# Innodisk Corporation and Subsidiaries
# Consolidated Financial Statements and Independent Auditor's Report
## Years Ended December 31, 2022 and 2021
## (Stock Code: 5289)

Company Address: 5F, No. 237, Section 1, Datong Road, Xizhi District, New Taipei City

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Innodisk Corporation and Subsidiaries

Consolidated Financial Statements and Independent Auditor's Report for the Years Ended December 31, 2022 and 2021

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Innodisk Corporation

Declaration of Consolidated Financial of Affiliated Enterprises

For the year 2022 (January 1, 2022 to December 31, 2022), the companies that should be included in the consolidated financial statements of affiliated companies in accordance with the “Regulations Governing the Preparation of Consolidated Statements of Operations of Affiliated Companies and Related Party Reports” are the same as those that should be included in the consolidated financial statements of parent and subsidiary companies in accordance with IFRS 10, and the information required to be disclosed in the consolidated financial statements of affiliated companies has already been disclosed in the aforementioned consolidated financial statements of parent and subsidiary companies. The relevant information has been disclosed in the aforementioned consolidated financial statements of the parent and subsidiary, and therefore no separate consolidated financial statements of the related companies are prepared.

Hereby declare,

Company name: Innodisk Corporation

Responsible Person: Chien, Chuan-Sheng

February 23, 2023

Independent Auditor's Report

(112) Cai-Shen-Bao-Zi #22003847

To the Board of Directors and Stockholders of Innodisk Corporation:

## Opinion

We have duly audited the consolidated balance sheet of Innodisk Corporation and subsidiaries (the "Group") as of December 31, 2022 and 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement from January 1 to December 31, 2022 and 2021 as well as notes to the consolidated financial statements (including the summary of significant accounting policies).

In our opinion, the consolidated financial statements referred to above have been prepared, in all material respects, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and IFRIC Interpretations and SIC Interpretation as endorsed by the Financial Supervisory Commission, and are fairly stated in terms of the consolidated financial position of Innodisk Corporation and its subsidiaries as of December 31, 2022 and 2021, and the consolidated financial performance and consolidated cash flows from January 1 to December 31, 2022 and 2021.

## Basis for opinion

We conducted the audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountant and the Generally Accepted Auditing Standards of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

A key audit matter is one that, in our professional judgment, is material to the examination of the consolidated financial statements of Innodisk Corporation and its subsidiaries for 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

**Key audit matter –Inventory Evaluation**

Description

With respect to the accounting policy for inventory valuation, please refer to Note 4 (13) of the consolidated financial statements. For the uncertainty of accounting estimates and assumptions applied in inventory valuation, please refer to Note 5 (2). For the accounting entries of inventory, please refer to Note 6 (5).

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

How our audit addressed the matter

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

1. Understand the inventory allowance evaluation and presentation policy, and confirm the adoption of the provision policy for the inventory evaluation loss during the financial statement period.
2. Obtain the statement of the net realizable value of each inventory, confirm its calculation logic, test the relevant parameters, including the source data of the sales data file and the relevant supporting evaluation documents, and recalculate the allowance evaluation loss that should be accrued after each item number compares its cost with the net realizable value, whichever is lower.
3. Obtain an inventory aging report to conduct inventory aging test. Random sampling of inventory and compare inventory transaction records to confirm the classification of aging intervals.
4. Compared current and previous year's allowance for valuation of inventory loss and reviewed the reasonableness of allowance recognized.

**Key audit matter –Existence of Sales Revenue**

Description

For the accounting policy of income recognition, please refer to Note 4 (30) of the consolidated financial statements. For the description of accounting entries of sales income, please refer to Note 6 (20).

Innodisk Group is mainly engaged in the research, development, manufacturing and sales of industrial storage devices and memory modules. Because product diversification and innovation affect changes to the top ten customers' sales and the large transactions with top ten customers require much resources in audit, we have listed the existence of sales revenue of the top ten customers as one of the important items for audit.

How our audit addressed the matter

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

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

## Other Matters -- Individual Financial Report

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Innodisk Corporation for the years ending December 31, 2022 and 2021.

## Responsibilities of management and those charged with governance for the consolidated financial statements

The responsibility of management is to prepare consolidated financial statements that present fairly the financial position of the Group in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and to maintain such internal control relevant to the preparation of consolidated financial statements as is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Innodisk Group's financial reporting process.

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance means a high level of assurance, but an audit conducted in accordance with the Generally Accepted Auditing Standards of the Republic of China does not provide assurance that material misstatements in the consolidated financial statements can be detected. Misstatements can arise from error or fraud. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

We exercised professional judgment and professional suspicion when conducting the audit in accordance with the auditing standards of the Republic of China. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and execution of the Group's audits, and for forming an opinion on the audit of the Group.

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

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

From the matters communicated with the governance unit, we determined the key audit matters for the audit of the Group's consolidated financial statements of 2022. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yeh, Tsui Miao　　　　　　　　Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan
February 23, 2023

Innodisk Corporation and Subsidiaries
Consolidated Balance Sheet
December 31, 2022 and 2021

Expressed in Thousands of NTD

| | Assets | Note | December 31, 2022 Amount | % | December 31, 2021 Amount | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6 (1) | $ 4,000,049 | 43 | $ 2,137,891 | 26 |
| 1136 | Current financial assets at amortised cost | 6 (3) | - | - | 600,000 | 8 |
| 1150 | Notes receivable | 6 (4) | 2,565 | - | 1,986 | - |
| 1170 | Accounts receivable, net | 6 (4) | 1,418,794 | 15 | 1,554,637 | 19 |
| 1180 | Accounts receivable -- related parties | 6 (4) and 7 (2) | 109 | - | 2 | - |
| 1200 | Other receivables | | 5,217 | - | 6,139 | - |
| 1210 | Other receivables -- related parties | 7 (2) | 52 | - | 42 | - |
| 1220 | Current income tax assets | 6 (27) | 2,741 | - | 494 | - |
| 130X | Inventories | 6 (5) | 1,158,475 | 12 | 1,664,349 | 20 |
| 1410 | Prepayments | | 61,317 | 1 | 102,658 | 1 |
| 11XX | **Current Assets** | | 6,649,319 | 71 | 6,068,198 | 74 |
| | **Non-current assets** | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6 (2) | 27,839 | 1 | - | - |
| 1535 | Non-current financial assets at amortized cost | 6 (3) and 8 | 10,706 | - | 10,706 | - |
| 1550 | Investments accounted for using equity method | 6 (6) | 12,953 | - | 18,738 | - |
| 1600 | Property, plant and equipment | 6 (7) and 8 | 2,138,510 | 23 | 1,616,786 | 20 |
| 1755 | Right-of-use assets | 6 (8) | 207,483 | 2 | 206,101 | 2 |
| 1760 | Investment property, net | 6 (10) and 8 | 119,318 | 1 | 99,351 | 1 |
| 1780 | Intangible assets | 6 (21) | 44,117 | 1 | 47,137 | 1 |
| 1840 | Deferred income tax assets | 6 (27) | 85,157 | 1 | 76,339 | 1 |
| 1920 | Refundable deposit | | 5,535 | - | 4,571 | - |
| 1990 | Other non-current assets - others | 6 (7) | - | - | 83,511 | 1 |
| 15XX | **Non-current assets** | | 2,651,618 | 29 | 2,163,240 | 26 |
| 1XXX | **Total Assets** | | $ 9,300,937 | 100 | $ 8,231,438 | 100 |

(Continued)

Innodisk Corporation and Subsidiaries
Consolidated Balance Sheet
December 31, 2022 and 2021

Expressed in Thousands of NTD

| | Liabilities and Equity | Note | December 31, 2022 Amount | % | December 31, 2021 Amount | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2130 | Current contract liabilities | 6 (20) | $ 42,079 | - | $ 31,810 | - |
| 2170 | Accounts payable | | 706,617 | 8 | 956,657 | 12 |
| 2180 | Accounts payable -- related parties | 7 (2) | 65 | - | 385 | - |
| 2200 | Other payables | 6 (12) | 607,012 | 7 | 489,380 | 6 |
| 2230 | Current income tax liabilities | 6 (27) | 212,868 | 2 | 292,912 | 4 |
| 2250 | Provisions for liabilities-current | 6 (16) | 69,111 | 1 | 59,851 | 1 |
| 2280 | Current lease liabilities | | 36,406 | - | 21,312 | - |
| 2320 | Long-term liabilities -- current portion | 6 (13) | 11,006 | - | 2,193 | - |
| 2399 | Other current liabilities, others | | 6,276 | - | 6,021 | - |
| 21XX | **Current Liabilities** | | 1,691,440 | 18 | 1,860,521 | 23 |
| | **Non-current liabilities** | | | | | |
| 2540 | Long-term loans | 6 (13) | 310,070 | 3 | 140,461 | 2 |
| 2570 | Deferred income tax liabilities: | 6 (27) | 4,397 | - | 8,279 | - |
| 2580 | Non-current lease liabilities | | 174,007 | 2 | 187,265 | 2 |
| 2645 | Guarantee deposit received | 7 (2) | 1,586 | - | 1,402 | - |
| 25XX | **Non-current Liabilities** | | 490,060 | 5 | 337,407 | 4 |
| 2XXX | **Total liabilities** | | 2,181,500 | 23 | 2,197,928 | 27 |
| | **Equity attributable to owners of parent** | | | | | |
| | Share capital | 6 (17) | | | | |
| 3110 | Share capital - common stock | | 865,531 | 10 | 826,680 | 10 |
| | Capital surplus | 6 (18) | | | | |
| 3200 | Capital surplus | | 1,356,462 | 15 | 1,213,829 | 14 |
| | Retained earnings | 6 (19) | | | | |
| 3310 | Legal reserve | | 766,831 | 8 | 610,743 | 8 |
| 3320 | Special reserve | | 13,147 | - | 5,438 | - |
| 3350 | Unappropriated retained earnings | | 4,011,820 | 43 | 3,317,446 | 40 |
| | Other equity interests | | | | | |
| 3400 | Other equity interests | | ( 924) | - | ( 13,147) | - |
| 31XX | **Total equity attributable to owners of parent** | | 7,012,867 | 76 | 5,960,989 | 72 |
| 36XX | **Non-controlling interest** | | 106,570 | 1 | 72,521 | 1 |
| 3XXX | **Total equity** | | 7,119,437 | 77 | 6,033,510 | 73 |
| | Significant contingent liabilities and unrecognized contract commitments | 9 | | | | |
| | Significant events after the balance sheet date | 11 | | | | |
| 3X2X | **Total Liabilities and Equity** | | $ 9,300,937 | 100 | $ 8,231,438 | 100 |

The accompanying consolidated financial statements are an integral part of the consolidated financial statements and should be read in conjunction.

Chairman: Chien, Chuan-Sheng Manager: Chien, Chuan-Sheng Head of Accounting: Hsiao, Wen-Kui

Innodisk Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31, 2022 and 2021

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

| | Item | Note | 2022 Amount | 2022 % | 2021 Amount | 2021 % |
|---|---|---|---|---|---|---|
| 4000 | Operating revenue | 6 (20) and 7 (2) | $ 10,303,229 | 100 | $ 10,195,658 | 100 |
| 5000 | Operating costs | 6 (5) and 7 (2) | ( 6,844,611) | ( 66) | ( 7,103,440) | ( 70) |
| 5950 | Gross profit before unrealized gross profit on sales to subsidiaries | | 3,458,618 | 34 | 3,092,218 | 30 |
| | Operating expenses | 6 (25) and 7 (2) | | | | |
| 6100 | Selling expenses | | ( 601,799) | ( 6) | ( 463,863) | ( 4) |
| 6200 | General and administrative expenses | | ( 465,302) | ( 5) | ( 483,752) | ( 5) |
| 6300 | Research and development expenses | | ( 332,000) | ( 3) | ( 194,129) | ( 2) |
| 6450 | Expected loss on credit impairment | 12 (2) | ( 20,056) | - | ( 1,228) | - |
| 6000 | Total operating expenses | | ( 1,419,157) | ( 14) | ( 1,142,972) | ( 11) |
| 6900 | Operating profit | | 2,039,461 | 20 | 1,949,246 | 19 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6 (21) | 14,248 | - | 5,860 | - |
| 7010 | Other income | 6 (22) and 7 (2) | 16,571 | - | 51,745 | - |
| 7020 | Other gains and losses | 6 (23) | 209,316 | 2 | ( 23,956) | - |
| 7050 | Finance cost | 6 (24) | ( 7,484) | - | ( 2,987) | - |
| 7060 | Shares of losses of associates and joint ventures accounted for using equity method | 6 (6) | ( 5,785) | - | ( 7,854) | - |
| 7000 | Total non-operating income and expenses | | 226,866 | 2 | 22,808 | - |
| 7900 | **Profit before income tax** | | 2,266,327 | 22 | 1,972,054 | 19 |
| 7950 | Income tax expense | 6 (27) | ( 385,039) | ( 4) | ( 390,173) | ( 4) |
| 8200 | **Profit for the year** | | $ 1,881,288 | 18 | $ 1,581,881 | 15 |

(Continued)

Innodisk Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31, 2022 and 2021

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

| | Item | Note | 2022 Amount | 2022 % | 2021 Amount | 2021 % |
|---|---|---|---|---|---|---|
| | **Other comprehensive income** | | | | | |
| | **Components of other comprehensive income that will not be reclassified to profit or loss** | | | | | |
| 8316 | Unrealized appraisal gains and losses of equity instrument investment measured at fair value through other comprehensive income | | ($ 2,131) | - | $ - | - |
| 8310 | Components of other comprehensive income that will not be reclassified to profit or loss | | ( 2,131) | - | - | - |
| | **Components of other comprehensive income that will be reclassified to profit or loss** | | | | | |
| 8361 | Financial statements translation differences of foreign operations | | 14,354 | - | ( 7,729) | - |
| 8360 | Components of other comprehensive loss that will be reclassified to profit or loss | | 14,354 | - | ( 7,729) | - |
| 8300 | **Other comprehensive profit (loss) for the period, net of tax** | | $ 12,223 | - | ($ 7,729) | - |
| 8500 | **Total comprehensive income for the year** | | $ 1,893,511 | 18 | $ 1,574,152 | 15 |
| | Profit attributable to: | | | | | |
| 8610 | Owners of the parent | | $ 1,850,189 | 18 | $ 1,560,888 | 15 |
| 8620 | Non-controlling interest | | 31,099 | - | 20,993 | - |
| | Profit for the year | | $ 1,881,288 | 18 | $ 1,581,881 | 15 |
| | Comprehensive income attributable to | | | | | |
| 8710 | Owners of the parent | | $ 1,862,412 | 18 | $ 1,553,179 | 15 |
| 8720 | Non-controlling interest | | 31,099 | - | 20,973 | - |
| | Total comprehensive income for the year | | $ 1,893,511 | 18 | $ 1,574,152 | 15 |
| | Basic earnings per share | 6 (28) | | | | |
| 9750 | Profit for the year | | $ 21.46 | | $ 18.39 | |
| | Diluted earnings per share | 6 (28) | | | | |
| 9850 | Profit for the year | | $ 21.23 | | $ 18.08 | |

The accompanying consolidated financial statements are an integral part of the consolidated financial statements and should be read in conjunction.

Chairman: Chien, Chuan-Sheng Manager: Chien, Chuan-Sheng Head of Accounting: Hsiao, Wen-Kui

Innodisk Corporation and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2022 and 2021

Expressed in Thousands of NTD

| | | Equity attributable to owners of parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained earnings | | | Other equity interests | | | | |
| | Note | Share capital - common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealized appraisal gains and losses of financial assets measured at fair value through other comprehensive income | Total | Non-controlling interest | Total equity |
| 2021 | | | | | | | | | | | |
| Balance as of January 1, 2021 | | $ 813,240 | $ 1,082,702 | $ 517,734 | $ 4,080 | $ 2,403,928 | ($ 5,438) | $ - | $ 4,816,246 | $ 48,815 | $ 4,865,061 |
| Profit for the year | | - | - | - | - | 1,560,888 | - | - | 1,560,888 | 20,993 | 1,581,881 |
| Other comprehensive profit and loss for the year | | - | - | - | - | - | (7,709) | - | (7,709) | (20) | (7,729) |
| Total comprehensive profit and loss for the year | | - | - | - | - | 1,560,888 | (7,709) | - | 1,553,179 | 20,973 | 1,574,152 |
| Appropriations and of 2020 earnings | 6 (19) | | | | | | | | | | |
| Legal reserve | | - | - | 93,009 | - | (93,009) | - | - | - | - | - |
| Special reserve | | - | - | - | 1,358 | (1,358) | - | - | - | - | - |
| Cash dividends | | - | - | - | - | (553,003) | - | - | (553,003) | - | (553,003) |
| Share-based payment | 6 (15) | - | 19,973 | - | - | - | - | - | 19,973 | - | 19,973 |
| Exercise of employee share options | 6 (17) | 13,440 | 111,055 | - | - | - | - | - | 124,495 | - | 124,495 |
| Share-based remuneration for employees of subsidiaries | | - | 99 | - | - | - | - | - | 99 | 2,733 | 2,832 |
| Balance as of December 31, 2021 | | $ 826,680 | $ 1,213,829 | $ 610,743 | $ 5,438 | $ 3,317,446 | ($ 13,147) | $ - | $ 5,960,989 | $ 72,521 | $ 6,033,510 |
| January 1 to December 31, 2022 | | | | | | | | | | | |
| Balance as of January 1, 2022 | | $ 826,680 | $ 1,213,829 | $ 610,743 | $ 5,438 | $ 3,317,446 | ($ 13,147) | $ - | $ 5,960,989 | $ 72,521 | $ 6,033,510 |
| Profit for the year | | - | - | - | - | 1,850,189 | - | - | 1,850,189 | 31,099 | 1,881,288 |
| Other comprehensive profit and loss for the year | | - | - | - | - | - | 14,354 | (2,131) | 12,223 | - | 12,223 |
| Total comprehensive profit and loss for the year | | - | - | - | - | 1,850,189 | 14,354 | (2,131) | 1,862,412 | 31,099 | 1,893,511 |
| Appropriation and distribution of 2021 earnings | 6 (19) | | | | | | | | | | |
| Legal reserve | | - | - | 156,088 | - | (156,088) | - | - | - | - | - |
| Special reserve | | - | - | - | 7,709 | (7,709) | - | - | - | - | - |
| Stock dividends | | 24,801 | - | - | - | (24,801) | - | - | - | - | - |
| Cash dividends | | - | - | - | - | (967,217) | - | - | (967,217) | - | (967,217) |
| Share-based payment | 6 (15) | - | 31,447 | - | - | - | - | - | 31,447 | - | 31,447 |
| Exercise of employee share options | 6 (17) | 14,050 | 110,918 | - | - | - | - | - | 124,968 | - | 124,968 |
| Share-based remuneration for employees of subsidiaries | | - | 268 | - | - | - | - | - | 268 | 2,950 | 3,218 |
| Balance as of December 31, 2022 | | $ 865,531 | $ 1,356,462 | $ 766,831 | $ 13,147 | $ 4,011,820 | $ 1,207 | ($ 2,131) | $ 7,012,867 | $ 106,570 | $ 7,119,437 |

The accompanying consolidated financial statements are an integral part of the consolidated financial statements and should be read in conjunction.

Chairman: Chien, Chuan-Sheng　　Manager: Chien, Chuan-Sheng　　Head of Accounting: Hsiao, Wen-Kui

Innodisk Corporation and Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31, 2022 and 2021

Expressed in Thousands of NTD

| | Note | January 1 to December 31, 2022 | January 1 to December 31, 2021 |
|---|---|---|---|
| Cash flow from operating activities | | | |
| Profit before income tax for the year | | $ 2,266,327 | $ 1,972,054 |
| Adjustments: | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation charges on property, plant and equipment | 6 (25) | 97,474 | 67,274 |
| Depreciation charges on right-of-use assets | 6 (25) | 29,827 | 28,566 |
| Amortization charges on the intangible assets and deferred assets. | 6 (25) | 26,074 | 24,851 |
| Depreciation charges on investment property | 6 (23) | 1,398 | 1,383 |
| Expected loss (profit) on credit impairment | 12 (2) | 20,056 | 1,228 |
| Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories | 6 (5) | 53,432 | 132,392 |
| Loss on scrapping inventory | 6 (5) | 17,048 | 5,195 |
| Gain on lease modification | 6 (8) | ( 48 ) | ( 3 ) |
| Interest income | 6 (21) | ( 14,248 ) | ( 5,860 ) |
| Interest expense | 6 (24) | 7,484 | 2,987 |
| Compensation cost of employee stock options | 6 (15) | 31,447 | 19,973 |
| Shares of losses of associates and joint ventures accounted for using equity method | 6 (6) | 5,785 | 7,854 |
| Gains on revaluation of investments accounted for using equity method | 6 (23) | - | ( 2,780 ) |
| Loss (gain) on disposal of property, plant and equipment | 6 (23) | 35 | ( 372 ) |
| Disposal of investment gains | 6 (23) | ( 4,228 ) | - |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable | | ( 579 ) | ( 1,728 ) |
| Accounts receivable, net | | 115,787 | ( 674,500 ) |
| Accounts receivable -- related parties | | ( 107 ) | 70 |
| Other receivables | | 1,286 | ( 2,271 ) |
| Other receivables -- related parties | | ( 10 ) | 231 |
| Inventories | | 435,394 | ( 1,005,066 ) |
| Prepayments | | 41,341 | ( 45,432 ) |
| Changes in operating liabilities | | | |
| Current contract liabilities | | 10,269 | ( 10,625 ) |
| Accounts payable | | ( 250,040 ) | 390,660 |
| Accounts payable -- related parties | | ( 320 ) | 138 |
| Other payables | | 84,680 | 151,432 |
| Provisions for liabilities-current | | 9,260 | ( 1,593 ) |
| Other current liabilities, others | | 255 | ( 8,343 ) |
| Cash inflow generated from operations | | 2,985,079 | 1,047,715 |
| Interest received | | 13,780 | 5,862 |
| Income taxes paid | | ( 483,765 ) | ( 226,750 ) |
| Net cash flows from operating activities | | 2,515,094 | 826,827 |

(Continued)

Innodisk Corporation and Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31, 2022 and 2021

Expressed in Thousands of NTD

| | Note | January 1 to December 31, 2022 | January 1 to December 31, 2021 |
|---|---|---|---|
| Cash Flow from Investing Activities | | | |
| Acquisition of non-current financial assets at fair value through other comprehensive income | 6 (2) | ($ 29,970 ) | $ - |
| Decrease (increase) in current financial assets at amortized cost | | 600,000 | ( 200,000 ) |
| Increase in non-current financial assets at amortized cost | | - | ( 3,000 ) |
| Proceeds from disposal of investments accounted for using equity method | | 4,228 | - |
| Acquisition of property, plant and equipment | 6 (30) | ( 479,879 ) | ( 292,133 ) |
| Disposal of property, plant and equipment | | 104 | 460 |
| Increase in refundable deposits | | ( 2,395 ) | ( 732 ) |
| Decrease in refundable deposits | | 1,488 | 250 |
| Acquisition of investment property | 6 (10) | ( 26,236 ) | - |
| Acquisition of intangible assets | 6 (21) | ( 21,974 ) | ( 24,564 ) |
| Net cash flow from acquisition of subsidiaries | 6 (29) | - | ( 12,882 ) |
| Increase in prepayments for equipment | | - | ( 68,802 ) |
| Increase in the other non-current assets | | ( 7,369 ) | ( 13,223 ) |
| Net cash flows from (used in) investing activities | | 37,997 | ( 614,626 ) |
| Cash Flow from Financing Activities | | | |
| Proceeds from long-term debt | 6 (31) | 180,000 | 126,680 |
| Repayment of long-term debt | 6 (31) | ( 2,195 ) | ( 2,321 ) |
| Increase in guarantee deposits received | 6 (31) | 771 | 524 |
| Decrease in guarantee deposits received | 6 (31) | ( 599 ) | ( 332 ) |
| Cash dividends paid | 6 (31) | ( 967,217 ) | ( 553,003 ) |
| Exercise of employee share options | | 124,968 | 124,495 |
| Interest paid | | ( 7,767 ) | ( 2,968 ) |
| Payment of lease liabilities | 6 (31) | ( 29,320 ) | ( 28,110 ) |
| Net cash used in financing activities | | ( 701,359 ) | ( 335,035 ) |
| Effects of changes in foreign exchange rates | | 10,426 | 521 |
| Net increase (decrease) in cash and cash equivalents | | 1,862,158 | ( 122,313 ) |
| Cash and cash equivalents at beginning of year | | 2,137,891 | 2,260,204 |
| Cash and cash equivalents at end of year | | $ 4,000,049 | $ 2,137,891 |

The accompanying consolidated financial statements are an integral part of the consolidated financial statements and should be read in conjunction.

Chairman: Chien, Chuan-Sheng    Manager: Chien, Chuan-Sheng    Head of Accounting: Hsiao, Wen-Kui

Innodisk Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

Expressed in Thousands of NTD
(Except as otherwise indicated)

## I. Company history

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

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

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

This consolidated financial report was approved and issued by the board meeting on February 23, 2023.

## III. Application of new standards, amendments, and interpretations

### (I) Effect of the adoption of new issuances or amended International Financial Reporting Standards ("IFRS") that came into effect as endorsed by the Financial Supervisory Commission ("FSC").

The following table summarizes the new standards, interpretations and amendments endorsed by FSC and became effective from 2022:

| New/Amended/Revised Standards and Interpretations | Effective date of issuance by IASB |
| --- | --- |
| Amendment to IFRS 3 "Reference to the conceptual framework" | January 1, 2022 |
| Amendment to IAS 16 "Property, plant and equipment: proceeds before intended use" | January 1, 2022 |
| Amendment to IAS 37 "Onerous contracts—cost of fulfilling a contract" | January 1, 2022 |
| Annual improvement to IFRS Standards 2018–2020 | January 1, 2022 |

The Group believes that the adoption of aforementioned IFRSs will not have a significant effect on the consolidated financial position and performance.

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

The following table summarizes the new standards, interpretations and amendments endorsed by FSC and effective from 2023:

| New/Amended/Revised Standards and Interpretations | Effective date of issuance by IASB |
|---|---|
| Amendment to IAS 1 "Disclosure of accounting policies" | January 1, 2023 |
| Amendment to IAS 8 "Definitions of accounting estimates" | January 1, 2023 |
| Amendment to IAS 12 "Deferred tax related to assets and liabilities arising from a single transaction" | January 1, 2023 |

The Group believes that the adoption of aforementioned IFRSs will not have a significant effect on the consolidated financial position and performance.

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

The following table summarizes the new standards, interpretations and amendments issued by the IASB but not yet included in the IFRSs as endorsed by the FSC:

| New/Amended/Revised Standards and Interpretations | Effective date of issuance by IASB |
|---|---|
| Amendment to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture" | To be determined by IASB. |
| Amendment to IFRS 16 "Lease liability in a sale and leaseback" | January 1, 2024 |
| IFRS 17 "Insurance contracts" | January 1, 2023 |
| Amendment to IFRS 17 "Insurance contracts" | January 1, 2023 |
| Amendment to IFRS 17 -- Initial application of IFRS 17 and IFRS 9 - Comparative information " | January 1, 2023 |
| Amendment to IAS 1 " Classification of liabilities as current or non-current" | January 1, 2024 |
| Amendment to IAS 1 "Non-current liabilities with covenants" | January 1, 2024 |

The Group believes that the adoption of aforementioned IFRSs will not have a significant effect on the consolidated financial position and performance.

IV. Summary of significant accounting policies

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

(I) Compliance statement

These consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers," International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by FSC (hereinafter collectively referred to as the "IFRSs").

(II) Basis of preparation

1. Other than financial assets measured at fair value through other comprehensive income, the consolidated financial statements are prepared based on historical cost.
2. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates, and it also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(III) Basis of consolidation

1. The basis for preparation of consolidated financial statements

(1) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(3) The profit and loss and the components of other comprehensive income attribute to the owners of the parent company and non-controlling interest. The total comprehensive income also attributes to the owners of the parent company and non-controlling interest, even if this results in the non-controlling interests having a deficit balance.

(4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are equity transactions, and they are considered as transactions with owners in their capacity as owners. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is directly recognized in equity.

2. Subsidiaries included in the consolidated financial statements:

| | | | Percentage of Equity Holdings | | |
|---|---|---|---|---|---|
| Name of Investor | Name of Subsidiary | Main Business Activity | December 31, 2022 | December 31, 2021 | Remarks |
| Innodisk Corporation | Innodisk USA Corporation | Industrial embedded storage devices | 100 | 100 | |
| Innodisk Corporation | Innodisk Japan Corporation | After-sales services and support of industrial embedded storage devices | 100 | 100 | |
| Innodisk Corporation | Innodisk Europe B.V. | After-sales services and support of industrial embedded storage devices | 100 | 100 | |
| Innodisk Corporation | Innodisk Global-M Corporation | Investment holdings | 100 | 100 | |
| Innodisk Corporation | Aetina Corporation | Manufacturing and sales of industrial graphics cards | 74.20 | 74.78 | Note 1 |
| Innodisk Global-M Corporation | Innodisk Shenzhen Corporation | Industrial embedded storage devices | 100 | 100 | |
| Innodisk Europe B.V. | Innodisk France SAS | After-sales services and support of industrial embedded storage devices | 100 | 100 | |
| Innodisk Corporation | Antzer Tech Co., Ltd. | Electronic parts and components manufacturing. | 100 | 100 | Note 2 |
| Aetina Corporation | Aetina USA Corporation | After-sales service and support for industrial graphics cards | 100 | 100 | Note 3 |
| Aetina Corporation | Aetina Europe B.V. | After-sales service and support for industrial graphics cards | 100 | - | Note 4 |

The financial statements of the abovementioned important subsidiary - Innodisk USA Corporation and other non-important subsidiaries listed in the consolidated financial statements as of December 31, 2022 and 2021 were audited by the Company's independent auditors.

Note 1: Aetina Corporation, through a resolution of the shareholders' meeting on May 19, 2022, issued 200,000 shares from capital increase for the payment of employees' remuneration by shares, with August 6, 2022 as the ex-date for capital increase, the shareholding ratio of the Company decreased to 74.20%.

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

Note 2: The Company acquired Antzer Tech Co., Ltd. on May 18, 2021 in the amount of NT$19,889, raising the shareholding from the original 31.89% to 100%; thus, it has been included in the consolidated entities since the date of acquisition.

Note 3: Aetina Corporation established the subsidiary Aetina USA Corporation in September 2021, and the capital injection has not been completed as of December 31, 2022.

Note 4: Aetina Corporation established the subsidiary Aetina Europe B.V. in January 2022, and the capital injection has not been completed as of December 31, 2022.

3. Subsidiaries not included in the consolidated financial report: none.

4. Adjustments for subsidiaries with different balance sheet dates: none.

5. Significant restrictions: none.

6. Subsidiaries that have non-controlling interests that are material to the Group: none.

(IV) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (hereinafter referred to as the "functional currency"). The functional currency of the Company is "New Taiwan dollar", and the functional currencies of subsidiaries are "New Taiwan dollar", "Renminbi", "US dollar" and "Japanese yen." The consolidated financial statements are presented in New Taiwan dollar, which is the Company's functional currency.

1. Foreign currency transactions and balances

(1) Foreign currency transactions are translated into the functional currency using spot exchange rate at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(2) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated using spot exchange rate at the balance sheet date. Exchange differences arising from re-translation at the balance sheet date are recognized in profit or loss.

(3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated using spot exchange rate at the balance sheet date.

Their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated using spot exchange at the balance sheet date. Their translation differences are recognized in other comprehensive income. For those which are not measured at fair value, they measured by the historical exchange rate of the initial transaction date.

(4) All foreign exchange gains and losses are presented in the statement of consolidated comprehensive income within "Other gains and losses."

2. Translation of foreign operations

(1) The operating results and financial position of all the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.

B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.

C. All resulting exchange differences are recognized in other comprehensive income.

(2) Goodwill and fair value adjustments arising on acquisition of a foreign entity are regarded as assets and liabilities of the foreign entity, and are translated at the closing rate.

(V) Classification of current and non-current items

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

(1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.

(2) Assets held mainly for trading purposes.

(3) Assets that are expected to be realized within twelve months from the balance sheet date.

(4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

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

(1) Liabilities that are expected to be paid off within the normal operating cycle.

(2) Assets held mainly for trading purposes.

(3) Liabilities that are to be paid off within twelve months from the balance sheet date.

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(VI) Cash equivalents

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

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

1. It refers to the irrevocable choice made at the time of initial recognition to report the changes in the fair value of the equity instrument investment not held for trading in other comprehensive income.
2. The Group adopts transaction-date accounting for financial assets measured at fair value through other comprehensive income in accordance with the transaction practice.
3. The Group measures assets at the fair value plus transaction cost at the time of initial recognition, and subsequently measures at the fair value; changes in the fair value of equity instruments are recognized in other comprehensive income. At derecognition, the accumulated profits or losses previously recognized in other comprehensive income shall not be reclassified to profits and losses but transferred to retained earnings. When the right to receive dividends is confirmed, the economic benefits related to dividends are likely to flow in, and the amount of dividends can be measured reliably; the Group recognizes dividend income in profit or loss.

(VIII) Financial assets measured at amortized cost

1. Refer to those that meet the following criteria at the same time:

   (1) The objective of the business model is achieved by collecting contractual cash flows.

   (2) The assets' contractual cash flows solely represent payments of principal and interest.
2. On a regular way purchase or sale basis, financial assets measured at amortized cost are recognized and de-recognized using trade date accounting.
3. The Group measures financial assets at fair value plus transaction costs in the initial recognition. The financial assets are subsequently amortized by the effective interest rate

during the circulation to recognize interest income and impairment loss. The profits or losses are recognized in the profit and loss when the assets are derecognized.

4. The Group holds time deposits that are not considered cash equivalents. Due to the short holding period, the impact of discounting is insignificant and is measured by the amount of investment.

(IX) 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.

(X) Impairment of financial assets

Regarding the financial assets measured at amortized cost, the Group considers all reasonable and supportable information (including forward-looking ones) and measures the loss allowance based on the expected 12-month credit losses for those that do not have their credit risk increased significantly since initial recognition. For those with their credit risk increasing significantly since initial recognition, the loss allowance is measured based on the expected full lifetime credit losses. For accounts receivable that do not contain significant financial components, the loss allowance is measured based on the expected amount of credit loss during the duration.

(XI) De-recognition of financial assets

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

(XII) 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.

(XIII) 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. The item-by-item comparison method is adopted when comparing whether the cost or the net realizable value is lower. The net realizable value refers to the balance of the estimated selling price in the normal course of business, minus the estimated cost to be invested until completion and the estimated cost to complete the sale.

## (XIV) Investments accounted for under equity method -- Associates

1. Associates refer to entities over which the Group has significant influence but is not in control. In general, the associates may have more than 20% of their voting shares directly or indirectly owned by the Group. The Group accounts for its investment in associates using the equity method, and the investment is initially recognized at cost.
2. The Group recognizes the profit and loss upon the acquisition of associates as the current profit and loss. Other comprehensive profit and loss after the acquisition are recognized as the other comprehensive profit and loss. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group will not recognize further losses, unless it has incurred legal or constructive obligations or make payments on behalf of the associate.
3. If an associate has changes in equity not from profit or loss or other comprehensive income, and such changes do not affect the Group's shareholding in the associate, the Group will recognize all changes in equity as "capital surplus" according to the shareholding percentage.
4. Unrealized gains on transactions between the Group and associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
5. In the event that an associate issues new shares and the Group does not subscribe to or acquire the new shares in proportion, which results in a change to the Group's shareholding percentage but the Group maintains a significant influence on the associate, the increase or decrease of the Group's share of equity interest is the adjustment of "capital surplus" and "investments accounted for under the equity method." If the investment percentage is reduced, in addition to the above adjustments, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionally on the same basis as would be required if the relevant assets or liabilities were disposed of.
6. When the Group loses its significant influence on an associate, the remaining investment in said associate is re-measured at fair value, and the difference between the fair value and the book value is recognized as profit or loss in the current period.
7. When the Group disposes of an associate, if it loses the significant influence on the associate, all amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss on the same basis as would be required if

the related assets or liabilities were disposed of. That is, when the Group loses the significant influence on an associate, all gains or losses previously recognized in other comprehensive income in relation to the associate should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of. If the Group still has a significant influence on the associate, only the amount recognized in other comprehensive income previously will be transferred out in the manner above on a pro-rata basis.

## (XV) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from the previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," from the date of the change.

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

| | |
|---|---|
| Buildings and construction | 2 to 50 years |
| Machines and equipment | 1 to 8 years |
| Office equipment | 2 to 6 years |
| Others | 1 to 6 years |

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

1. Leases are recognized as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as expenses on a straight-line basis over the

lease term.

2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments include fixed payments, less any lease incentives receivables.

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

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

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

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

(XVII) 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 41 years.

(XVIII) Intangible assets

1. Computer software

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

2. Trademarks and patent rights

   Trademarks and patent rights acquired as a result of a business combination are recognized at fair value on the acquisition date. Trademarks and patent rights are assets with a finite useful life and are amortized at the estimated useful life of three years on a straight line basis.

3. Goodwill

   Goodwill is measured in a business combination using the acquisition method.

(XIX) Impairment of non-financial assets

1. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal cost or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
2. Goodwill regularly estimates its recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The goodwill impairment loss will not be reversed in subsequent years.
3. Goodwill is allocated to cash-generating units for the purpose of conducting the impairment testing. The allocation identified based on the operating segment, and the goodwill is allocated to cash-generation units or groups of cash-generation units expected to benefit from the business combination that generates goodwill.

(XX) 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.

(XXI) 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.

(XXII) De-recognition of financial liabilities

The Group derecognizes financial liabilities when the obligations specified in the contract are fulfilled, cancelled or expired.

(XXIII) Offset between financial assets and liabilities

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.

(XXIV) 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. Future operating losses shall not be recognized as liability reserves.

(XXV) 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.

(XXVI) Employee share-based payment

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

(XXVII) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities. They are levied by the same taxation authority on either the same entities or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXVIII) 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.

(XXIX) 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.

(XXX) Revenue recognition

1. Our Group develops, manufactures and sells various products related to industrial storage devices and memory modules. Sales revenue is recognized when the control of products is transferred to customers. That is, once products are delivered to customers, the customers have discretion on the channel and price of product sales, and the Group has no outstanding performance obligations that may affect customers' acceptance of the products. The delivery of products occurs when products are shipped to a designated location and the risk of obsolescence and loss has been transferred to customers, and the customers accept the products in accordance with the sales contract or have objective evidence that all criteria have been met.
2. The payment terms of sales transactions are usually payment in advance or net 30 to 90. With respect to the contracts signed between the Group and customers, the time interval between the transfer products or services promised to customers and the customers' payment has not exceeded one year, so the Group has not adjusted the transaction price to reflect the time value of money.
3. Sales revenue is recognized as the net from subtracting sales discounts from the contract price. The Group estimates possible sales discounts based on past experience and different contract conditions, and recognizes the refund liabilities accordingly.
4. The Group provides warranty for products sold, and has the obligation to repair product defects, which are recognized as liability provisions when goods are sold.
5. Accounts receivable are recognized when goods are delivered to customers. The Group has unconditional rights to the contract price, and will be able to collect the amount from the customers after the time has passed.

(XXXI) Government grants

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

(XXXII) Business combinations

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

(XXXIII) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

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

(I) Important judgments adopted by the accounting policies

The critical judgments adopted in the Group's accounting policies have been assessed to be free from significant uncertainty.

(II) Critical accounting estimates and assumptions

Inventory Evaluation

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

The book value of the Group's inventory as of December 31, 2022 is detailed in Note 6(5).

## VI. Statements of main accounting items

(I) Cash and cash equivalents

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash: | | |
| Cash on hand and working capital | $ 1,076 | $ 921 |
| Checking deposits and demand deposits | 2,663,473 | 1,971,470 |
| Cash equivalents: | | |
| Time deposits | 1,335,500 | 165,500 |
| | $ 4,000,049 | $ 2,137,891 |

1. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
2. The Group has not provided cash and cash equivalents as pledge guarantee.

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Non-current items: | | |
| Equity instruments | | |
| Preference shares of TWSE/TPEx listed domestic companies | $ 29,970 | $ - |
| Evaluation adjustment | ( 2,131) | - |
| | $ 27,839 | $ - |

1. The Group chooses to classify equity instruments of strategic investment nature as financial assets measured at fair value through other comprehensive income.
2. Please refer to the consolidated statement of comprehensive income for the details of the financial assets measured at fair value through other comprehensive income which are recognized in the comprehensive profit and loss of the Group.
3. The Group has not provided financial assets measured at fair value through other comprehensive income as pledged collateral.
4. Please refer to Note 12(3) for relevant fair value information.

(III) Financial assets measured at amortized cost

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current items: | | |
| Time deposits due in three months to one year | $ - | $ 600,000 |
| Non-current items: | | |
| Pledged time deposits | $ 10,706 | $ 10,706 |

1. Please refer to Note 6(21) for the recognized interest income from financial assets measured at amortized cost.
2. Please refer to Note 8 for the Group’s provision of financial assets at amortized cost as pledged collateral.

## (IV) Notes and accounts receivable

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Notes receivable | $ 2,565 | $ 1,986 |
| Less: Loss allowance | - | - |
| | $ 2,565 | $ 1,986 |
| Accounts receivable | $ 1,441,399 | $ 1,557,082 |
| Accounts receivable - related parties | 109 | 2 |
| | 1,441,508 | 1,557,084 |
| Less: Loss allowance | ( 22,605) | ( 2,445) |
| | $ 1,418,903 | $ 1,554,639 |

1. For the aging analysis and the related credit risk information on notes and accounts receivable, please refer to Note 12 (2).
2. Both notes and accounts receivable were both from customer contracts as of December 31, 2022 and 2021, and both the balances of notes and accounts receivable as of January 1, 2021 were NT$881,318.
3. The Group does not hold any collateral for the aforementioned notes and accounts receivable.

## (V) Inventories

| | December 31, 2022 | | |
|---|---|---|---|
| | Cost | Loss allowance for falling prices | Book value |
| Raw materials | $ 795,464 | ($ 207,725) | $ 587,739 |
| Work in process | 255,913 | ( 20,797) | 235,116 |
| Finished products | 355,613 | ( 43,818) | 311,795 |
| Products | 30,805 | ( 6,980) | 23,825 |
| | $ 1,437,795 | ($ 279,320) | $ 1,158,475 |

| | December 31, 2021 | | |
|---|---|---|---|
| | Cost | Loss allowance for falling prices | Book value |
| Raw materials | $ 1,314,895 | ($ 190,531) | $ 1,124,364 |
| Work in process | 222,201 | ( 15,208) | 206,993 |
| Finished products | 314,109 | ( 15,341) | 298,768 |
| Products | 39,032 | ( 4,808) | 34,224 |
| | $ 1,890,237 | ($ 225,888) | $ 1,664,349 |

1. None of the above inventories are provided with pledged collaterals.

2. The cost of inventories recognized as losses by the Group.

| | 2022 | 2021 |
|---|---|---|
| Cost of inventory sold | $ 6,745,767 | $ 6,934,892 |
| Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories | 53,432 | 132,392 |
| Loss on scrapping of inventory | 17,048 | 5,195 |
| Others | 28,364 | 30,961 |
| | $ 6,844,611 | $ 7,103,440 |

(VI) Investments accounted for using equity method

| | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Amount | Shareholding percentage | Amount | Shareholding percentage |
| Affiliates: | | | | |
| AccelStor Inc. | $ - | - | $ - | 40.37% |
| Millitronic Co.,Ltd. | 6,134 | 33.55% | 10,501 | 33.55% |
| Sysinno Technology Inc. | 6,819 | 43.00% | 8,237 | 43.00% |
| | $ 12,953 | | $ 18,738 | |

In 2022 and 2021, the Group's share of profits (losses) from affiliates recognized by the equity method was NT$(5,785) and NT$(7,854), respectively, as recognized in the financial statements audited by the Company's independent auditors.

1. The liquidation of AccelStor Inc. was completed on May 19, 2022,

2. As of December 31, 2022 and 2021, the Group had no significant affiliates, and the consolidated book values of individual non-significant affiliates were NT$12,953 and NT$18,738, respectively. Their operating results are summarized as follows:

| | 2022 | 2021 |
|---|---|---|
| Profit (loss) from continuing operations | ( $ 5,785) | ( $ 7,854) |
| Other comprehensive income or loss (net after tax) | - | - |
| Total comprehensive profit and loss for the year | ( $ 5,785) | ( $ 7,854) |

3. None of the affiliates of the Group have open market quotes, so there is no information on fair value.

## (VII) Property, plant and equipment

| | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land | Buildings and construction | Machines and equipment | Office equipment | Unfinished construction and equipment pending acceptance | Others | Total |
| January 1 | | | | | | | |
| Cost | $ 624,621 | $ 910,262 | $ 260,429 | $ 36,098 | $ 55,500 | $ 81,976 | $ 1,968,886 |
| Accumulated depreciation and impairments | - | ( 121,302 ) | ( 154,334 ) | ( 24,997 ) | - | ( 51,467 ) | ( 352,100 ) |
| | $ 624,621 | $ 788,960 | $ 106,095 | $ 11,101 | $ 55,500 | $ 30,509 | $ 1,616,786 |
| January 1 | $ 624,621 | $ 788,960 | $ 106,095 | $ 11,101 | $ 55,500 | $ 30,509 | $ 1,616,786 |
| Addition | 142,908 | 101,115 | 16,273 | 21,618 | 213,210 | 21,208 | 516,332 |
| Reclassification | 49,598 | 32,496 | 47,685 | 14,198 | ( 48,553 ) | 867 | 96,291 |
| Disposal | - | ( 9 ) | - | ( 130 ) | - | - | ( 139 ) |
| Depreciation expense | - | ( 31,158 ) | ( 36,914 ) | ( 18,286 ) | - | ( 11,116 ) | ( 97,474 ) |
| Net exchange difference | 1,531 | 5,147 | 3 | 6 | - | 27 | 6,714 |
| December 31 | $ 818,658 | $ 896,551 | $ 133,142 | $ 28,507 | $ 220,157 | $ 41,495 | $ 2,138,510 |
| December 31 | | | | | | | |
| Cost | $ 818,658 | $ 1,042,912 | $ 324,396 | $ 72,245 | $ 220,157 | $ 102,344 | $ 2,580,712 |
| Accumulated depreciation and impairments | - | ( 146,361 ) | ( 191,254 ) | ( 43,738 ) | - | ( 60,849 ) | ( 442,202 ) |
| | $ 818,658 | $ 896,551 | $ 133,142 | $ 28,507 | $ 220,157 | $ 41,495 | $ 2,138,510 |

| | 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land | Buildings and construction | Machines and equipment | Office equipment | Unfinished construction and equipment pending acceptance | Others | Total |
| January 1 | | | | | | | |
| Cost | $ 528,288 | $ 820,165 | $ 227,965 | $ 33,827 | $ - | $ 63,622 | $ 1,673,867 |
| Accumulated depreciation and impairments | - | ( 101,849 ) | ( 133,212 ) | ( 19,137 ) | - | ( 44,675 ) | ( 298,873 ) |
| | $ 528,288 | $ 718,316 | $ 94,753 | $ 14,690 | $ - | $ 18,947 | $ 1,374,994 |
| January 1 | $ 528,288 | $ 718,316 | $ 94,753 | $ 14,690 | $ - | $ 18,947 | $ 1,374,994 |
| Addition | 97,153 | 96,623 | 37,700 | 2,375 | 55,500 | 19,130 | 308,481 |
| Reclassification | - | 3,680 | 1,425 | - | - | 480 | 5,585 |
| Acquisition from merger | - | - | - | 59 | - | 123 | 182 |
| Disposal | - | ( 9 ) | - | ( 25 ) | - | ( 54 ) | ( 88 ) |
| Depreciation expense | - | ( 25,418 ) | ( 27,782 ) | ( 5,992 ) | - | ( 8,082 ) | ( 67,274 ) |
| Net exchange difference | ( 820 ) | ( 4,232 ) | ( 1 ) | ( 6 ) | - | ( 35 ) | ( 5,094 ) |
| December 31 | $ 624,621 | $ 788,960 | $ 106,095 | $ 11,101 | $ 55,500 | $ 30,509 | $ 1,616,786 |
| December 31 | | | | | | | |
| Cost | $ 624,621 | $ 910,262 | $ 260,429 | $ 36,098 | $ 55,500 | $ 81,976 | $ 1,968,886 |
| Accumulated depreciation and impairments | - | ( 121,302 ) | ( 154,334 ) | ( 24,997 ) | - | ( 51,467 ) | ( 352,100 ) |
| | $ 624,621 | $ 788,960 | $ 106,095 | $ 11,101 | $ 55,500 | $ 30,509 | $ 1,616,786 |

1. Please refer to note 8 for the information on the collateral provided by the Group with its property, plant and equipment.

2. The Group had no capitalization of interest for property, plant and equipment in 2022 and 2021.

3. The abovementioned property, plant and equipment are all held and used by the Group.

4. As of December 31, 2022 and 2021, the Group's prepayments for business facilities (recognized in "other non-current assets-others") that have not been reclassified were NT$0 and NT$68,802, respectively.

(VIII) Leasing arrangements - lessee

1. The underlying assets leased by the Group include land, buildings and company vehicles, with the lease contract periods for buildings and company vehicles from 1 to 9 years. The land for the plant site in Taiwan is leased from Hsinchu Science Park; the lease contract has a term of 20 years, and the Company enjoys the priority of lease, with the lease period expected to be 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, 2022 | $ 178,850 | $ 23,968 | $ 3,283 | $ 206,101 |
| Addition | 3,020 | 35,361 | 3,775 | 42,156 |
| Early termination of leases | - | ( 10,952) | - | ( 10,952 ) |
| Depreciation expense | ( 6,610) | ( 20,660) | ( 2,557) | ( 29,827 ) |
| Effects of changes in foreign exchange rates | - | ( 15) | 20 | 5 |
| December 31, 2022 | $ 175,260 | $ 27,702 | $ 4,521 | $ 207,483 |

| | Land | Buildings | Company vehicles | Total |
|---|---|---|---|---|
| January 1, 2021 | $ 185,386 | $ 25,154 | $ 2,816 | $ 213,356 |
| Addition | - | 20,602 | 2,875 | 23,477 |
| Contract revision | - | ( 1,068) | - | ( 1,068 ) |
| Early termination of leases | - | ( 598) | - | ( 598 ) |
| Depreciation expense | ( 6,536) | ( 19,795) | ( 2,235) | ( 28,566 ) |
| Effects of changes in foreign exchange rates | - | ( 327) | ( 173) | ( 500 ) |
| December 31, 2021 | $ 178,850 | $ 23,968 | $ 3,283 | $ 206,101 |

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

| Items affecting current profit and loss | 2022 | 2021 |
| --- | --- | --- |
| Interest expenses on lease liabilities | $ 2,529 | $ 2,586 |
| Lease modification loss (gain) | ( 48) | ( 3) |

4. In 2022 and 2021, other than the cash outflow from lease-related expenses mentioned in Note 6(8)3 above, please refer to Note 6(31) for details of the amount of cash outflow arising from the repayment of principal of lease liabilities.

## (IX) Leasing arrangements - lessor

1. The Group leases out assets such as land and buildings. The lease contracts are typically made for periods of 1 to 5 years. The terms of lease contracts are negotiated separately. In order to preserve the condition of leased assets, the Company usually requires lessees not to sublet, sublease or pledge all or part of the underlying leased assets.
2. Please refer to 6(22) for the rental income recognized by the Group based on operating lease contracts.
3. The maturity analysis of the lease payments under the operating leases is as follows:

| | December 31, 2022 | December 31, 2021 |
| --- | --- | --- |
| 2022 | $ - | $ 5,196 |
| 2023 | 4,666 | 1,082 |
| 2024 | 333 | - |
| | $ 4,999 | $ 6,278 |

(X) Investment property

| | 2022 | | |
|---|---|---|---|
| | Land | Buildings and construction | Total |
| January 1 | | | |
| Cost | $ 73,690 | $ 37,316 | $ 111,006 |
| Accumulated depreciation and impairments | - | ( 11,655) | ( 11,655) |
| | $ 73,690 | $ 25,661 | $ 99,351 |
| January 1 | $ 73,690 | $ 25,661 | $ 99,351 |
| Addition | 16,343 | 9,893 | 26,236 |
| Reclassification | ( 3,590) | ( 1,821) | ( 5,411) |
| Depreciation expense | - | ( 1,398) | ( 1,398) |
| Net exchange difference | 245 | 295 | 540 |
| December 31 | $ 86,688 | $ 32,630 | $ 119,318 |
| December 31 | | | |
| Cost | $ 86,688 | $ 44,153 | $ 130,841 |
| Accumulated depreciation and impairments | - | ( 11,523) | ( 11,523) |
| | $ 86,688 | $ 32,630 | $ 119,318 |

| | 2021 | | |
|---|---|---|---|
| | Land | Buildings and construction | Total |
| January 1 | | | |
| Cost | $ 74,337 | $ 38,244 | $ 112,581 |
| Accumulated depreciation and impairments | - | ( 10,365) | ( 10,365) |
| | $ 74,337 | $ 27,879 | $ 102,216 |
| January 1 | $ 74,337 | $ 27,879 | $ 102,216 |
| Depreciation expense | - | ( 1,383) | ( 1,383) |
| Net exchange difference | ( 647) | ( 835) | ( 1,482) |
| December 31 | $ 73,690 | $ 25,661 | $ 99,351 |
| December 31 | | | |
| Cost | $ 73,690 | $ 37,316 | $ 111,006 |
| Accumulated depreciation and impairments | - | ( 11,655) | ( 11,655) |
| | $ 73,690 | $ 25,661 | $ 99,351 |

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

| | 2022 | 2021 |
|---|---|---|
| Rental income from investment property | $ 6,840 | $ 5,002 |
| Direct operating expenses incurred by investment property that generates rental income for the period | $ 2,351 | $ 2,008 |

2. The fair values of the investment property held by the Group as of December 31, 2022 and 2021 were NT$181,673 and NT$155,848, respectively. The abovementioned fair value is obtained from the market price assessments and actual transaction prices of similar properties in the vicinity of the relevant assets.

3. Please refer to Note 8 for the information on the collateral provided by the Group with its property, plant and equipment.

4. The Group had no capitalization of interest for investment property in 2022 and 2021.

## (XI) Intangible assets

| 2022 | Patent | Computer software | Trademark rights | Goodwill | Total |
|---|---|---|---|---|---|
| January 1 | | | | | |
| Cost | $ 6,000 | $ 77,776 | $ 3,000 | $ 11,386 | $ 98,162 |
| Accumulated amortization and impairments | ( 1,333) | ( 49,025) | ( 667) | - | ( 51,025) |
| | $ 4,667 | $ 28,751 | $ 2,333 | $ 11,386 | $ 47,137 |
| January 1 | $ 4,667 | $ 28,751 | $ 2,333 | $ 11,386 | $ 47,137 |
| Additions - from separate acquisition | - | 21,974 | - | - | 21,974 |
| Amortization expenses | ( 2,000) | ( 23,074) | ( 1,000) | - | ( 26,074) |
| Net exchange difference | - | - | - | 1,080 | 1,080 |
| December 31 | $ 2,667 | $ 27,651 | $ 1,333 | $ 12,466 | $ 44,117 |
| December 31 | | | | | |
| Cost | $ 6,000 | $ 99,750 | $ 3,000 | $ 12,466 | $ 121,216 |
| Accumulated amortization and impairments | ( 3,333) | ( 72,099) | ( 1,667) | - | ( 77,099) |
| | $ 2,667 | $ 27,651 | $ 1,333 | $ 12,466 | $ 44,117 |

| 2021 | Patent | Computer software | Trademark rights | Goodwill | Total |
|---|---|---|---|---|---|
| January 1 | | | | | |
| Cost | $ - | $ 53,213 | $ - | $ 11,671 | $ 64,884 |
| Accumulated amortization and impairments | - | ( 35,957) | - | - | ( 35,957) |
| | $ - | $ 17,256 | $ - | $ 11,671 | $ 28,927 |
| January 1 | $ - | $ 17,256 | $ - | $ 11,671 | $ 28,927 |
| Additions - from separate acquisition | - | 24,564 | - | - | 24,564 |
| Additions- business merger | 6,000 | - | 3,000 | - | 9,000 |
| Amortization expenses | ( 1,333) | ( 13,069) | ( 667) | - | ( 15,069) |
| Net exchange difference | - | - | - | ( 285) | ( 285) |
| December 31 | $ 4,667 | $ 28,751 | $ 2,333 | $ 11,386 | $ 47,137 |
| December 31 | | | | | |
| Cost | $ 6,000 | $ 77,776 | $ 3,000 | $ 11,386 | $ 98,162 |
| Accumulated amortization and impairments | ( 1,333) | ( 49,025) | ( 667) | - | ( 51,025) |
| | $ 4,667 | $ 28,751 | $ 2,333 | $ 11,386 | $ 47,137 |

1. Breakdown of intangible assets amortization:

| | 2022 | 2021 |
|---|---|---|
| Operating costs | $ 1,684 | $ 1,100 |
| Selling expenses | 201 | 167 |
| General and administrative expenses | 10,305 | 7,536 |
| Research and development expenses | 13,884 | 6,266 |
| | $ 26,074 | $ 15,069 |

2. Goodwill is allocated to the cash-generating units of the Group:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Innodisk USA Corporation | $ 10,935 | $ 9,855 |
| Others | 1,531 | 1,531 |
| | $ 12,466 | $ 11,386 |

3. Goodwill is allocated to cash-generating units identified by the Group. The recoverable amount is evaluated based on the value in use which is calculated based on the estimated cash flow before taxes.

   The Group calculated that the recoverable amount exceeds the carrying amount based on the value in use, so there is no impairment of goodwill. The calculation of value in use mainly considers gross margin, growth rate and discount rate.

   The management determines the budgeted gross margin based on past performance and the expectations for market development. The weighted average growth rate used is consistent with the industry's reported forecast. The adopted discount rate is a pre-tax rate and reflects the specific risks of the related operating units.

4. As of December 31, 2022 and 2021, the Group had not provided intangible assets as pledged collaterals.

(XII) Other payables

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Payroll and bonus payable | $ 305,046 | $ 259,309 |
| Employees' remuneration and directors' and supervisors' remuneration payable | 152,364 | 130,796 |
| Accrued expenses | 77,502 | 69,540 |
| Payable on equipment | 52,801 | 16,348 |
| Others | 19,299 | 13,387 |
| | $ 607,012 | $ 489,380 |

## (XIII) Long-term loans

| Type of borrowing | Borrowing period and payment method | Range of interest rate | Collateral | December 31, 2022 |
|---|---|---|---|---|
| Borrowing with installment repayments | | | | |
| Innodisk Corporation | | | | |
| Chinatrust Commercial Bank secured loan | The borrowing period is from January 7, 2022 to January 7, 2042; the grace period for principal repayment is two years, and the interest is paid monthly. | 0.82% | Please see Note 8 for details. | $ 67,343 |
| Chinatrust Commercial Bank secured loan | The borrowing period is from January 13, 2022 to January 13, 2042; the grace period for principal repayment is two years, and the interest is paid monthly. | 0.82% | Please see Note 8 for details. | 112,657 |
| Innodisk Europe B.V. | | | | |
| Chinatrust Commercial Bank credit loan | The borrowing period is from December 10, 2018 to December 10, 2023; the principal is amortized annually and the interest is paid quarterly. | 1.15% | No | 9,815 |
| Chinatrust Commercial Bank credit loan | The borrowing period is from March 15, 2019 to March 15, 2024; the principal is amortized annually and the interest is paid quarterly. | 1.15% | No | 4,581 |
| Aetina Corporation | | | | |
| Chinatrust Commercial Bank secured loan | The borrowing period is from November 24, 2021 to November 24, 2041; the grace period for the principal is two years, and the interest is paid monthly. | 0.94% | Please see Note 8 for details. | 90,000 |
| Chinatrust Commercial Bank credit loan | The borrowing period is from November 24, 2021 to November 24, 2041; the grace period for the principal is two years, and the interest is paid monthly. | 1.09% | No | 36,680 |
| | | | | 321,076 |
| Less: Long-term loans due within one year or one business cycle | | | | ( 11,006) |
| | | | | $ 310,070 |

| Type of borrowing | Borrowing period and payment method | Range of interest rate | Collateral | December 31, 2021 |
|---|---|---|---|---|
| Borrowing with installment repayments | | | | |
| Innodisk Europe B.V. | | | | |
| Chinatrust Commercial Bank credit loan | The borrowing period is from December 10, 2018 to December 10, 2023; the principal is amortized annually and the interest is paid quarterly. | 1.15% | No | $ 10,962 |
| Chinatrust Commercial Bank credit loan | The borrowing period is from March 15, 2019 to March 15, 2024; the principal is amortized annually and the interest is paid quarterly. | 1.15% | No | 5,012 |
| Aetina Corporation | | | | |
| Chinatrust Commercial Bank secured loan | The borrowing period is from November 24, 2021 to November 24, 2041; the grace period for the principal is two years, and the interest is paid monthly. | 0.94% | Please see Note 8 for details. | 90,000 |
| Chinatrust Commercial Bank credit loan | The borrowing period is from November 24, 2021 to November 24, 2041; the grace period for the principal is two years, and the interest is paid monthly. | 1.09% | No | 36,680 |
| | | | | 142,654 |
| Less: Long-term loans due within one year or one business cycle | | | | ( 2,193) |
| | | | | $ 140,461 |

Please refer to Note 6(24) for the Group's interest expense recognized in profit or loss.

(XIV) Pensions

1. The Company and its domestic subsidiaries have established a defined contribution pension plan under the Labor Pension Act covering all regular employees with domestic citizenship. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
2. The overseas subsidiary Innodisk Global-M Corporation has not established an employee pension plan, and the local laws do not have mandatory requirements. Innodisk USA Corporation, Innodisk Europe B.V. and Innodisk Japan Corporation have adopted a defined contribution pension plan which allocates a certain percentage of the monthly total salary of local employees as the pensions. The Company has no further obligations except for the monthly allocation.
3. Innodisk Shenzhen Corporation allocates a certain percentage of the monthly total salary of local employees as the pensions in accordance with the pension system stipulated by the government of the People 's Republic of China. The pension of each employee is coordinated and arranged by the government. Other than the monthly contributions, the Group has no further obligations.
4. In 2022 and 2021, the Group's pension costs recognized in accordance with the pension measures were NT$39,079 and NT$32,493, respectively.

(XV) Share-based payment

1. Share-based payment agreement of the Company

(1) The Company's board meeting on November 8, 2018 resolved the first issuance of employee stock option certificates in 2018 and the stock option measures; it was proposed to issue 3,000,000 units of employee stock option certificates, and the number of shares that may be subscribed to by each unit of stock option certificate is one share. The above came into effect on December 11, 2018 upon filing, and the Company will issue employee stock option certificates on January 29, 2019.

| Type of arrangement | Grant date | Quantity granted | Contract period | Vesting conditions | Delivery method |
|---|---|---|---|---|---|
| Employee stock options plan | 2019.1.29 | 3,000 thousand shares | 4 years | Note | Equity delivery |

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

(2) The board meeting determined by resolution on July 6, 2022 the issuance of employee stock option certificates for the first time in 2022 and the stock option measures; it is proposed to issue 3,500,000 units of employee stock option certificates, and the number of shares that may be subscribed to by each unit of stock option certificate is one share. The above will come into effect on July 26, 2022 upon filing, and the Company will issue employee stock option certificates on August 5, 2022.

| Type of arrangement | Grant date | Quantity granted | Contract period | Vesting conditions | Delivery method |
|---|---|---|---|---|---|
| Employee stock options plan | 2022.8.5 | 3,500 thousand shares | 4 years | Note | Equity delivery |

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

2. The detailed information of the share-based payment above

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Number of stock options (thousand shares) | Weighted average exercise price (NT$) | Number of stock options (thousand shares) | Weighted average exercise price (NT$) |
| Options outstanding as of January 1 | 1,628 | 89.80 | 3,000 | 92.80 |
| Stock options granted in this period | 3,500 | 168.00 | - | - |
| Free allotment of additional shares or adjustment of the number of subscribed shares | - | - | - | - |
| Stock options lost in this period | ( 145 ) | 89.80 | ( 28 ) | 92.80 |
| Stock options exercised in this period | ( 1,405 ) | 88.95 | ( 1,344 ) | 92.63 |
| Stock options expired in this period | - | - | - | - |
| Stock options outstanding as of December 31 | 3,578 | 166.28 | 1,628 | 89.80 |
| Stock options exercisable as of December 31 | 78 | | 156 | |

3. The weighted-average share prices of the stock options exercised in 2022 and 2021 were NT$185.69 and NT$189.78, respectively on the date of exercise.

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

| | | December 31, 2022 | |
|---|---|---|---|
| Approved issue date | Expiration date | Number of shares (thousand) | Exercise price (NT$) |
| January 29, 2019 | January 29, 2023 | 78 | 81.40 |
| August 5, 2022 | August 5, 2026 | 3,500 | 168.00 |

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

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

| Type of arrangement | Grant date | Stock price (NT$) | Exercise price (NT$) | Expected volatility | Expected duration | Expected dividend | Risk-free rate | Weighted average fair value per unit (NT$) |
|---|---|---|---|---|---|---|---|---|
| Employee stock options plan | 2019.1.29 | 105.50 | 105.50 | 34.34% | 4 years | NA | 0.61% | 26.4442 |
| Employee stock options plan | 2022.8.5 | 168.00 | 168.00 | 30.62% | 3.25 years | NA | 0.95% | 38.5462 |

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

| | 2022 | 2021 |
|---|---|---|
| Equity delivery | $ 31,447 | $ 19,973 |

(XVI) Provisions

| | 2022 | 2021 |
|---|---|---|
| Balance on January 1 | $ 59,851 | $ 61,444 |
| Provision for liabilities used in the period | ( 11,392) | ( 7,968) |
| Provision for liabilities added in this period | 20,652 | 6,375 |
| Balance on December 31 | $ 69,111 | $ 59,851 |

The analysis of provisions is as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | $ 69,111 | $ 59,851 |

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.

## (XVII) Share capital

1. As of December 31, 2022, the Company's authorized capital was NT$1,000,000, divided into 100,000 thousand shares (including 10,000 thousand shares for the subscription by employee stock options). The paid-in capital was NT$865,531 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)

| | 2022 | 2021 |
|---|---|---|
| January 1 | 82,668,040 | 81,324,040 |
| Stock dividends | 2,480,041 | - |
| Exercise of employee share options | 1,405,000 | 1,344,000 |
| December 31 | 86,553,081 | 82,668,040 |

2. The shareholders' meeting on May 31, 2022 resolved to increase the Company's capital by issuing new shares with the 2021 undistributed earnings of NT$24,801. The ex-date for the capital increase is August 6, 2022.
3. The ordinary shares issued due to the exercise of employee stock options in 2022 were 1,405,000 shares. As of December 31, 2022, there were 82,500 shares not yet registered for share capital change.
4. The ordinary shares issued due to the exercise of employee stock options in 2021 were 1,344,000 shares, and all of them had been registered for share capital change.

## (XVIII) 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.

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Issue premium | Difference between the price of acquiring or disposing of equities of a subsidiary and the book value | Recognition of changes in ownership in subsidiaries | Employee stock options | Others | Total |
| January 1 | $ 1,157,494 | $ 802 | $ 24,538 | $ 30,321 | $ 674 | $ 1,213,829 |
| Share-based payment | - | - | - | 31,447 | - | 31,447 |
| Share-based remuneration for employees of subsidiaries | - | - | 268 | - | - | 268 |
| Exercise of employee share options | 145,335 | - | - | ( 34,417) | - | 110,918 |
| Expired options | - | - | - | ( 4,031) | 4,031 | - |
| December 31 | $ 1,302,829 | $ 802 | $ 24,806 | $ 23,320 | $ 4,705 | $ 1,356,462 |

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

## (XIX) 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.

   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.

2. 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.

3. 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.

4. The Company's distribution of profits

(1) The Company's earnings distribution for 2021 and 2020 as approved by the shareholders' meeting on May 31, 2022 and July 8, 2021 is as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Amount | Dividends per share (NT$) | Amount | Dividends per share (NT$) |
| Legal reserve allocation | $ 156,088 | | $ 93,009 | |
| Special reserve allocation | 7,709 | | 1,358 | |
| Stock dividends | 24,801 | 0.30 | - | - |
| Cash dividends | 967,217 | 11.70 | 553,003 | 6.80 |
| | $ 1,155,815 | | $ 647,370 | |

(2) The appropriation of the Company's 2022 earnings was resolved by the board meeting on February 23, 2023. Details are summarized below:

| | 2022 | |
|---|---|---|
| | Amount | Dividends per share (NT$) |
| Legal reserve allocation | $ 185,019 | |
| (Reversal of) special reserve | ( 12,223) | |
| Stock dividends | 17,311 | 0.20 |
| Cash dividends | 1,194,433 | 13.80 |
| | $ 1,384,540 | |

(XX) Operating revenue

1. Segmentation of revenue from contracts with customers

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

| | Industrial storage devices and memory modules | | | | | |
|---|---|---|---|---|---|---|
| 2022 | Taiwan | Asia | Americas | Europe | Others | Total |
| Revenue from contracts with customers | $ 3,158,884 | $ 3,033,721 | $ 1,576,233 | $ 2,282,903 | $ 251,488 | $ 10,303,229 |

| | Industrial storage devices and memory modules | | | | | |
|---|---|---|---|---|---|---|
| 2021 | Taiwan | Asia | Americas | Europe | Others | Total |
| Revenue from contracts with customers | $ 3,049,064 | $ 3,195,044 | $ 1,650,640 | $ 2,110,579 | $ 190,331 | $ 10,195,658 |

2. Contract liabilities

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

| | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|---|---|---|---|
| Contract liabilities - Product sales contracts | $ 42,079 | $ 31,810 | $ 41,011 |

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

| | 2022 | 2021 |
|---|---|---|
| Product sales contracts | $ 30,267 | $ 40,577 |

(XXI) Interest income

| | 2022 | 2021 |
|---|---|---|
| Interest on bank deposits | $ 11,363 | $ 3,380 |
| Interest income on financial assets at amortized cost | 2,876 | 2,472 |
| Others | 9 | 8 |
| | $ 14,248 | $ 5,860 |

(XXII) Other income

| | 2022 | 2021 |
|---|---|---|
| Government grants (note) | $ 2,283 | $ 40,547 |
| Rental income | 7,910 | 5,676 |
| Others | 6,378 | 5,522 |
| | $ 16,571 | $ 51,745 |

Note: Due to the applicable local government subsidy policy related to COVID-19, Innodisk USA Corporation, a subsidiary of the Company, recognized a subsidy of NT$0 and NT$37,699 in 2022 and 2021, respectively.

(XXIII) Other gains and (losses)

| | 2022 | 2021 |
|---|---|---|
| Net foreign exchange gain (loss) | $ 205,496 | ($ 25,264) |
| Gain (loss) on disposal of property, plant and equipment | ( 35) | 372 |
| Disposal of investment gains | 4,228 | - |
| Gains (losses) on revaluation of fair value of investments accounted for using equity method | - | 2,780 |
| Depreciation charges on investment property | ( 1,398) | ( 1,383) |
| Others | 1,025 | ( 461) |
| | $ 209,316 | ($ 23,956) |

(XXIV) Finance cost

| | 2022 | 2021 |
|---|---|---|
| Interest expense on bank borrowings | $ 4,912 | $ 401 |
| Interest expenses on lease liabilities | 2,529 | 2,586 |
| Others | 43 | - |
| | $ 7,484 | $ 2,987 |

(XXV) Expenses by nature

| | 2022 | 2021 |
|---|---|---|
| Employee benefits expense | $ 1,349,067 | $ 1,169,023 |
| Depreciation charges on property, plant and equipment | $ 97,474 | $ 67,274 |
| Depreciation charges on right-of-use assets | $ 29,827 | $ 28,566 |
| Amortization charges on the intangible assets and deferred assets. | $ 26,074 | $ 24,851 |

## (XXVI) Employee benefits expense

| | 2022 | 2021 |
|---|---|---|
| Payroll expenses | $ 1,130,470 | $ 989,278 |
| Employee stock options | 31,447 | 19,973 |
| Labor and health insurance fees | 81,009 | 70,156 |
| Pension costs | 39,079 | 32,493 |
| Directors' remuneration | 24,056 | 20,821 |
| Other employee benefit expenses | 43,006 | 36,302 |
| | $ 1,349,067 | $ 1,169,023 |

1. If the Company has any balance after making up the losses according to the pre-tax profit of the current year minus the profit before distributing the remuneration of employees and directors, the following allocation shall be made:

   (1) Employees' remuneration of more than 3%.

   (2) Directors' remuneration of less than 2%.

   The remuneration of employees referred to above shall be in shares or cash as determined by special resolution of the board meeting, and reported to the shareholders' meeting. The recipients shall include employees of subordinate companies in which the voting shares held by the Company or the Company's capital contribution exceeds half of the subordinate companies' total number of voting shares issued or total capital.

2. For the years ended December 31, 2022 and 2021, the estimated amount of employees' remuneration was NT$120,225 and NT$105,000, respectively; the estimated amount of directors' and supervisors' remuneration was NT$21,000 and NT$18,400, respectively; the aforementioned amounts were recorded as salary expenses.

   The employees' remuneration and directors' and supervisors' remuneration were estimated and respectively accrued based on 5.14% and 0.9% of the Company's profit of 2022.

   The employees' remuneration and directors' and supervisors' remuneration approved by the board meeting for 2021 were NT$105,000 and NT$18,400, respectively, which were consistent with the amounts recognized in the 2021 consolidated financial statements, and NT$105,000 and NT$18,400have been paid respectively in cash as of December 31, 2022.

3. 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.

(XXVII) Income tax

1. Income tax expense

(1) Components of income tax expense

| | 2022 | 2021 |
|---|---|---|
| Current income tax: | | |
| Current income tax liabilities and (assets) | $ 210,127 | $ 292,418 |
| Amount of income tax not paid in the previous year | ( 83) | ( 308) |
| Tax underestimate (overestimate) in the previous year | ( 21,188) | ( 11,825) |
| Withholding and provisional tax | 212,618 | 124,822 |
| Additional tax on undistributed earnings | ( 20,254) | ( 14,215) |
| Total current income tax | 381,220 | 390,892 |
| Deferred income tax: | | |
| Origination and reversal of temporary differences | ( 12,700) | ( 14,907) |
| Others: | | |
| Additional tax on undistributed earnings | 20,254 | 14,215 |
| Effects of changes in foreign exchange rates | ( 3,735) | ( 27) |
| Income tax expense | $ 385,039 | $ 390,173 |

(2) For the year ended 2022 and 2021, the Group had no income tax related to other comprehensive income and direct debits or credits.

2. Reconciliation between income tax expense and accounting profit

| | 2022 | 2021 |
|---|---|---|
| Income tax calculated based on profit before tax and statutory tax rate (note) | $ 477,103 | $ 415,047 |
| Impact of income tax of investment tax credits | ( 30,000) | ( 16,000) |
| Realized investment loss on domestic operations | ( 45,052) | - |
| Unrealized investment gain on domestic operations | ( 17,865) | ( 11,004) |
| Impact that cannot be recognized according to laws and regulations | 566 | ( 421) |
| Tax overestimate in the previous year | ( 21,188) | ( 11,825) |
| Additional tax on undistributed earnings | 20,254 | 14,215 |
| Others | 1,221 | 161 |
| Income tax expense | $ 385,039 | $ 390,173 |

Note: The basis for applicable tax rate is calculated at the rate applicable to the Company in the country where it is located at.

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

| | 2022 | | | |
|---|---|---|---|---|
| | January 1 | Recognized in profit or loss | Business combinations | December 31 |
| Deferred income tax assets: | | | | |
| Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories | $ 44,087 | $ 10,648 | $ - | $ 54,735 |
| Deferred unrealized sales benefits | 4,232 | ( 2,130) | - | 2,102 |
| Provisions for after-sales services | 11,970 | 1,852 | - | 13,822 |
| Attendance bonus | 2,454 | 612 | - | 3,066 |
| Unrealized exchange loss | 406 | 2,798 | - | 3,204 |
| Tax loss | 13,190 | ( 4,962) | - | 8,228 |
| Subtotal | 76,339 | 8,818 | - | 85,157 |
| Deferred income tax liabilities: | | | | |
| Unrealized investment gain on foreign operations | ( 8,279) | 3,882 | - | ( 4,397) |
| Total | $ 68,060 | $ 12,700 | $ - | $ 80,760 |

| | 2021 | | | |
|---|---|---|---|---|
| | January 1 | Recognized in profit or loss | Business combinations | December 31 |
| Deferred income tax assets: | | | | |
| Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories | $ 17,617 | $ 26,470 | $ - | $ 44,087 |
| Deferred unrealized sales benefits | 3,749 | 483 | - | 4,232 |
| Provisions for after-sales services | 12,289 | ( 319) | - | 11,970 |
| Attendance bonus | 2,098 | 356 | - | 2,454 |
| Unrealized investment loss on foreign operations | 2,878 | ( 2,878) | - | - |
| Unrealized exchange loss | 1,224 | ( 818) | - | 406 |
| Tax loss | 3,852 | ( 108) | 9,446 | 13,190 |
| Subtotal | 43,707 | 23,186 | 9,446 | 76,339 |
| Deferred income tax liabilities: | | | | |
| Unrealized investment loss on foreign operations | - | ( 8,279) | - | ( 8,279) |
| Total | $ 43,707 | $ 14,907 | $ 9,446 | $ 68,060 |

4. The effective period of the Group's unused tax losses and the income of unrecognized deferred income tax assets are as follows:

| | | December 31, 2022 | | | |
|---|---|---|---|---|---|
| | Occurring year | Declared amount/approved amount | Amount not yet deducted | Income from unrecognized deferred income tax assets | Last deduction year |
| Antzer Tech Co., Ltd. | 2016 (approved amount) | $ 8,217 | $ 2,126 | $ - | 2026 |
| | 2017 (approved amount) | 19,055 | 19,055 | - | 2027 |
| | 2018 (approved amount) | 21,381 | 21,381 | 1,425 | 2028 |
| | 2019 (approved amount) | 16,927 | 16,927 | 16,927 | 2029 |
| | 2020 (approved amount) | 14,317 | 14,317 | 14,317 | 2030 |
| | 2021 (declared amount) | 3,283 | 3,283 | 3,283 | 2031 |
| | | $ 83,180 | $ 77,089 | $ 35,952 | |

| | Occurring year | Declared amount/approved amount | Amount not yet deducted | Income from unrecognized deferred income tax assets | Last deduction year |
|---|---|---|---|---|---|
| | | December 31, 2021 | | | |
| Antzer Tech Co., Ltd. | 2016 (approved amount) | $ 8,217 | $ 8,217 | $ - | 2026 |
| | 2017 (approved amount) | 19,055 | 19,055 | - | 2027 |
| | 2018 (approved amount) | 21,381 | 21,381 | 1,425 | 2028 |
| | 2019 (approved amount) | 16,927 | 16,927 | 16,927 | 2029 |
| | 2020 (declared amount) | 14,317 | 14,317 | 14,317 | 2030 |
| | 2021 (declared amount) | 3,283 | 3,283 | 3,283 | 2031 |
| Innodisk USA | 2020 (declared amount) | 17,828 | 17,828 | - | No deadline |
| | | $ 101,008 | $ 101,008 | $ 35,952 | |

5. The Company's income tax returns have been assessed and approved by the tax authority up to 2020.

   The income tax returns of the Group's domestic consolidated subsidiary Aetina Corporation have been assessed and approved by the tax authority up to 2020.

   The income tax returns of the Group's domestic consolidated subsidiary Antzer Tech Co.,Ltd. have been assessed and approved by the tax authority up to 2020.

## (XXVIII) Earnings per share

| | 2022 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of share outstanding (thousand shares) | Earnings per share (NT$) |
| Basic earnings per share | | | |
| Current net profit attributable to ordinary shareholders of the parent company | $ 1,850,189 | 86,207 | 21.46 |
| Diluted earnings per share | | | |
| Current net profit attributable to ordinary shareholders of the parent company | $ 1,850,189 | 86,207 | |
| Impact of conversion of all dilutive potential ordinary shares | | | |
| - Employee remuneration | - | 775 | |
| - Employee stock options | - | 183 | |
| Current net profit attributable to ordinary shareholders of the parent company plus the impact of potential ordinary shares from conversion | $ 1,850,189 | 87,165 | 21.23 |

| | 2021 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of share outstanding (thousand shares) | Earnings per share (NT$) |
| Basic earnings per share | | | |
| Current net profit attributable to ordinary shareholders of the parent company | $ 1,560,888 | 84,899 | 18.39 |
| Diluted earnings per share | | | |
| Current net profit attributable to ordinary shareholders of the parent company | $ 1,560,888 | 84,899 | |
| Impact of conversion of all dilutive potential ordinary shares | | | |
| - Employee remuneration | - | 577 | |
| - Employee stock options | - | 858 | |
| Current net profit attributable to ordinary shareholders of the parent company plus the impact of potential ordinary shares from conversion | $ 1,560,888 | 86,334 | 18.08 |

The aforesaid weighted average number of outstanding shares in 2021 has been retroactively adjusted according to the ratio of capital increase from surplus in 2021.

(XXIX) Business combinations

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

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

3. The fair value of the identifiable intangible assets acquired (including trademark rights and patent rights) is NT$9,000.
4. The Group had held 31.89% of equity interests in Antzer Tech Co.,Ltd. before the business combination, and the gains recognized after remeasurement at fair value were NT$2,780.
5. The Group merged with Antzer Tech Co., Ltd. on May 18, 2021, the operating revenue and the net income before income tax contributed by Antzer Tech Co., Ltd. were NT$5,812 and NT$893, respectively. If it is assumed that Antzer Tech Co., Ltd. had been included in the consolidated entities since January 1, 2021, the Group's operating revenue and profit before income tax for 2021 would be NT$10,199,564 and NT$1,966,409, respectively.

## (XXX) Supplemental cash flow information

1. Investing activities with partial cash payments

| | 2022 | 2021 |
|---|---|---|
| Purchase of property, plant and equipment | $ 516,332 | $ 308,481 |
| Add: Opening balance of payable on equipment | 16,348 | - |
| Less: Ending balance of payable on equipment | ( 52,801) | ( 16,348) |
| Cash paid during the year | $ 479,879 | $ 292,133 |

2. Financing activities with no cash flow effects

| | 2022 | 2021 |
|---|---|---|
| Stock dividends | $ 24,801 | $ - |

## (XXXI) Changes in liabilities from financing activities

| | 2022 | | | |
|---|---|---|---|---|
| | Other payables - Cash dividends payable | Long-term loans (including current portion) | Lease liabilities (current/non-current) | Guarantee deposit received |
| January 1 | $ - | $ 142,654 | $ 208,577 | $ 1,402 |
| Increase in borrowings | - | 180,000 | - | - |
| Repayment of borrowings | - | ( 2,195) | - | - |
| Declared cash dividends | 967,217 | - | - | - |
| Cash dividends paid | ( 967,217) | - | - | - |
| Increase in principal of lease liabilities | - | - | 42,156 | - |
| Payment of lease liabilities | - | - | ( 29,320) | - |
| Other non-cash transactions | | - | ( 11,000) | - |
| Increase in guarantee deposits received | - | - | - | 771 |
| Decrease in guarantee deposits received | - | - | - | ( 599) |
| Impact of changes in foreign exchange rates | - | 617 | - | 12 |
| December 31 | $ - | $ 321,076 | $ 210,413 | $ 1,586 |

| | 2021 | | | |
|---|---|---|---|---|
| | Other payables - Cash dividends payable | Long-term loans (including current portion) | Lease liabilities (current/non-current) | Guarantee deposit received |
| January 1 | $ - | $ 20,311 | $ 214,879 | $ 1,243 |
| Increase in borrowings | - | 126,680 | - | - |
| Repayment of borrowings | - | ( 2,321) | - | - |
| Declared cash dividends | 553,003 | - | - | - |
| Cash dividends paid | ( 553,003) | - | - | - |
| Increase in principal of lease liabilities | - | - | 23,477 | - |
| Payment of lease liabilities | - | - | ( 28,110) | - |
| Other non-cash transactions | - | - | ( 1,669) | - |
| Increase in guarantee deposits received | - | - | - | 524 |
| Decrease in guarantee deposits received | - | - | - | ( 332) |
| Impact of changes in foreign exchange rates | - | ( 2,016) | - | ( 33) |
| December 31 | $ - | $ 142,654 | $ 208,577 | $ 1,402 |

## VII. Related-party transactions

### (I) Related parties' names and relationships

| Name of the related party | Relationship with the Group |
|---|---|
| Affiliates: | |
| Millitronic Co.,Ltd. | An entity over which the Group has significant influence |
| Sysinno Technology Inc. | An entity over which the Group has significant influence |
| Antzer Tech Co., Ltd. | First quarter of 2021: An individual company on which the Group has a significant influence. The Group acquired the control over it in the second quarter of 2021, and it became a subsidiary of the Group. Therefore, the transactions before the acquisition of control are disclosed. |
| Other related parties: | |
| I-Media Tech Co., Ltd. | The chairman of that company and one of the Company's directors are the same person. |
| Innodisk Foundation | The amount donated by the Company and the directors is more than one-third of the total fund received by the foundation. |
| All directors, the general manager and key executives. | The Group's key executives and governance units |

## (II) Significant transactions with the related parties

### 1. Sales of goods

#### (1) Operating revenue

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

| | 2022 | 2021 |
|---|---|---|
| An entity over which the Group has significant influence | $ 213 | $ 362 |

The prices of products sold and services provided to the related parties from the Group are based on the agreements between the parties. The payment terms are net 25 to net 35. There are no significant differences with the non-related parties. The payment terms for non-related parties are payment in advance and net 30 to 90 days.

#### (2) Accounts receivable

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| An entity over which the Group has significant influence | $ 109 | $ 2 |

### 2. Purchase transaction

#### (1) Operating costs

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

| | 2022 | 2021 |
|---|---|---|
| An entity over which the Group has significant influence | $ 633 | $ 349 |
| Other related parties | 92 | 312 |
| | $ 725 | $ 661 |

The prices of the Group's purchase transactions with related parties are based on the agreements with such parties. The payment term is monthly settlement, net 30 to 90 days, which is not significantly different from those of non-related parties. The payment term for non-related parties is payment in advance, 7 days after shipment and monthly settlement, net 30 to 90 days.

#### (2) Accounts payable

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| An entity over which the Group has significant influence | $ 53 | $ 238 |
| Other related parties | 12 | 147 |
| | $ 65 | $ 385 |

3. Donations / operating expenses

The operating expenses arising from supporting education development, fulfilling corporate social responsibility and donations to related parties are detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Innodisk Foundation | $ 4,000 | $ 4,000 |

4. Leases and services

(1) Other income

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Rental income | Other income | Rental income | Other income |
| An entity over which the Group has significant influence | $ 960 | $ 360 | $ 127 | $ 779 |

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

(2) Other receivables

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| An entity over which the Group has significant influence | $ 52 | $ 42 |

(III) Compensation of key management personnel

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | $ 104,868 | $ 72,245 |
| Post-employment benefits | 835 | 745 |
| Share-based payment | 7,390 | 4,228 |
| | $ 113,093 | $ 77,218 |

VIII. Pledged assets

Assets pledged by the Group as collateral are as follows:

| | Book value | | |
|---|---|---|---|
| Assets | December 31, 2022 | December 31, 2021 | Purpose of guarantee |
| Non-current financial assets at amortized cost - Pledged time deposits | $ 10,706 | $ 10,706 | Provide pledged time deposits for lease and customs tax guarantee |
| Land and buildings | 450,313 | 156,159 | Long-term loans |
| Investment property - Land and buildings | 32,839 | - | Long-term loans |
| | $ 493,858 | $ 166,865 | |

IX. Significant contingent liabilities and unrecognized contract commitments

(I) Major contingent liabilities

Not applicable.

(II) Significant unrecognized contract commitments

1. As of December 31, 2022 and 2021, the amount of endorsements and guarantees for individual entities in the Group was NT$27,768 and NT$21,924, respectively, and the amount used was NT$14,397 and NT$15,973, respectively.
2. Capital expenditures with contracts signed that have not yet been incurred

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Property, plant and equipment | $ 383,940 | $ 268,544 |

December 31, 2022: It was mainly due to the contract commitment of the Company to invest in the new plant in the Yilan area of Hsinchu Science Park for NT$383,940.

December 31, 2021: It was mainly due to the contract commitment of the Company to purchase the real estate in Xizhi District, New Taipei City for NT$268,544.

X. Losses due to major disasters

Not applicable.

XI. Significant events after the balance sheet date

Please refer to Note 6(19) for the distribution of 2022 earnings resolved by the board meeting on February 23, 2023.

XII. Others

(I) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. The total debt is the total liabilities reported in the Consolidated Balance Sheet. Total capital is calculated as "equity" as shown in the Consolidated Balance Sheet, plus net debt.

The Group maintained the same strategy in 2022 as in 2021. Please refer to the consolidated balance sheet for the Group's debt-to-capital ratio as of December 31, 2022 and 2021.

(II) Financial instruments

1. Types of financial instrument

For the Group's financial assets (cash and cash equivalents, current financial assets at amortized cost, notes receivable, accounts receivable, accounts receivable due from related parties, other receivables, other receivables due from related parties, non-current financial assets at fair value through other comprehensive income, non-current financial assets at amortized cost and guarantee deposits paid) and financial liabilities (accounts payable, accounts payable to related parties, other payables, Long-term loans (including the current portion), guarantee deposits received, current lease liabilities and non-current lease liabilities), please refer to the relevant information in the consolidated balance sheet and Note 6.

2. Risk management policies

(1) The Group's operations are exposed to a variety of financial risks, including market risk (exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and performance.

(2) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the senior executives. The Group's treasury department primarily identifies, evaluates and hedges financial risks.

3. Significant financial risks and degrees of financial risks

(1) Market risk

A. <u>Foreign exchange risk</u>

(A) The Group is a multinational operation and therefore is subject to exchange rate risk arising from transactions between the different currencies of the Company and its subsidiaries, mainly in USD, RMB, JPY and Euro. The related exchange risk from future business transactions have been recognized in assets and liabilities.

(B) The Group's management has set up policies to require companies within the Group to manage their foreign exchange risk against their functional currency. Each company hedges its overall exchange rate risk through its treasury department. Exchange rate risk arises when future business transactions and recognized assets or liabilities are denominated in foreign currencies that are not the entity's function currency.

(C) The Group's operations involve certain non-functional currencies (the Company's and certain subsidiaries' functional currency is the New Taiwan dollar (NTD), and for other certain subsidiaries, the functional currency is Euro, USD, JPY and Renminbi (RMB)), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values that would be materially affected by exchange rate fluctuations are as follows:

| (foreign currency: functional currency) | December 31, 2022 Foreign currency (in thousands) | Exchange rate | Book value (NT$) |
|---|---|---|---|
| Financial Assets | | | |
| Monetary items | | | |
| USD : NTD | 83,904 | 30.7100 | $ 2,576,692 |
| RMB : NTD | 9,803 | 4.4080 | 43,212 |
| JPY : NTD | 125,186 | 0.2324 | 29,093 |
| EUR : NTD | 399 | 32.7200 | 13,055 |
| GBP : NTD | 5 | 37.0900 | 185 |
| Financial Liabilities | | | |
| Monetary items | | | |
| USD : NTD | 19,271 | 30.7100 | $ 591,812 |
| JPY : NTD | 4,662 | 0.2324 | 1,083 |
| EUR : NTD | 4 | 32.7200 | 131 |
| USD : RMB | 2,336 | 6.9670 | 71,739 |

| (foreign currency: functional currency) | December 31, 2021 Foreign currency (in thousands) | Exchange rate | Book value (NT$) |
|---|---|---|---|
| Financial Assets | | | |
| Monetary items | | | |
| USD : NTD | 91,034 | 27.6800 | $ 2,519,821 |
| RMB : NTD | 22,109 | 4.3440 | 96,041 |
| JPY : NTD | 224,092 | 0.2405 | 53,894 |
| EUR : NTD | 320 | 31.3200 | 10,022 |
| Financial Liabilities | | | |
| Monetary items | | | |
| USD : NTD | 30,209 | 27.6800 | $ 836,185 |
| JPY : NTD | 5,837 | 0.2405 | 1,404 |
| EUR : NTD | 4 | 31.3200 | 125 |
| USD : RMB | 3,090 | 6.3720 | 85,531 |

(D) Please refer to Note 6(23) for the total exchange gain (loss) (realized and unrealized) due to significant foreign exchange rate fluctuations on monetary items held by the Group in 2022 and 2021.

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

| | 2022 | | |
|---|---|---|---|
| | Sensitivity Analysis | | |
| | Fluctuation | Impact on profit or loss | Impact on other comprehensive income |
| Financial Assets | | | |
| Monetary items | | | |
| USD : NTD | 1% | $ 25,767 | $ - |
| RMB : NTD | 1% | 432 | - |
| JPY : NTD | 1% | 291 | - |
| EUR : NTD | 1% | 131 | - |
| GBP : NTD | 1% | 2 | - |
| Financial Liabilities | | | |
| Monetary items | | | |
| USD : NTD | 1% | ( 5,918) | - |
| JPY : NTD | 1% | ( 11) | - |
| EUR : NTD | 1% | ( 1) | - |
| USD : RMB | 1% | ( 717) | - |

| | 2021 | | |
|---|---|---|---|
| | Sensitivity Analysis | | |
| | Fluctuation | Impact on profit or loss | Impact on other comprehensive income |
| Financial Assets | | | |
| Monetary items | | | |
| USD : NTD | 1% | $ 25,198 | $ - |
| RMB : NTD | 1% | 960 | - |
| JPY : NTD | 1% | 539 | - |
| EUR : NTD | 1% | 100 | - |
| Financial Liabilities | | | |
| Monetary items | | | |
| USD : NTD | 1% | ( 8,362) | - |
| EUR : NTD | 1% | ( 1) | - |
| JPY : NTD | 1% | ( 14) | - |
| USD : RMB | 1% | ( 855) | - |

B. Price risk

(A) The Group’s equity instruments exposed to price risk are financial assets held and recognized at fair value through other comprehensive income. In order to manage the price risk of equity instrument investment, the Group dispersed its investment portfolio in accordance with the limits set by the Group.

(B) The Group mainly invests in equity instruments issued by domestic companies, and the price of such equity instruments will be affected by the uncertainty of the future values of the investment objects. If the price of such instruments rises or falls by 1%, while all other factors remain unchanged, the other comprehensive income classified as equity investments measured at fair value through other comprehensive income in 2022 and 2021 will increase or decrease by NT$278 and NT$0 respectively.

C. Cash flow and fair value interest rate risk

(A) The Group's interest rate risk arises from long-term loans. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at floating rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at floating rates. The Group's borrowings at floating rates in 2022 and 2021 were denominated in NTD and EUR.

(B) On December 31, 2022 and 2021, if the borrowing rate increased by 1% with all other reasons remained unchanged, the net profit before tax in 2022 and 2021 would decrease by NT$3,211 and NT$1,427 respectively, mainly due to the increase of borrowing interest caused by floating interest rates.

(2) Credit risk

A. The credit risk of the Group is the risk of financial loss of the Group due to the inability of customers or counterparties of financial instruments to perform their contractual obligations, mainly due to the inability of counterparties to pay off the notes and accounts receivable according to the terms of collection, and the contractual cash flow classified as debt instrument investment measured at amortized cost.

B. The management of credit risk is established with a Group perspective. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored.

C. The credit risk of the Group's investment in debt instrument measured at amortized cost refers to counterparties defaulting on contractual obligations, leading to the Group's financial losses. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

D. In considering the past experience, if the contract payment is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk of the financial asset is significantly increased since the original recognition.

E. In considering the past experience with payment collection, if a contract payment is overdue for more than 180 days in accordance with the agreed payment terms, it is considered a breach of contract.

F. The Group categorizes the accounts receivable from customers based on their evaluation ratings. The loss rate method is adopted as the basis for estimating the expected credit loss.

G. The Group has included the economic indicators and signals of the National Development Council and Basel Committee on Banking Supervision's forward-looking considerations to adjust the loss rate based on historical and current information for a specific period.

H. The Group uses the following indicators to determine the status of credit impairments of debt instruments:

(A) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.

(B) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.

(C) The issuer delays or does not pay for the interest or principal.

(D) Unfavorable changes in the national- or regional-level economic situation resulting in the issuer's default.

I. The Group will continue the recourse for financial assets that have defaulted to protect the rights of the claims. The Group may write off the amount of financial assets that cannot be reasonably expected to be recovered after recourse.

J. The Group has incorporated forward-looking considerations to adjust the loss rate built according to historic and current data in order to estimate the loss allowance notes and accounts receivables. The loss rates are shown as follows:

| | Not past due | Less than 30 days past due | 31 to 60 days past due | 61 to 180 days past due | More than 181 days past due | Total |
|---|---|---|---|---|---|---|
| December 31, 2022 | | | | | | |
| Expected loss rate | 0.03%~0.08% | 0.03%~1.12% | 0.03%~13.46% | 0.03%~82.66% | 100% | |
| Notes receivable | $ 2,565 | $ - | $ - | $ - | $ - | $ 2,565 |
| Accounts receivable | 1,330,860 | 82,406 | 4,885 | 11,686 | 11,671 | 1,441,508 |
| Total book value | $ 1,333,425 | $ 82,406 | $ 4,885 | $ 11,686 | $ 11,671 | $ 1,444,073 |
| Loss provision | ($ 703) | ($ 603) | ($ 401) | ($ 9,227) | ($ 11,671) | ($ 22,605) |

| | 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, 2021 | | | | | | |
| Expected loss rate | 0.03%~0.08% | 0.03%~0.95% | 0.03%~12.82% | 0.03%~81.53% | 100% | |
| Notes receivable | $ 1,986 | $ - | $ - | $ - | $ - | $ 1,986 |
| Accounts receivable | 1,472,521 | 72,779 | 10,907 | 877 | - | 1,557,084 |
| Total book value | $ 1,474,507 | $ 72,779 | $ 10,907 | $ 877 | $ - | $ 1,559,070 |
| Loss provision | ($ 884) | ($ 364) | ($ 578) | ($ 619) | $ - | ($ 2,445) |

The above is an aging report based on the number of days past due.

K. The Group adopts a simplified method in which the loss allowance for the accounts receivable is shown below:

| | 2022 | 2021 |
|---|---|---|
| | Accounts receivable | Accounts receivable |
| January 1 | $ 2,445 | $ 1,206 |
| Expected loss (profit) on credit impairment | 20,056 | 1,228 |
| Write-offs | - | ( 3) |
| Effects of changes in foreign exchange rates | 104 | 14 |
| December 31 | $ 22,605 | $ 2,445 |

(3) Liquidity risk

A. Cash flow forecasting is performed by the operating entities of the Group and aggregated by the Group’s treasury department. It monitors rolling forecasts of liquidity requirements to ensure the Group has sufficient cash to meet operational needs.

B. The Finance Department of the Group invests the remaining funds in interest-bearing demand deposits and equity securities; the instruments chosen have appropriate maturities or sufficient liquidity to respond to the forecasts above and provide sufficient funds required in the future. As of December 31, 2022 and 2021, the Group’s positions in the currency and securities markets are expected to generate immediate cash flow for the management of liquidity risk.

C. The Group does not have derivative financial liabilities. The table below analyzes the non-derivative financial liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. Except for those listed in the table, others mature within a year. The undiscounted cash flow amount is equivalent to the amount listed in the balance sheet. The remaining undiscounted cash flow of non-derivative financial liabilities is shown as follows:

| December 31, 2022 | Less than 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Non-derivative Financial Liabilities: | | | | | |
| Lease liabilities (current/non-current) | $ 24,596 | $ 14,461 | $ 28,669 | $ 180,528 | $ 248,254 |
| Long-term loans (including current portion) | 13,364 | 22,234 | 56,897 | 255,942 | 348,437 |

| December 31, 2021 | Less than 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Non-derivative Financial Liabilities: | | | | | |
| Lease liabilities (current/non-current) | $ 24,510 | $ 17,390 | $ 24,708 | $ 182,208 | $ 248,816 |
| Long-term loans (including current portion) | 3,629 | 11,967 | 26,817 | 114,597 | 157,010 |

(III) Fair value information

1. Each level of evaluation technology used to measure the fair value of financial and non-financial instruments is defined as follows:

   Level 1: The Company may obtain the quoted price (unadjusted) of the same asset or liability in an active market on the measurement date. An active market refers to a market with sufficient frequency and quantity of asset or liability transactions to provide pricing information on an ongoing basis. The fair value of the Group's investments in TWSE and TPEx listed stocks belongs to this category.

   Level 2: The input value of assets or liabilities is directly or indirectly observable, except for the quotations included in Level 1.

   Level 3: The input value of assets or liabilities is unobservable.

2. For fair value information of investment property measured at cost, please refer to Note 6 (10).

3. Financial instruments not measured at fair value

For the Group's financial assets (cash and cash equivalents, current financial assets at amortized cost, notes receivable, accounts receivable, accounts receivable due from related parties, other receivables, other receivables due from related parties, non-current financial assets at fair value through other comprehensive income, non-current financial assets at amortized cost and guarantee deposits paid) and financial liabilities (accounts payable, accounts payable to related parties, other payables, long-term borrowings (including the current portion), guarantee deposits received, current lease liabilities and non-current lease liabilities) which are not measured at fair value, the book amount is a reasonable approximation of the fair value.

4. Financial and non-financial instruments measured at fair value are classified by the Group based on the nature, characteristics and risks of assets and liabilities and the level of fair value, and the relevant information is as follows:

(1) For those classified by the Group based on the nature of assets and liabilities, the relevant information is as follows:

| December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Repetitive fair value | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| - Equity securities | $ 27,839 | $ - | $ - | $ 27,839 |

December 31, 2021: None.

(2) The methods and assumptions used by the Group to measure fair value are as follows:

A. Where the Group adopts market quotation as the fair value input (i.e., Level 1), the closing price of the shares of TWSE and TPEx listed companies on the balance sheet date shall be adopted.

B. The Group includes the adjustment of credit risk evaluation into the calculation of fair value of financial instruments and non-financial instruments to reflect the credit risk of counterparties and the credit quality of the Group.

5. The Group did not have any transfer between Level 1 and Level 2, and there was no change in Level 3 and no transfer into and out of Level 3 in 2022 and 2021.

(IV) Additional information

In response to the COVID-19 pandemic and the anti-pandemic measures implemented by the government, the Group has adjusted the resources, manpower, and supply chain prudently and flexibly. Meanwhile, we have adopted relevant measures, such as flexible working hours and regular screening, to reduce the impact of the pandemic on the Group's operations. As of February 23, 2023, the changes in the pandemic did not have any significant impact on our operations.

## XIII. Additional disclosures

### (I) Significant transactions information

1. Loans to others: None.
2. Provision of endorsements and guarantees to others: Please refer to Schedule 1.
3. Holdings of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Note 2.
4. Acquisition or sale of the same security with the accumulated cost reaching NT$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: Please refer to Schedule 3.
6. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
7. The amount of goods purchased or sold with related parties reaches NT$100 million or more than 20% of the paid-in capital: Please refer to Schedule 4.
8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to Schedule 5.
9. Engagement in derivative transactions: None.
10. Significant inter-company transactions during the reporting periods: Please refer to Schedule 6.

### (II) Information on investees

Names, locations and other information of investee companies (not including investees in China): Please refer to Schedule 7.

(III) Information on investments in China

1. Basic information: Please refer to Schedule 8.
2. Significant transactions, either directly or indirectly through a third area, with investee companies in China: Please refer to Schedule 9.

(IV) Information on major shareholders

Information on major shareholders: Please refer to Schedule 10.

## XIV. Operating Segments Information

(I) General information

The Group is involved in only one industry. The main business is the research, development, manufacturing and sales of industrial memory storage devices. The Group’s operating decision maker evaluates the performance and allocates resources of the Group as a whole, and has identified that the Company has only one reportable operating segment.

(II) Measurement of segment information

The accounting policies of the operating segments of the Group are the same as those of the Company. The Company’s operating decision maker assesses the performance of each operating segments based on the operating net profit.

(III) Information on segment profit and loss, assets and liabilities

The Group has only one reportable segment and is not required to disclose information on segment profit or loss, assets and liabilities. The accounting policies and estimates of the Company’s reportable segment are the same as the significant accounting policies summarized in Note 4 and 5 and significant estimates and assumptions.

(IV) Information on reconciliation of segment profit and loss, assets and liabilities

1. Sales between segments are conducted according to the principle of transactions at fair value. The operating revenue from external customers reported to the operating decision maker is measured in a manner consistent with that in the comprehensive income statement. A reconciliation of reportable segment income to the profit before tax from continuing operations is provided as follows:

| | 2022 | 2021 |
|---|---|---|
| Profit (loss) from reportable segments | $ 2,039,461 | $ 1,949,246 |
| Interest income | 14,248 | 5,860 |
| Other income | 16,571 | 51,745 |
| Other gains and losses | 209,316 | ( 23,956) |
| Finance cost | ( 7,484) | ( 2,987) |
| Shares of losses of associates and joint ventures accounted for using equity method | ( 5,785) | ( 7,854) |
| Income (loss) before tax from continuing operations | $ 2,266,327 | $ 1,972,054 |

2. The amount of total assets provided to the key operation decision-makers is measured in a manner consistent with that for the assets on the balance sheet, and the Group's reportable segment assets are equal to total assets with no reconciliation required.

(V) Information on products and services

The Group is in the business of various industrial memory storage devices, and the details on revenue balance are shown as follows:

| | 2022 | 2021 |
|---|---|---|
| Industrial embedded storage devices | $ 5,418,952 | $ 4,972,304 |
| Industrial dynamic random-access memory module | 3,968,015 | 4,574,580 |
| Others | 916,262 | 648,774 |
| | $ 10,303,229 | $ 10,195,658 |

(VI) Geographical information

The information of the Group's income from external customers by country and non-current assets by asset location is as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Revenue | Non-current assets (note) | Revenue | Non-current assets (note) |
| Taiwan | $ 3,158,884 | $ 2,372,172 | $ 3,049,064 | $ 1,929,440 |
| United States | 1,478,064 | 70,260 | 1,536,890 | 61,158 |
| Japan | 793,895 | 4,580 | 677,391 | 6,431 |
| Germany | 796,753 | - | 667,876 | - |
| China | 1,594,896 | 7,712 | 1,962,778 | 11,207 |
| Others | 2,480,737 | 54,704 | 2,301,659 | 44,650 |
| | $ 10,303,229 | $ 2,509,428 | $ 10,195,658 | $ 2,052,886 |

Note: Non-current assets do not include financial assets and deferred income tax assets:

(VII) Major customer information

The Group did not have any single customer accounting for more than 10% of its operating revenue in 2022 and 2021.

Innodisk Corporation and Subsidiaries
Provision of endorsements and guarantees to others
January 1 to December 31, 2022

Schedule 1

Expressed in Thousands of NTD
(Except as otherwise indicated)

| | | Party being endorsed/guaranteed | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Number (Note 1) | Endorser / guarantor | Company name | Relationship with the endorser/ guarantor (Note 2) | Endorsement and guarantee limit for a single enterprise (Note 3) | Maximum outstanding endorsement/guarantee amount for the period (Note 4) | Outstanding endorsement/guarantee amount for the period | Actual amount drawn down | Amount of endorsements/ guarantees secured with collateral | Percentage of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company | Limit on endorsements/guarantees (Note 3) | Provision of endorsements/guarantees by the parent company to the subsidiary | Provision of endorsements/ guarantees by the subsidiary to the parent company | Provision of endorsements/ guarantees to the party in China | Remarks |
| 0 | Innodisk Corporation | Innodisk Europe B.V. | 2 | $ 1,402,573 | $ 22,904 | $ 22,904 | $ 14,397 | $ - | 0.33% | $ 3,506,434 | Y | N | N | |
| 1 | Innodisk Europe B.V. | Innodisk France SAS | 4 | 8,560 | 4,864 | 4,864 | - | - | 11.37% | 21,399 | N | N | N | |

Note 1:The numbers to be filled in the number column is explained as follows:
(1). Fill in 0 for the issuer.
(2). The invested companies are numbered in order starting from 1.
Note 2:Relationships between the endorser/guarantor and the party being endorsed/guaranteed are classified into the following seven categories; fill in the number of the category:
(1). A company with business dealings.
(2). A company in which the Company directly or indirectly holds more than 50% of its voting shares.
(3). A company which directly or indirectly holds more than 50% of the voting shares of the Company.
(4). A company in which the Company directly or indirectly holds more than 90% of its voting shares.
(5). A company with mutual guarantees in accordance with the contract which is in the same industry or a joint constructor for the purpose of contracting the project.
(6). A company jointly endorsed/guaranteed by all its shareholders in proportion to their ownerships due to joint venture.
(7). Performance guarantee and joint guarantee by industry peers engaging in a house pre-sale contract in accordance with the Consumer Protection Act.
Note 3:The total amount of endorsements and guarantees of the Company shall 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:The total amount of endorsements and guarantees by a subsidiary shall not exceed 50% of the subsidiary’s net worth, and the total amount to a single enterprise shall not exceed 20% of the subsidiary’s net worth.
Note 5:Maximum outstanding balance of endorsements/guarantees in the current year.

Innodisk Corporation and Subsidiaries
Holding of marketable securities at the end of the period (not including those of subsidiaries, associates and joint ventures)
December 31, 2022

Schedule 2

Expressed in Thousands of NTD
(Except as otherwise indicated)

| Holding company | Type and name of securities | Relationship with the issuer of securities | Account of recognition | Period end: Number of Shares | Period end: Book value | Period end: Shareholding percentage | Period end: Fair value | Remarks |
|---|---|---|---|---|---|---|---|---|
| Innodisk Corporation | Preference shares of TWSE/TPEx list domestic companies - Supreme Electronics Co., Ltd. | No | Non-current financial assets at fair value through other comprehensive income | 666,000 | $ 27,839 | 2.22% | $ 27,839 | |

Note: The shareholding ratio is calculated based on the total number of shares of the same type issued by the investee company; the stocks of TWSE and TPEx listed companies are expressed at the closing price at the end of the period, and the stocks of non-TWSE or non-TPEx listed companies are expressed at the estimated fair value.

Innodisk Corporation and Subsidiaries
Acquisition of real estate reaching NT$300 million or 20% of the paid-in capital or more
January 1 to December 31, 2022

Schedule 3

Expressed in Thousands of NTD
(Except as otherwise indicated)

| The company which acquired the real estate | Property name | Date of fact | Transaction amount (Note) | Payment status | Counterparty | Relationship with the endorser/ guarantor | Previous transfer information if the counterparty is a related party | | | | Reference for price determination | Purpose of acquisition and status of use | Other agreed matters |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Owner | Relationship with the Issuer | Transfer date | Amount | | | |
| Innodisk Corporation | Real estate in Xizhi District, New Taipei City | November 2021 | $ 337,346 | 2021: Paid the price of the first to the third installment totaling NT$68,802; 2022: Paid the balance of NT$268,544. Paid NT$337,346 in total. | Kingfisher Technology Corporation | - | - | - | - | - | In accordance with the contract. | For the Company's operation. | No |

Note: It refers to the total contract price and deed tax.

Innodisk Corporation and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more
January 1 to December 31, 2022

Schedule 4

Expressed in Thousands of NTD
(Except as otherwise indicated)

| | | | Transaction | | | | Differences in transaction terms of general transactions and reasons | | 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) | ($ 1,116,708) | (12%) | Net 60 | None | None | $ 139,295 | 10% | |
| Innodisk Corporation | Innodisk Shenzhen Corporation | Subsidiary | (Sales) | ( 511,711) | (6%) | Net 60 | None | None | 79,320 | 6% | |
| Innodisk USA Corporation | Innodisk Corporation | Parent company | Purchase | 1,116,708 | 19% | Net 60 | None | None | ( 139,295) | (21%) | |
| Innodisk Shenzhen Corporation | Innodisk Corporation | Parent company | Purchase | 511,711 | 9% | Net 60 | None | None | ( 79,320) | (12%) | |

Innodisk Corporation and Subsidiaries
Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more:
January 1 to December 31, 2022

Schedule 5

Expressed in Thousands of NTD
(Except as otherwise indicated)

| Companies with accounts receivable | Counterparty name | Relationship with the endorser/ guarantor | Balance of account receivable from related parties | Turnover rate | Overdue receivables: Amount | Overdue receivables: Action taken | Amount collected subsequent to the balance sheet date | Amount of recognized allowance for bad debts |
|---|---|---|---|---|---|---|---|---|
| Innodisk Corporation | Innodisk USA Corporation | Subsidiary | $ 139,295 | 5.45 | $ - | Not applicable | $ 45,890 | $ - |
| Innodisk Corporation | Innodisk Shenzhen Corporation | Subsidiary | 79,320 | 6.21 | - | Not applicable | 46,730 | - |

Innodisk Corporation and Subsidiaries
Significant inter-company transactions during the reporting periods and their business relationships.
January 1 to December 31, 2022

Schedule 6
Individual transactions less than NT$10 million will not be disclosed. Transactions which are disclosed as part of the parent company's transactions will not be disclosed again.

Expressed in Thousands of NTD
(Except as otherwise indicated)

| | | | | Status of transaction | | | |
|---|---|---|---|---|---|---|---|
| Number (Note 1) | Relationship | Counterparty | Relationship | General ledger account | Amount | Transaction terms | Percentage of consolidated total operating revenues or total assets (Note 2) |
| 0 | Innodisk Corporation | Innodisk USA Corporation | Parent company to subsidiary | Sales | $ 1,116,708 | Same with other customers | 11% |
| 0 | Innodisk Corporation | Innodisk Shenzhen Corporation | Parent company to subsidiary | Sales | 511,711 | Same with other customers | 5% |
| 0 | Innodisk Corporation | Innodisk USA Corporation | Parent company to subsidiary | Accounts receivable | 139,295 | Same with other customers | 1% |
| 0 | Innodisk Corporation | Innodisk Shenzhen Corporation | Parent company to subsidiary | Accounts receivable | 79,320 | Same with other customers | 1% |
| 0 | Innodisk Corporation | Innodisk USA Corporation | Parent company to subsidiary | Purchase | 26,916 | Same with other customers | 0% |
| 0 | Innodisk Corporation | Innodisk Japan Corporation | Parent company to subsidiary | Operating expenses | 39,434 | Same with other customers | 0% |
| 0 | Innodisk Corporation | Innodisk Europe B.V. | Parent company to subsidiary | Operating expenses | 69,944 | Same with other customers | 1% |

Note 1:The business dealing information between the parent company and its subsidiaries shall be indicated in the number field respectively. The filling method of the number is as follows:
(1). Parent company is "0".
(2). The subsidiaries are numbered in order starting from "1".
Note 2: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.
Note 3:For details of endorsements and guarantees between the parent and subsidiaries, please refer to Schedule (I) for the description of endorsements and guarantees for others.

Innodisk Corporation and Subsidiaries
Names, locations and other information of investee companies (not including investees in China)
January 1 to December 31, 2022

Schedule 7

Expressed in Thousands of NTD
(Except as otherwise indicated)

| Name of Investor | Investee | Location | Main business activities | Initial investment amount (Note 1): Balance at the end of period | Initial investment amount (Note 1): End of the previous year | Shares held as of the end of period: Number of Shares | Shares held as of the end of period: Percentage | Shares held as of the end of period: Book value | Net profit (loss) of the investee for the current period | Investment income(loss) recognized by the Company for the current period | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Innodisk Corporation | Innodisk USA Corporation | United States | Industrial embedded storage devices | $ 140,499 | $ 140,499 | 2,046,511 | 100 | $ 115,751 | $ 6,144 | $ 5,440 | |
| Innodisk Corporation | Innodisk Japan Corporation | Japan | After-sales services and support of industrial embedded storage devices | 3,533 | 3,533 | 196 | 100 | 9,767 | 1,544 | 1,506 | |
| 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 | 42,783 | 7,844 | 7,844 | |
| Innodisk Corporation | Innodisk Global-M Corporation | Mauritius | Investment holdings | 20,154 | 20,154 | 665,000 | 100 | 40,667 | (34,568 ) | (34,571 ) | |
| Innodisk Corporation | Aetina Corporation | Taiwan | Manufacturing and sales of industrial graphics cards | 24,091 | 24,091 | 19,107,283 | 74.20 | 306,394 | 122,272 | 91,108 | |
| Innodisk Corporation | Antzer Tech Co., Ltd. | Taiwan | Electronic parts and components manufacturing. | 57,133 | 57,133 | 58,400,000 | 100.00 | 32,549 | 5,787 | 4,003 | |
| Innodisk Corporation | AccelStor Inc. | Taiwan | Computers and computing peripheral equipment manufacturing | - | 225,318 | - | - | - | - | - | Note 2 |
| Innodisk Corporation | Millitronic Co.,Ltd. | Taiwan | Electronic parts and components manufacturing. | 54,157 | 54,157 | 5,415,720 | 33.55 | 6,134 | ( 11,046 ) | ( 4,366 ) | |
| Innodisk Corporation | Sysinno Technology Inc. | Taiwan | Electronic parts and components manufacturing. | 12,900 | 12,900 | 645,000 | 43.00 | 6,819 | ( 3,299 ) | ( 1,419 ) | |
| Innodisk Europe B.V. | Innodisk France SAS | France | After-sales services and support of industrial embedded storage devices | 175 | 175 | 5,000 | 100.00 | 2,166 | 1,416 | 1,416 | |
| Aetina Corporation | Aetina USA Corporation | United States | After-sales service and support for industrial graphics cards | - | - | - | 100.00 | 104 | 104 | 104 | Note 3 |
| Aetina Corporation | Aetina Europe B.V. | Netherlands | After-sales service and support for industrial graphics cards | - | - | - | 100.00 | 267 | 267 | 267 | Note 4 |

Note 1:Disclosed at the historical exchange rate
Note 2:The liquidation of AccelStor Inc. was completed on May 19, 2022,
Note 3:Aetina Corporation established the subsidiary Aetina USA Corporation in September 2021, and the capital injection has not been completed as of December 31, 2022.
Note 4:Aetina Corporation established the subsidiary Aetina Europe B.V. in January 2022, and the capital injection has not been completed as of December 31, 2022.

Innodisk Corporation and Subsidiaries
Information on investments in China - Basic data
January 1 to December 31, 2022

Schedule 8

Expressed in Thousands of NTD
(Except as otherwise indicated)

| Investee in China | Main business activities | Paid-in capital | Investment method (Note 1) | Accumulated amount of remittance from Taiwan to China | Amount remitted from Taiwan to China/Amount remitted back to Taiwan for the year | | Accumulated amount of remittance from Taiwan to China | Net profit (loss) of the investee for the current period | Ownership held by the Company (direct or indirect) | Investment income(loss) recognized by the Company for the current period (Note 2) | Net profit (loss) of the investee for the year | Accumulated amount of investment income remitted back to Taiwan | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to | Remitted back | | | | | | | |
| Innodisk Shenzhen Corporation | Industrial embedded storage devices | $18,168 (US$600 thousands) (Note 3) | 2. Innodisk Global-M Corporation | $18,168 (US$600 thousands) (Note 3) | $ - | $ - | $18,168 (US$600 thousands) (Note 3) | ( $ 34,568 ) | 100 | ( $ 34,568 ) | $ 39,309 | $ - | |

Note 1:Investment methods are classified into the following three categories; fill in the number of the category that each case belongs to:
(1). Directly invest in a company in China.
(2). Re-investment in China through a company in a third area (please specify the company in the third area)
(3). Other methods

Note 2:The investment income (loss) recognized in the current period is based on the investee company’s financial statements for the same period audited by the parent company’s independent accountants in Taiwan.

Note 3:Disclosed at the historical exchange rate

| Company name | Accumulated amount of investment remitted from Taiwan to China at the end of the period | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in China imposed by the Investment Commission of MOEA (Note 4) |
|---|---|---|---|
| Innodisk Corporation | $18,168 (US$600 thousands) (Note 5) | $18,168 (US$600 thousands) (Note 5) | $ 4,271,662 |

Note 4:The cap is 60% of the net worth in accordance with the provisions of the (90) Tai-Cai-Zheng (I) #006130 announced by the Securities and Futures Commission, Ministry of Finance on November 16, 2001.
Note 5:Disclosed at the historical exchange rate

Innodisk Corporation and Subsidiaries
Significant transactions, either directly or indirectly through a third area, with investee companies in China
January 1 to December 31, 2022

Schedule 9

Expressed in Thousands of NTD
(Except as otherwise indicated)

| | Sales (Purchases) | | Property transactions | | Accounts receivable / payable | | Notes endorsement and guarantee or provision of collateral | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investee in China | Amount | % | Amount | % | Balance | % | Balance at the end of the period | Purpose | Highest balance | Balance at the end of the period | Range of interest rate | Current interest rate | Others |
| Innodisk Shenzhen Corporation | $ 511,711 | 5% | $ - | - | $ 79,320 | 1% | $ - | - | $ - | $ - | - | $ - | - |

Innodisk Corporation and Subsidiaries
Information on major shareholders
December 31, 2022

Schedule 10

| Names of major shareholders | Shares | |
|---|---|---|
| | Number of Shares Held | Shareholding percentage |
| Rui Ding Invest Co., Ltd. | 6,687,728 | 7.72% |

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.