) ¹</u>	<u>\$ 219</u>	<u>\$ (13,323)</u>	<u>(266,620)</u>	
Total	<u>\$ 1,253,975</u>				<u>\$ 1,234,132</u>	

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

Innodisk Corporation
Schedule of Changes in Costs and Accumulated Depreciation of Investment Property
January 1 to December 31, 2020

Statement 7

Expressed in Thousands of NTD

Item	Opening Balance	Increase this period	Decrease this period	Reclassification for the year	Balance at the end of period	Provision of pledges
Cost						
Real estate investment -- Land	\$ 99,301	\$ -	\$ -	\$ -	\$ 99,301	No
Real estate investment -- Buildings	53,888	-	-	-	53,888	No
Subtotal	153,189	-	-	-	153,189	
Accumulated depreciation						
Buildings and structures	(12,695)	(2,028)	-	-	(14,723)	
Subtotal	(12,695)	(\$ 2,028)	\$ -	\$ -	(14,723)	
Total	\$ 140,494				\$ 138,466	

Innodisk Corporation
Accounts Payable Schedule
December 31, 2020

Statement 8

Expressed in Thousands of NTD

<u>Customer Name</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Non-related party:			
Supplier G		\$ 197,683	
Supplier C		162,417	
Supplier H		34,345	
			The balance of each supplier account did not exceed 5% of the total balance of this account.
Others		142,568	
Non-related party sub-total		<u>537,013</u>	
Related party:			
Innodisk USA Corporation		2,053	
Related party sub-total		2,053	
Total		<u>\$ 539,066</u>	

Innodisk Corporation
Schedule of Sales Revenue
January 1 to December 31, 2020

Statement 9

Expressed in Thousands of NTD

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Remarks</u>
Industrial embedded storage devices	3,136,981	\$ 3,714,437	
Industrial dynamic random-access memory module	3,058,973	2,798,479	
Others	668,614	<u>113,241</u>	
		<u>\$ 6,626,157</u>	

Innodisk Corporation
Schedule of Operating Costs
January 1 to December 31, 2020

Statement 10

Expressed in Thousands of NTD

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Opening product inventory		\$ 41	
Add- Purchase in the current period		517	
Less - Ending merchandise inventory		(251)	
Products transfer to expense		(6)	
Products transfer to manufacturing		(308)	
Costs of purchase and sales		(7)	
Opening raw materials		401,624	
Add - Incoming materials in this period		4,366,910	
Products transfer to manufacturing		308	
Work-in-progress transfer to manufacturing		233,608	
Finished goods transfer to manufacturing		287,732	
Less - Ending raw materials		(499,074)	
Raw materials transfer to sales		(73,907)	
Raw materials cycle count losses		(49)	
Raw materials scrapping losses		(5,057)	
Consumed raw materials		4,712,095	
Director labor		157,364	
Manufacturing expenses		179,796	
Total manufacturing cost		5,049,255	
Add - Opening work-in-progress		181,690	
Outsourced semi-finished products		117,695	
Less - Ending work-in-progress		(140,574)	
Semi-finished products transfer to sales		(11,528)	
Work-in-process scrapping losses		(3,164)	
Work-in-progress transfer to expense		(5,800)	
Work-in-progress transfer to manufacturing		(233,608)	
Cost of finished goods		4,953,966	

Innodisk Corporation
Schedule of Operating Costs (Continued)
January 1 to December 31, 2020

Statement 10

Expressed in Thousands of
NTD

Item	Summary	Amount	Remarks
Add -Opening finished goods		180,839	
Less - Ending finished goods		(166,788)	
Finished goods scrapping losses		(972)	
Finished goods transfer to expense		(9,190)	
Finished goods transfer to manufacturing		<u>(286,570)</u>	
Cost of finished goods		4,671,285	
Raw materials transfer to sales		73,907	
Semi-finished products transfer to sales		<u>11,528</u>	
Cost of manufacturing and sales		<u>4,756,720</u>	
Other adjustments:			
Loss on inventory		3,624	
Loss on scrapping of inventory		9,193	
Product warranty cost		25,225	
Inventory cycle count losses		49	
Revenue from sales of leftovers and scraps		(74)	
Others		(80)	
Other operating costs		<u>37,937</u>	
Operating costs		<u>\$ 4,794,650</u>	

Innodisk Corporation
Schedule of Manufacturing Expenses
January 1 to December 31, 2020

Statement 11

Expressed in Thousands of
NTD

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Processing expense		\$ 8,792	
Indirect labor		64,333	
Various depreciation		46,269	
Various amortization		7,100	
Others		<u>53,302</u>	The balance of each account did not exceed 5% of the total balance of this account.
		<u>\$ 179,796</u>	

Innodisk Corporation
Schedule of Operating Expenses
January 1 to December 31, 2020

Statement 12

Expressed in Thousands of NTD

<u>Item</u>	<u>Marketing 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	\$ 119,567	\$ 212,481	\$ 112,417	\$ -	\$ 444,465
Various depreciation	301	15,617	8,002	-	23,920
Shipping expense	15,867	-	-	-	15,867
Advertising expense	22,999	54	-	-	23,053
Expected loss on credit impairment	-	-	-	6,226	6,226
Other expenses (Note)	125,578	37,357	21,911	-	184,846
	<u>\$ 284,312</u>	<u>\$ 265,509</u>	<u>\$ 142,330</u>	<u>\$ 6,226</u>	<u>\$ 698,377</u>

Note: Other items did not exceed 5% of this account.

Innodisk Corporation
Schedule of Employee Benefits, Depreciation, Depletion and Amortization in the Current Period
January 1 to December 31, 2020

Statement 13

Expressed in Thousands of NTD

Type	Function	2020			2019		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense							
Payroll expenses		\$ 189,138	\$ 360,265	\$ 549,403	\$ 187,889	\$ 334,459	\$ 522,348
Employee stock options		-	22,864	22,864	-	21,081	21,081
Labor and health insurance fees		19,462	20,882	40,344	17,782	19,189	36,971
Pension costs		8,724	9,853	18,577	7,594	9,222	16,816
Directors' remuneration		-	13,893	13,893	-	14,872	14,872
Other employee benefit expenses		10,259	16,708	26,967	9,983	15,352	25,335
Depreciation expense		46,269	23,920	70,189	38,016	13,702	51,718
Amortization expense		7,100	11,648	18,748	13,542	12,942	26,484

Note:

1. As of the end of the current year and the previous year, there were 576 and 563 employees, respectively, which included 8 and 7 directors, respectively, who did not hold a con-current employee position.
2. Stocks are listed on the Taiwan Stock Exchange or the Taipei Exchange and the following information is disclosed:
 - (1) The employee benefits expense for the year is \$1,158 ((Current year's total employee benefits expense - Remunerations to directors) / (Current year's number of employees - Number of directors who do not hold con-current employee positions)).
The employee benefits expense for the previous year was \$1,120 ((Previous year's total employee benefits expense - Remunerations to directors) / (Previous year's number of employees - Number of directors who do not hold con-current employee positions)).
 - (2) The employee salary expense for the year is \$967 ((Current year's total employee salary expense / (Current year's number of employees - Number of directors who do not hold con-current employee positions)).
The employee salary expense for the previous year was \$939 ((Previous year's total employee salary expense / (Previous year's number of employees - Number of directors who do not hold con-current employee positions)).
 - (3) The average of employee salary expense is adjusted by 3% ((This year's average of employee salary expense - Previous year's average of employee salary expense) / Previous year's average of employee salary expense)).
 - (4) The Company has independent directors, so there is no remuneration for supervisors.
 - (5) The Company's policy on payment of remuneration.
 - A. The 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 of Directors 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. Fixed salaries are paid monthly, while variable salaries include year-end bonuses and employee profit-sharing.
 - C. Employees: Their remuneration includes fixed salaries and variable salaries. Fixed salaries are paid monthly, while variable salaries include year-end bonuses and employee profit-sharing.
 - (a) Fixed Salaries: They are determined based on the title, grade, education (experience), professional ability and job responsibilities undertaken, and concerning industry standards.
 - (b) Year-end bonus: It is based on the Company's current year's 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 of Directors and submitted to the shareholder meeting for approval.