Innodisk Corporation and Subsidiaries
Consolidated Financial Statements and Independent Auditor's Report
Years Ended December 31,2021 and 2020

(Stock Code: 5289)

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Innodisk Corporation and Subsidiaries

Consolidated Financial Statements and Independent Auditor's Report for the Years Ended December 31, 2021 and 2020

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Innodisk Corporation

Declaration of Consolidated Financial of Affiliated Enterprises

For the year ended December 31, 2021, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the Group that is required to be included in the consolidated financial statements of affiliates, is the same as the Group required to be included in the consolidated financial statements of the parent and subsidiary companies under International Financial Reporting Standard 10. If relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Company Name: Innodisk Corporation

Responsible Person: Chien, Chuan-Sheng

February 23, 2022

Independent Auditor's Report

To the Board of Directors and Stockholders of Innodisk Corporation:

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters that, in our professional judgment, were of most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

Key audit matter –Inventory Evaluation

Description

With respect to the accounting policy for inventory valuation, please refer to Note 4 (12) of the consolidated financial statements. For the uncertainty of accounting estimates and assumptions applied in inventory valuation, please refer to Note 5 (2). For the accounting entries of inventory, please refer to Note 6 (4).

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

How our audit addressed the matter

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

1. Obtained the Group's policy applied to the assessment of allowance for valuation of inventory loss. Assessed whether the allowance recognition policy is applied in a manner consistent between comparative and current periods of the financial statements.
2. Obtained net realizable value report for inventory items and verified that a consistent systematic logic was applied to the calculation. First, tested the assumptions such as: sources of sales data and relevant supporting estimation documents. Second, recalculated net realizable value item by item, then applied the lower of cost or net realizable value method

for valuation and whether reasonable allowance was recognized.

3. Obtain an inventory aging report to conduct inventory aging test. Random sampling of inventory and compare inventory transaction records to confirm the classification of aging intervals.
4. Compared current and previous year's allowance for valuation of inventory loss and reviewed the reasonableness of allowance recognized.

Key audit matter –Existence of Sales Revenue

Description

For the accounting policy of income recognition, please refer to Note 4 (29) of the consolidated financial statements. For the description of accounting entries of sales income, please refer to Note 6 (19).

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

How our audit addressed the matter

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

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

and status of subsequent payment collection.

5. Obtain details of sales returns in the subsequent period of the top ten customers and examine the status of sales returns.

Other Matters -- Individual Financial Report

We have audited and expressed a modified opinion on the individual financial statements of the Innodisk Corporation for the years ended December 31, 2021 and 2020.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from error or fraud. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the governance unit, we determined the key audit matters for the audit of the Group's consolidated financial statements of 2021. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yeh, Tsui Miao   Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

February 23, 2022

Innodisk Corporation and Subsidiaries
Consolidated Balance Sheet
December 31, 2021 and 2020

Expressed in Thousands of NTD

	Assets	Note	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets					
1100	Cash and cash equivalents	6 (1)	$ 2,137,891	26	$ 2,260,204	36
1136	Current financial assets at amortised cost	6 (2)	600,000	8	400,000	7
1150	Notes receivable	6 (3)	1,986	-	258	-
1170	Accounts receivable, net	6 (3)	1,554,637	19	879,782	14
1180	Accounts receivable -- related parties	6 (3) and 7 (2)	2	-	72	-
1200	Other receivables		6,139	-	3,736	-
1210	Other receivables -- related parties	7 (2)	42	-	273	-
1220	Current income tax assets		494	-	777	-
130X	Inventories	6 (4)	1,664,349	20	791,673	13
1410	Prepayments		102,658	1	56,228	1
11XX	**Current Assets**		6,068,198	74	4,393,003	71
	Non-current assets					
1535	Non-current financial assets at amortized cost	6(2) and 8	10,706	-	7,706	-
1550	Investments accounted for using equity method	6 (5)	18,738	-	33,123	1
1600	Property, plant and equipment	6 (6)	1,616,786	20	1,374,994	22
1755	Right-of-use assets	6 (7)	206,101	2	213,356	3
1760	Investment property, net	6 (9)	99,351	1	102,216	2
1780	Intangible assets	6 (10)	47,137	1	28,927	-
1840	Deferred income tax assets	6 (26)	76,339	1	43,707	1
1900	Other non-current assets	6 (6)	88,082	1	20,838	-
15XX	**Non-current assets**		2,163,240	26	1,824,867	29
1XXX	**Total Assets**		$ 8,231,438	100	$ 6,217,870	100

(Continued)

Innodisk Corporation and Subsidiaries
Consolidated Balance Sheet
December 31, 2021 and 2020

Expressed in Thousands of NTD

	Liabilities and Equity	Note	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current liabilities					
2130	Current contract liabilities	6 (19)	$ 31,810	-	$ 41,011	1
2170	Accounts payable		956,657	12	565,168	9
2180	Accounts payable -- related parties	7 (2)	385	-	-	-
2200	Other payables	6 (21)	489,380	6	319,597	5
2230	Current income tax liabilities		292,912	4	114,838	2
2250	Provisions for liabilities-current	6 (15)	59,851	1	61,444	1
2280	Current lease liabilities		21,312	-	22,098	-
2320	Long-term liabilities -- current portion	6 (12)	2,193	-	2,451	-
2399	Other current liabilities, others		6,021	-	14,318	-
21XX	**Current Liabilities**		1,860,521	23	1,140,925	18
	Non-current liabilities					
2540	Long-term loans	6 (12)	140,461	2	17,860	1
2570	Deferred income tax liabilities:	6 (26)	8,279	-	-	-
2580	Non-current lease liabilities		187,265	2	192,781	3
2600	Other non-current liabilities	7 (2)	1,402	-	1,243	-
25XX	**Non-current Liabilities**		337,407	4	211,884	4
2XXX	**Total liabilities**		2,197,928	27	1,352,809	22
	Equity attributable to owners of parent					
	Share capital	6 (16)				
3110	Share capital - common stock		826,680	10	813,240	13
	Capital surplus	6 (17)				
3200	Capital surplus		1,213,829	14	1,082,702	17
	Retained earnings	6 (18)				
3310	Legal reserve		610,743	8	517,734	8
3320	Special reserve		5,438	-	4,080	-
3350	Unappropriated retained earnings		3,317,446	40	2,403,928	39
	Other equity interests					
3400	Other equity interests		(13,147)	-	(5,438)	-
31XX	**Total equity attributable to owners of parent**		5,960,989	72	4,816,246	77
36XX	**Non-controlling interest**		72,521	1	48,815	1
3XXX	**Total equity**		6,033,510	73	4,865,061	78
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total Liabilities and Equity**		$ 8,231,438	100	$ 6,217,870	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: Liao, Shu-Nu

Innodisk Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31, 2021 and 2020

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

	Item	Note	2021 Amount	2021 %	2020 Amount	2020 %
4000	Operating revenue	6 (19) and 7 (2)	$ 10,195,658	100	$ 7,152,015	100
5000	Operating costs	6 (4) and 7 (2)	(7,103,440)	(70)	(5,018,288)	(70)
5950	Gross profit before unrealized gross profit on sales to subsidiaries		3,092,218	30	2,133,727	30
	Operating expenses	6 (24) and 7 (2)				
6100	Selling expenses		(463,863)	(4)	(399,802)	(6)
6200	General and administrative expenses		(483,752)	(5)	(364,070)	(5)
6300	Research and development expenses		(194,129)	(2)	(155,922)	(2)
6450	Expected loss on credit impairment	12 (2)	(1,228)	-	(6,640)	-
6000	Total operating expenses		(1,142,972)	(11)	(926,434)	(13)
6900	Operating profit		1,949,246	19	1,207,293	17
	Non-operating income and expenses					
7100	Interest income	6 (20)	5,860	-	6,539	-
7010	Other income	6 (21) and 7 (2)	51,745	-	22,031	-
7020	Other gains and losses	6 (22)	(23,956)	-	(52,721)	(1)
7050	Finance cost	6 (23)	(2,987)	-	(2,293)	-
7060	Shares of losses of associates and joint ventures accounted for using equity method	6 (5)	(7,854)	-	(13,253)	-
7000	Total non-operating income and expenses		22,808	-	(39,697)	(1)
7900	**Profit before income tax**		1,972,054	19	1,167,596	16
7950	Income tax expense	6 (26)	(390,173)	(4)	(227,063)	(3)
8200	**Profit for the year**		$ 1,581,881	15	$ 940,533	13
	Other comprehensive income					
	Components of other comprehensive income that will be reclassified to profit or loss:					
8361	Financial statements translation differences of foreign operations		($ 7,729)	-	($ 1,358)	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		(7,729)	-	(1,358)	-
8300	**Other comprehensive loss for the period, net of tax**		($ 7,729)	-	($ 1,358)	-
8500	**Total comprehensive income for the year**		$ 1,574,152	15	$ 939,175	13
	Profit attributable to:					
8610	Owners of the parent		$ 1,560,888	15	$ 931,663	13
8620	Non-controlling interest		20,993	-	8,870	-
	Profit for the year		$ 1,581,881	15	$ 940,533	13
	Comprehensive income attributable to					
8710	Owners of the parent		$ 1,553,179	15	$ 930,305	13
8720	Non-controlling interest		20,973	-	8,870	-
	Total comprehensive income for the year		$ 1,574,152	15	$ 939,175	13
	Basic earnings per share	6 (27)				
9750	Profit for the year			$ 18.94		$ 11.46
	Diluted earnings per share	6 (27)				
9850	Profit for the year			$ 18.61		$ 11.21

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

Chairman: Chien, Chuan-Sheng Manager: Chien, Chuan-Sheng Head of Accounting: Liao, Shu-Nu

Innodisk Corporation and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2021 and 2020

Expressed in Thousands of NTD

		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	Total	Non-controlling interest	Total equity
2020										
Balance at January 1, 2020		$ 797,294	$ 1,058,681	$ 416,308	$ -	$ 2,193,268	($ 4,080)	$ 4,461,471	$ 33,549	$ 4,495,020
Profit for the year		-	-	-	-	931,663	-	931,663	8,870	940,533
Other comprehensive profit and loss for the year		-	-	-	-	-	(1,358)	(1,358)	-	(1,358)
Total comprehensive profit and loss for the year		-	-	-	-	931,663	(1,358)	930,305	8,870	939,175
Appropriations and of 2019 earnings	6 (18)									
Legal reserve		-	-	101,426	-	(101,426)	-	-	-	-
Special reserve		-	-	-	4,080	(4,080)	-	-	-	-
Stock dividends		15,946	-	-	-	(15,946)	-	-	-	-
Cash dividends		-	-	-	-	(597,971)	-	(597,971)	-	(597,971)
Share-based payment	6 (14)	-	22,864	-	-	-	-	22,864	-	22,864
Changes in net assets of the associates and joint ventures accounted for using equity method		-	-	-	-	(1,580)	-	(1,580)	-	(1,580)
Share-based remuneration for employees of subsidiaries		-	1,157	-	-	-	-	1,157	2,903	4,060
Transactions with non-controlling interests	6 (29)	-	-	-	-	-	-	-	3,493	3,493
Balance at December 31, 2020		$ 813,240	$ 1,082,702	$ 517,734	$ 4,080	$ 2,403,928	($ 5,438)	$ 4,816,246	$ 48,815	$ 4,865,061
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 (18)									
Legal reserve		-	-	93,009	-	(93,009)	-	-	-	-
Special reserve		-	-	-	1,358	(1,358)	-	-	-	-
Cash dividends		-	-	-	-	(553,003)	-	(553,003)	-	(553,003)
Share-based payment	6 (14)	-	19,973	-	-	-	-	19,973	-	19,973
Exercise of employee share options	6 (16)	13,440	111,055	-	-	-	-	124,495	-	124,495
Share-based remuneration for employees of subsidiaries		-	99	-	-	-	-	99	2,733	2,832
Balance as of December 31, 2021		$ 826,680	$ 1,213,829	$ 610,743	$ 5,438	$ 3,317,446	($ 13,147)	$ 5,960,989	$ 72,521	$ 6,033,510

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

Chairman: Chien, Chuan-Sheng Manager: Chien, Chuan-Sheng Head of Accounting: Liao, Shu-Nu

Innodisk Corporation and Subsidiaries
Consolidated Cash Flow Statement
January 1 to December 31, 2021 and 2020

Expressed in Thousands of NTD

	Note	January 1 to December 31, 2021	January 1 to December 31, 2020
Cash flow from operating activities			
Profit before income tax for the year		$ 1,972,054	$ 1,167,596
Adjustments:			
Adjustments to reconcile profit (loss)			
Depreciation charges on property, plant and equipment	6 (24)	67,274	69,865
Depreciation charges on right-of-use assets	6 (24)	28,566	24,302
Amortization charges on the intangible assets and deferred assets.	6 (24)	24,851	20,294
Depreciation charges on investment property	6 (22)	1,383	1,449
Expected loss (gain) on credit impairment	12 (2)	1,228	6,640
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	6 (4)	132,392	8,999
Loss on scrapping inventory	6 (4)	5,195	10,707
Gain on lease modification	6 (7)	(3)	(3)
Interest income	6 (20)	(5,860)	(6,539)
Interest expense	6 (23)	2,987	2,293
Compensation cost of employee stock options	6 (14)	19,973	22,864
Shares of losses of associates and joint ventures accounted for using equity method	6 (5)	7,854	13,253
Gains on revaluation of investments accounted for using equity method	6 (22)	(2,780)	-
Loss (gain) on disposal of property, plant and equipment	6 (22)	(372)	57
Gain on disposal of intangible assets	6 (22)	-	(2,842)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(1,728)	1,108
Accounts receivable, net		(674,500)	77,616
Accounts receivable -- related parties		70	4
Other receivables		(2,271)	811
Other receivables -- related parties		231	(111)
Inventories		(1,005,066)	(38,313)
Prepayments		(45,432)	(4,667)
Changes in operating liabilities			
Current contract liabilities		(10,625)	23,025
Accounts payable		390,660	135,719
Accounts payable -- related parties		138	-
Other payables		151,432	7,962
Provisions for liabilities-current		(1,593)	2,350
Other current liabilities, others		(8,343)	9,550
Cash inflow generated from operations		1,047,715	1,553,989
Interest received		5,862	6,587
Income taxes paid		(226,750)	(280,864)
Net cash flows from operating activities		826,827	1,279,712

(Continued)

Innodisk Corporation and Subsidiaries
Consolidated Cash Flow Statement
January 1 to December 31, 2021 and 2020

Expressed in Thousands of NTD

	Note	January 1 to December 31, 2021	January 1 to December 31, 2020
Cash Flow from Investing Activities			
Increase in financial assets at amortized cost - current		($ 200,000)	($ 250,000)
Acquisition of investments accounted for using equity method	6 (5)	-	(19,000)
Proceeds from disposal of investments accounted for using equity method	6 (29)	-	3,493
Acquisition of property, plant and equipment	6 (30)	(292,133)	(33,258)
Disposal of property, plant and equipment		460	-
Increase in refundable deposits		(732)	(7,584)
Decrease in refundable deposits		250	1,108
Acquisition of intangible assets	6 (10)	(24,564)	(13,342)
Proceeds from disposal of intangible assets		-	26,652
Increase in pledged time deposits		(3,000)	-
Net cash flow from acquisition of subsidiaries	6 (28)	(12,882)	-
Increase in prepayments for equipment		(68,802)	(2,656)
Increase in the other non-current assets		(13,223)	(12,839)
Net cash used in investing activities		(614,626)	(307,426)
Cash Flow from Financing Activities			
Proceeds from long-term debt	6 (31)	126,680	-
Repayment of long-term debt	6 (31)	(2,321)	(2,360)
Increase in guarantee deposits received	6 (31)	524	601
Decrease in guarantee deposits received	6 (31)	(332)	(709)
Cash dividends paid	6 (31)	(553,003)	(597,971)
Exercise of employee share options		124,495	-
Interest paid		(2,968)	(2,269)
Payment of lease liabilities	6 (31)	(28,110)	(23,390)
Net cash used in financing activities		(335,035)	(626,098)
Effects of changes in foreign exchange rates		521	9,388
Increase (decrease) in cash and cash equivalents		(122,313)	355,576
Cash and cash equivalents at beginning of year		2,260,204	1,904,628
Cash and cash equivalents at end of year		$ 2,137,891	$ 2,260,204

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

Chairman: Chien, Chuan-Sheng Manager: Chien, Chuan-Sheng Head of Accounting: Liao, Shu-Nu

Innodisk Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended December 31, 2021 and 2020

Expressed in Thousands of NTD
(Except as otherwise indicated)

I. Company history

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

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on February 23, 2022.

III. Application of new standards, amendments, and interpretations

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

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

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

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

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

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

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

New/Amended/Revised Standards and Explanations	Effective date of issuance by IASB
Amendment to IFRS 3 "Index to conceptual framework"	January 1, 2022
Amendment to IAS 16 "Property, plant and equipment: price before reaching the intended state of use"	January 1, 2022
Amendment to IAS 37 "Onerous Contracts - Cost of Performing Contracts"	January 1, 2022
Annual improvement of the 2018 ~ 2020 cycle	January 1, 2022

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

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

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

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

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

IV. Summary of significant accounting policies

The principal accounting 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 "Rules Governing the Preparation of Financial Statements by Securities Issuers," International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (hereinafter collectively referred to as the "IFRSs").

(II) Basis of preparation

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

(III) Basis of consolidation

1. The basis for preparation of consolidated financial statements

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

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

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

(4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent

losing control of the subsidiary (transactions with non-controlling interests) are equity transactions, and they are considered as transactions with owners in their capacity as owners. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is directly recognized in equity.

2. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activity	Percentage of Equity Holdings December 31, 2021	Percentage of Equity Holdings December 31, 2020	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	Note 1
Innodisk Corporation	Aetina Corporation	Manufacturing and sales of industrial graphics cards	74.78	75.63	Note 2 Note 3
Innodisk Global-M Corporation	Innodisk Shenzhen Corporation	Industrial embedded storage devices	100	100	
Innodisk Europe B.V.	Innodisk France SAS	After-sales services and support of industrial embedded storage devices	100	-	Note 4
Innodisk Corporation	Antzer Tech Co., Ltd.	Electronic parts and components manufacturing.	100	31.89	Note 5
Aetina Corporation	Aetina USA Corporation	After-sales service and support for industrial graphics cards	100	-	Note 6

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

Note 2: Aetina Corporation was approved by the shareholder meeting on May 4, 2021 to issue 200,000 shares as a capital increase for employees' remuneration and August 16, 2021 was the base date of capital increase, with the Company's shareholding dropping to 74.78%.

Note 3: Aetina Corporation was approved by the shareholder meeting on May 28, 2020 to issue 200,000 shares as a capital increase for employees' remuneration and August 31, 2020 was the base date of capital increase, with the Company's shareholding dropping to 77.54%. In the third quarter of 2020, the Company sold its equity interest in Aetina Corporation, and the Company's shareholding decreased to 75.63%.

Note 4: Innodisk Europe B.V. established a subsidiary, Innodisk France SAS, in January 2021.

Note 5: The Company acquired Antzer Tech Co., Ltd. on May 18, 2021 in the amount of NT$19,889, raising the shareholding from the original 31.89% to 100%; thus, it has been included in the consolidated entities since the date of acquisition.

Note 6: Aetina Corporation established the subsidiary Aetina USA Corporation in September 2021, and the capital injection has not been completed as of December 31, 2021.

Note 7: The 2021 and 2020 financial reports of the major subsidiary, Innodisk USA Corporation and other non-major subsidiaries which are listed as consolidated entities in 2021 and 2020 have been audited by the accountant of the Company.

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

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

5. Significant restrictions: none.

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

(IV) Foreign currency translation

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

1. Foreign currency transactions and balances

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

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

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

(4) All foreign exchange gains and losses are presented in the statement of consolidated

comprehensive income within “Other gains and losses.”

2. Translation of foreign operations

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

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

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

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

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

(V) Classification of current and non-current items

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

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

(2) Assets held mainly for trading purposes.

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

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

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

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

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

(2) Assets held mainly for trading purposes.

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

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

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

(VI) Cash equivalents

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

(VII) Financial assets measured at amortized cost

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

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

   (2) The assets' contractual cash flows solely represent payments of principal and interest.

2. On a regular way purchase or sale basis, financial assets measured at amortized cost are recognized and de-recognized using trade date accounting.

3. The Group measures financial assets at fair value plus transaction costs in the initial recognition. The financial assets are subsequently amortized by the effective interest rate during the circulation to recognize interest income and impairment loss. The profits or losses are recognized in the profit and loss when the assets are derecognized.

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

(VIII) Accounts and notes receivable

1. Refers to accounts and notes that have been unconditionally charged for the right to exchange the value of the consideration due to the transfer of goods or services.

2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(IX) Impairment of financial assets

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

(X) De-recognition of financial assets

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

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

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

(XII) Inventories

Inventories are measured at the lower of cost or net realizable value, and the cost is determined by weighted-average method. The cost of finished goods and work-in-progress comprises raw materials, direct labor, other direct costs and related production overheads, but excludes borrowing costs. At the end of year, inventories are evaluated at the lower of cost or net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable costs of completion and selling expenses.

(XIII) Investments accounted for under equity method -- Associates

1. Associates refer to entities over which the Group has significant influence but is not in control. In general, the associates may have more than 20% of their voting shares directly or indirectly owned by the Group. The Group accounts for its investment in associates using the equity method, and the investment is initially recognized at cost.

2. The Group recognizes the profit and loss upon the acquisition of associates as the current profit and loss. Other comprehensive profit and loss after the acquisition are recognized as the other comprehensive profit and loss. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group will not recognize further losses, unless it has incurred legal or constructive obligations or make payments on behalf of the associate.

3. If an associate has changes in equity not from profit or loss or other comprehensive income, and such changes do not affect the Group's shareholding in the associate, the Group will recognize all changes in equity as "capital surplus" according to the shareholding percentage.

4. Unrealized gains on transactions between the Group and associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

5. In the event that an associate issues new shares and the Group does not subscribe to or acquire the new shares in proportion, which results in a change to the Group's shareholding percentage but the Group maintains a significant influence on the associate, the increase or decrease of the Group's share of equity interest is the adjustment of "capital surplus" and "investments accounted for under the equity method." If the investment percentage is reduced, in addition to the above adjustments, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionally on the same basis as would be required if the relevant assets or liabilities were disposed of.
6. When the Group loses its significant influence on an associate, the remaining investment in said associate is re-measured at fair value, and the difference between the fair value and the book value is recognized as profit or loss in the current period.
7. When the Group disposes of an associate, if it loses the significant influence on the associate, all amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses the significant influence on an associate, all gains or losses previously recognized in other comprehensive income in relation to the associate should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of. If the Group still has a significant influence on the associate, only the amount recognized in other comprehensive income previously will be transferred out in the manner above on a pro-rata basis.
8. When the Group disposes of an associate, if it loses the significant influence on the associate accordingly, the capital surplus related to the associate will be reclassified to profit or loss; if it still has a significant influence on the associate, the capital surplus will be reclassified to profit or loss according to the percentage of the disposal.

(XIV) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from the previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," from the date of the change.

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

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

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

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

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

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

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

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

4. For lease modifications that decrease the scope of the lease, the lessee shall decrease the

carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognizes the difference in profit or loss.

(XVI) Investment property

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

(XVII) Intangible assets

1. Computer software

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

2. Trademarks and patent rights

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

3. Goodwill

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

(XVIII) Impairment of non-financial assets

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

(XIX) Borrowings

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

(XX) Accounts and notes payable

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

(XXI) De-recognition of financial liabilities

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

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

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

(XXIII) Provisions

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

(XXIV) Employee benefits

1. Short-term employee benefits

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

2. Pension

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

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

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

(XXV) Employee share-based payment

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

(XXVI) Income tax

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

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

4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

5. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities. They are levied by the same taxation authority on either the same entities or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXVII) Share capital

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

(XXVIII) Dividend distribution

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

(XXIX) Revenue recognition

1. Our Group develops, manufactures and sells various products related to industrial storage devices and memory modules. Sales revenue is recognized when the control of products is transferred to customers. That is, once products are delivered to customers, the customers have discretion on the channel and price of product sales, and the Group has no outstanding performance obligations that may affect customers' acceptance of the products. The delivery of products occurs when products are shipped

to a designated location and the risk of obsolescence and loss has been transferred to customers, and the customers accept the products in accordance with the sales contract or have objective evidence that all criteria have been met.

2. The payment terms of sales transactions are usually payment in advance or net 30 to 90. With respect to the contracts signed between the Group and customers, the time interval between the transfer products or services promised to customers and the customers' payment has not exceeded one year, so the Group has not adjusted the transaction price to reflect the time value of money.

3. Sales revenue is recognized as the net from subtracting sales discounts from the contract price. The Group estimates possible sales discounts based on past experience and different contract conditions, and recognizes the refund liabilities accordingly.

4. The Group provides warranty for products sold, and has the obligation to repair product defects, which are recognized as liability provisions when goods are sold.

5. Accounts receivable are recognized when goods are delivered to customers. The Group has unconditional rights to the contract price, and will be able to collect the amount from the customers after the time has passed.

(XXX) Government grants

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

(XXXI) Business combinations

1. The Group adopts the acquisition method to account for business combinations. The consideration transferred for a combination is measured as the fair value of the assets transferred, the liabilities incurred or assumed, and the equity instruments issued at the acquisition. The consideration for the transfer includes the fair value of any assets and liabilities arising from contingent consideration agreements. All acquisition-related costs related are expensed as incurred. The identifiable assets acquired and liabilities assumed in a business combination are measured at fair value at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-

controlling interests should be measured at the acquisition-date fair value.

2. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(XXXII) Operating segments

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

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

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

(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.

As of December 31, 2021, the book value of the Group's Inventories was NT$1,664,349.

VI. Statements of main accounting items

(I) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash:		
Cash on hand and revolving funds	$ 921	$ 919
Checking deposits and demand deposits	1,971,470	1,605,785
Cash equivalents:		
Time deposits	165,500	653,500
	$ 2,137,891	$ 2,260,204

1. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

2. For the status on the Group providing pledged collaterals with cash and cash equivalents which have been reclassified to other non-current assets, please refer to the details in Note 8.

(II) Financial assets measured at amortized cost

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

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

	2021	2020
Interest income	$ 2,472	$ 2,004

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

(III) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	$ 1,986	$ 258
Less: Loss allowance	-	-
	$ 1,986	$ 258
Accounts receivable	$ 1,557,082	$ 880,988
Accounts receivable - related parties	2	72
	1,557,084	881,060
Less: Loss allowance	(2,445)	(1,206)
	$ 1,554,639	$ 879,854

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

2. As of December 31, 2021 and 2020, notes receivable and accounts receivable were from contracts with customers. The balance of notes and accounts receivable as of January 1, 2020 was NT$966,049.

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

(IV) Inventories

	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

	December 31, 2020		
	Cost	Loss allowance for falling prices	Book value
Raw materials	$ 525,617	($ 72,296)	$ 453,321
Work in process	143,562	(6,790)	136,772
Finished products	179,745	(8,176)	171,569
Products	34,157	(4,146)	30,011
	$ 883,081	($ 91,408)	$ 791,673

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

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

	2021	2020
Cost of inventory sold	$ 6,934,892	$ 4,968,830
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	132,392	8,999
Loss on scrapping of inventory	5,195	10,707
Others	30,961	29,752
	$ 7,103,440	$ 5,018,288

(V) Investments accounted for using equity method

	December 31, 2021		December 31, 2020	
	Amount	Shareholding percentage	Amount	Shareholding percentage
Affiliates:				
AccelStor Inc.	$ -	40.37%	$ -	40.37%
Millitronic Co., Ltd.	10,501	33.55%	18,232	33.55%
Antzer Tech Co., Ltd.	-	-	4,751	31.89%
Sysinno Technology Inc.	8,237	43.00%	10,140	43.00%
	$ 18,738		$ 33,123	

For the years ended December 31, 2021 and 2020, the Group's share of (losses) profits from affiliates recognized under the equity method was NT$(7,854) and NT$(13,253), respectively, based on the financial statements audited by the Company's independent accountants.

1. AccelStor Inc.

As of December 31, 2021, the Group adopted the equity method to recognize the losses of

AccelStor Inc. to reduce the balance of book value to zero.

2. Millitronic Co., Ltd.

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

3. Antzer Tech Co., Ltd.

Antzer Tech Co., Ltd. has been included in the consolidated entities since May 18, 2021.

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

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

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

(VI) Property, plant and equipment

2021	Land	Buildings and construction	Machines and equipment	Office equipment	Unfinished construction and equipment pending acceptance	Others	Total
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

	2020						
	Land	Buildings and construction	Machines and equipment	Office equipment	Unfinished construction and equipment pending acceptance	Others	Total
January 1							
Cost	$ 521,007	$ 763,876	$ 216,662	$ 32,177	$ -	$ 56,332	$ 1,590,054
Accumulated depreciation and impairments		(61,987)	(102,111)	(13,824)	-	(38,141)	(216,063)
	$ 521,007	$ 701,889	$ 114,551	$ 18,353	$ -	$ 18,191	$ 1,373,991
January 1	$ 521,007	$ 701,889	$ 114,551	$ 18,353	$ -	$ 18,191	$ 1,373,991
Addition	-	1,000	10,930	2,173	-	7,650	21,753
Reclassification	7,773	42,993	381	-	-	-	51,147
Disposal	-	-	(2)	(55)	-	-	(57)
Depreciation expense	-	(26,082)	(31,109)	(5,786)	-	(6,888)	(69,865)
Net exchange difference	(492)	(1,484)	2	5	-	(6)	(1,975)
December 31	$ 528,288	$ 718,316	$ 94,753	$ 14,690	$ -	$ 18,947	$ 1,374,994
December 31							
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

1. Please refer to note 8 for the information on the guarantee provided by the Group with its property, plant and equipment as of December 31, 2021.
2. As of December 31, 2020, the Group had not provided property, plant and equipment as pledged collaterals.
3. The Group had no capitalization of interest for property, plant and equipment in 2021 and 2020.
4. The abovementioned property, plant and equipment are all held and used by the Group.
5. As of December 31, 2021 and 2020, the Group's prepayments for business facilities (recognized in "Other non-current assets") that have not been reclassified were NT$68,802 and NT$5,845, respectively.

(VII) Leasing arrangements - lessee

1. The underlying assets leased by the Group include land, buildings and company vehicles. Leasing contracts for buildings and company vehicles are typically made for periods of 1 to 4 years. The land for the plant site in Taiwan is leased from Hsinchu Science Park, and the lease period is 50 years. Lease contracts are negotiated separately and include a variety of terms and conditions. There are no restrictions for the leased assets, except that they cannot be used as loan collateral.

2. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	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

	Land	Buildings	Company vehicles	Total
January 1, 2020	$ 102,914	$ 26,834	$ 3,035	$ 132,783
Addition	86,431	17,162	2,420	106,013
Early termination of leases	-	(1,266)	-	(1,266)
Depreciation expense	(3,959)	(17,693)	(2,650)	(24,302)
Effects of changes in foreign exchange rates	-	117	11	128
December 31, 2020	$ 185,386	$ 25,154	$ 2,816	$ 213,356

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

Items affecting current profit and loss	2021	2020
Interest expenses on lease liabilities	$ 2,586	$ 2,005
Lease modification loss (gain)	(3)	(3)

4. In addition to the cash outflow for lease related expenses mentioned in Note 6(7)3. above, the Group had cash outflows of NT$28,110 and NT$23,390 for the years ended December 31, 2021 and 2020, respectively, due to principal repayment of lease liabilities.

5. Options to extend or terminate leases

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

(VIII)Leasing arrangements - lessor

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

2. The gain recognized by the Group based on the operating lease contracts are as follows:

	2021	2020
Rental income (including rental income from investment property)	$ 5,676	$ 6,856

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

	December 31, 2021	December 31, 2020
2021	$ -	$ 5,096
2022	5,196	1,104
2023	1,082	552
	$ 6,278	$ 6,752

(IX) Investment property

2021	Land	Buildings and construction	Total
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

2020	Land	Buildings and construction	Total
January 1			
Cost	$ 81,860	$ 43,990	$ 125,850
Accumulated depreciation and impairments	-	(9,924)	(9,924)
	$ 81,860	$ 34,066	$ 115,926
January 1	$ 81,860	$ 34,066	$ 115,926
Reclassification	(7,773)	(5,069)	(12,842)
Depreciation expense	-	(1,449)	(1,449)
Net exchange difference	250	331	581
December 31	$ 74,337	$ 27,879	$ 102,216
December 31			
Cost	$ 74,337	$ 38,244	$ 112,581
Accumulated depreciation and impairments	-	(10,365)	(10,365)
	$ 74,337	$ 27,879	$ 102,216

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

	2021	2020
Rental income from investment property	$ 5,002	$ 5,793
Direct operating expenses incurred by investment property that generates rental income for the period	$ 2,008	$ 2,425

2. The fair value of the investment property held by the Group as of December 31, 2021 and 2020 were NT$155,848 and NT$137,028, respectively. The abovementioned fair value is obtained from the market price assessment and actual transaction price of similar properties in the vicinity of the relevant assets, and the fair value is for Level 3 assets.

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

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

(X) Intangible assets

	2021				
	Patent	Computer software	Trademark rights	Goodwill	Total
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 - acquired separately	-	24,564	-	-	24,564
Additions- business merger	6,000	-	3,000	-	9,000
Amortization expenses	(1,333)	(13,069)	(667)	-	(15,069)
Net exchange difference	-	-	-	(285)	(285)
December 31	$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

	2020			
	Patent	Computer software	Goodwill	Total
January 1				
Cost	$ -	$ 39,871	$ 12,205	$ 52,076
Accumulated amortization and impairments	-	(27,709)	-	(27,709)
	$ -	$ 12,162	$ 12,205	$ 24,367
January 1	$ -	$ 12,162	$ 12,205	$ 24,367
Additions - acquired separately	-	13,342	-	13,342
Disposal	(23,810)	-	-	(23,810)
Reclassification	23,810	-	-	23,810
Amortization expenses	-	(8,248)	-	(8,248)
Net exchange difference	-	-	(534)	(534)
December 31	$ -	$ 17,256	$ 11,671	$ 28,927
December 31				
Cost	$ -	$ 53,213	$ 11,671	$ 64,884
Accumulated amortization and impairments	-	(35,957)	-	(35,957)
	$ -	$ 17,256	$ 11,671	$ 28,927

1. Breakdown of intangible assets amortization:

	2021	2020
Operating costs	$ 1,100	$ 842
Selling expenses	167	57
General and administrative expenses	7,536	4,198
Research and development expenses	6,266	3,151
	$ 15,069	$ 8,248

2. Goodwill is allocated to cash-generating units:

	December 31, 2021	December 31, 2020
Innodisk USA Corporation	$ 9,855	$ 10,141
Others	1,531	1,530
	$ 11,386	$ 11,671

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

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

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

4. As of December 31, 2021 and 2020, the Group had not provided intangible assets as pledged collaterals.

(XI) Other payables

	December 31, 2021	December 31, 2020
Payroll and bonus payable	$ 259,309	$ 175,663
Employees' remuneration and directors' and supervisors' remuneration payable	130,796	82,696
Accrued expenses	69,540	47,198
Payable on equipment	16,348	-
Others	13,387	14,040
	$ 489,380	$ 319,597

(XII) Long-term loans

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%	Land and buildings	90,000
Chinatrust Commercial Bank unsecured loan	The borrowing period is from November 24, 2021 to November 24, 2041; the grace period for the principal is two years, and the interest is paid monthly.	1.09%	No	36,680
				142,654
Less: Long-term loans due within one year or one business cycle				(2,193)
				$ 140,461

Type of borrowing	Borrowing period and payment method	Range of interest rate	Collateral	December 31, 2020
Borrowing with installment repayments				
Innodisk Europe B.V.				
Chinatrust Commercial Bank credit loan	The borrowing period is from December 10, 2018 to December 10, 2023; the principal is amortized annually and the interest is paid quarterly.	1.15%	No	$ 14,007
Chinatrust Commercial Bank credit loan	The borrowing period is from March 15, 2019 to March 15, 2024; the principal is amortized annually and the interest is paid quarterly.	1.15%	No	6,304
				20,311
Less: Long-term loans due within one year or one business cycle				(2,451)
				$ 17,860

Please refer to Note 6 (23) for the interest expense recognized in profit or loss by the Group.

(XIII) Pensions

1. The Company and its domestic subsidiaries have established a defined contribution pension plan under the Labor Pension Act covering all regular employees with domestic citizenship. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

2. The overseas subsidiary Innodisk Global-M Corporation has not established an employee pension plan, and the local laws do not have mandatory requirements. Innodisk USA Corporation, Innodisk Europe B.V. and Innodisk Japan Corporation have adopted a defined contribution pension plan which allocates a certain percentage of the monthly total salary of local employees as the pensions. The Company has no further obligations except for the monthly allocation.

3. Innodisk Shenzhen Corporation allocates a certain percentage of the monthly total salary of local employees as the pensions in accordance with the pension system stipulated by the government of the People's Republic of China. The pension of each employee is coordinated and arranged by the government. Other than the monthly contributions, the Group has no further obligations.

4. For 2021 and 2020, the pension costs recognized by the Group in accordance with the pension measures were NT$32,493 and NT$28,187, respectively.

(XIV) Share-based payment

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

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

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

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

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

	2021		2020	
	Number of stock options (thousand shares)	Weighted average exercise price (NT$)	Number of stock options (thousand shares)	Weighted average exercise price (NT$)
Options outstanding as of January 1	3,000	92.80	3,000	92.80
Stock options granted in this period	-	-	-	-
Free allotment of additional shares or adjustment of the number of subscribed shares	-	-	-	-
Stock options foregone in this period	(38)	92.80	-	-
Stock options exercised in this period	(1,344)	92.63	-	-
Stock options expired in this period	-	-	-	-
Stock options outstanding as of December 31	1,628	89.80	3,000	92.80
Stock options exercisable as of December 31	156		-	

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

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

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

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

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

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

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

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

(XV) Provisions

	2021	2020
Balance on January 1	$ 61,444	$ 59,094
Provision for liabilities used in the period	(7,968)	(18,692)
Provision for liabilities added in this period	6,375	21,042
Balance on December 31	$ 59,851	$ 61,444

The analysis of provisions is as follows:

	December 31, 2021	December 31, 2020
Current	$ 59,851	$ 61,444

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

(XVI) Share capital

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

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

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

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

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

(XVII) Capital surplus

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

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

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

(XVIII) Retained earnings

1. According to the Company's Articles of Incorporation, the surplus income after the final accounts is distributed to the following accounts in their respective order:

   (1) Withholding taxes.

   (2) Make up for past losses.

   (3) Allocate 10% as legal reserve. If the legal reserve has reached the total share capital, no further allocations will be conducted. Special reserve is then allocated or reversed in accordance with the law or regulations of the authority.

   (4) With respect to the balance and the accumulated undistributed surplus of the previous year, the board proposes a surplus distribution to the shareholders meeting for resolution.

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

3. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purposes. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

4. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

5. The Company's distribution of profits

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

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

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

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

(XIX) Operating revenue

1. Segmentation of revenue from contracts with customers

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

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

	Industrial storage devices and memory modules					
2020	Taiwan	Asia	Americas	Europe	Others	Total
Revenue from contracts with customers	$ 2,005,174	$ 2,522,618	$ 1,209,066	$ 1,340,936	$ 74,221	$ 7,152,015

2. Contract liabilities

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

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities - Product sales contracts	$ 31,810	$ 41,011	$ 17,986

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

	2021	2020
Product sales contracts	$ 40,577	$ 12,987

(XX) Interest income

	2021	2020
Interest on bank deposits	$ 3,380	$ 4,526
Interest income on financial assets at amortized cost	2,472	2,004
Other interest income	8	9
	$ 5,860	$ 6,539

(XXI) Other income

	2021	2020
Government grants (note)	$ 40,547	$ 3,941
Rental income	5,676	6,856
Others	5,522	11,234
	$ 51,745	$ 22,031

Note: Due to the applicable local government subsidy policy related to COVID-19, Innodisk USA Corporation, a subsidiary of the Company, recognized a subsidy of NT$37,699 andNT$0 in 2021 and 2020, respectively.

(XXII) Other gains and losses

	2021	2020
Net foreign exchange gain (loss)	($ 25,264)	($ 53,641)
Gain (loss) on disposal of property, plant and equipment	372	(57)
Gain (loss) on disposal of intangible assets	-	2,842
Gains on revaluation of investments accounted for using equity method	2,780	-
Depreciation charges on investment property	(1,383)	(1,449)
Others	(461)	(416)
	($ 23,956)	($ 52,721)

(XXIII) Finance cost

	2021	2020
Interest expense on bank borrowings	$ 401	$ 288
Interest expenses on lease liabilities	2,586	2,005
	$ 2,987	$ 2,293

(XXIV) Expenses by nature

	2021	2020
Employee benefits expense	$ 1,169,023	$ 927,728
Depreciation charges on property, plant and equipment	$ 67,274	$ 68,965
Depreciation charges on right-of-use assets	$ 28,566	$ 24,302
Amortization charges on the intangible assets and deferred assets.	$ 24,851	$ 20,294

(XXV) Employee benefits expense

	2021	2020
Payroll expenses	$ 989,278	$ 774,616
Employee stock options	19,973	22,864
Labor and health insurance fees	70,156	55,213
Pension costs	32,493	28,187
Directors' remuneration	20,821	14,319
Other employee benefit expenses	36,302	32,079
	$ 1,169,023	$ 927,278

1. According to the Company's Articles of Incorporation, the no more than 2% of the net profit before tax is allocated as remunerations for directors and supervisors and no less than 3% of the net profit before tax is allocated as employees' bonuses when distributing profits.

2. For the years ended December 31, 2021 and 2020, the estimated amount of employees' remuneration was NT$105,000 and NT$66,270, respectively; the estimated amount of directors' and supervisors' remuneration was NT$18,400 and NT$12,000, respectively; the aforementioned amounts were recorded as salary expenses.

   The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 5.14% and 0.9% of the Company's profit of 2021, respectively.

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

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

(XXVI) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2021	2020
Current income tax:		
Income tax arising from income of the current period	$ 292,418	$ 114,061
Amount of income tax not refunded (paid) in the previous year	(308)	3,164
Tax overestimate in the previous year	(11,825)	(21,587)
Withholding and provisional tax	124,822	138,388
Additional tax on undistributed earnings	(14,215)	(14,915)
Total current income tax	390,892	219,111
Deferred income tax:		
Origination and reversal of temporary differences	(14,907)	(2,920)
Others:		
Additional tax on undistributed earnings	14,215	14,915
Effects of changes in foreign exchange rates	(27)	(4,043)
Income tax expense	$ 390,173	$ 227,063

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

2. Reconciliation between income tax expense and accounting profit

	2021	2020
Income tax calculated based on profit before tax and statutory tax rate (note)	$ 415,047	$ 244,682
Impact of income tax of investment tax credits	(16,000)	(8,000)
Unrealized investment loss on domestic operations	(11,004)	(3,312)
Impact that cannot be recognized according to laws and regulations	(421)	-
Tax overestimate in the previous year	(11,859)	(21,587)
Additional tax on undistributed earnings	14,215	14,915
Others	195	365
Income tax expense	$ 390,173	$ 227,063

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

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

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

	2020		
	January 1	Recognized in profit or loss	December 31
Deferred income tax assets:			
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	$ 15,686	$ 1,931	$ 17,617
Deferred unrealized sales benefits	4,032	(283)	3,749
Provisions for after-sales services	11,819	470	12,289
Attendance bonus	1,477	621	2,098
Fiscal and tax difference in lease accounting	115	(115)	-
Unrealized investment loss on foreign operations	4,933	(2,055)	2,878
Unrealized exchange loss	2,725	(1,501)	1,224
Tax loss	-	3,852	3,852
Total	$ 40,787	$ 2,920	$ 43,707

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

As for the consolidated subsidiary, Aetina Corporation, the income tax returns through 2019 also have been assessed and approved by the Tax Authority.

As for the consolidated subsidiary, Antzer Tech Co.,Ltd., the income tax returns through 2019 have also been assessed and approved by the Tax Authority.

(XXVII) Earnings per share

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

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

(XXVIII) Business combinations

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

	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 the year would be NT$10,199,564 and NT$1,966,409, respectively.

(XXIX) Transactions with non-controlling interests

Disposal of additional equity interests in a subsidiary (without loss of control)

On September 25, 2020, the Group received NT$3,493 in cash for the disposal of 270,000 shares of Aetina Corporation. The effect of the change in equity of Aetina Corporation in 2020 on the equity attributable to shareholders of the parent company is as follows:

	2020
Consideration received for disposal of non-controlling interests	$ 3,493
Increase in book value of non-controlling interests	(3,493)
Capital surplus - difference between the proceeds from disposal of equities in subsidiaries and the book value	$ -

(XXX) Supplemental cash flow information

1. Investing activities with partial cash payments:

	2021	2020
Purchase of property, plant and equipment	$ 308,481	$ 21,753
Add: Opening balance of payable on equipment	-	11,505
Less: Ending balance of payable on equipment	(16,348)	-
Cash paid during the year	$ 292,133	$ 33,258

2. Financing activities with no cash flow effects:

	2021	2020
Stock dividends	$ -	$ 15,946

(XXXI) Changes in liabilities from financing activities

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

	2020			
	Other payables - Cash dividends payable	Long-term loans (including current portion)	Lease liabilities (current/non-current)	Guarantee deposit received
January 1	$ -	$ 21,833	$ 133,525	$ 1,339
Repayment of borrowings	-	(2,360)	-	-
Declared cash dividends	597,971	-	-	-
Cash dividends paid	(597,971)	-	-	-
Payment of lease liabilities	-	-	(23,390)	-
Other non-cash transactions	-	-	(104,744)	-
Increase in guarantee deposits received	-	-	-	601
Decrease in guarantee deposits received	-	-	-	(709)
Impact of changes in foreign exchange rates	-	838	-	12
December 31	$ -	$ 20,311	$ 214,879	$ 1,243

VII. Related-party transactions

(I) Related parties' names and relationships

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.	2021: The Group acquired the control in the second quarter of 2021 and it became a subsidiary of the Group. Therefore, the disclosure of the transactions before the control was acquired was made. 2020: An entity on which the Group has a significant influence
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
Key management of Aetina Corporation	Subsidiary's key management and governance unit

(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:

	2021	2020
An entity over which the Group has significant influence	$ 362	$ 406

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, 2021	December 31, 2020
An entity over which the Group has significant influence	$ 2	$ 72

2. Purchase transaction

(1) Operating costs

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

	2021	2020
An entity over which the Group has significant influence	$ 349	$ -
Other related parties	312	101
	$ 661	$ 101

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

(2) Accounts payable

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

	December 31, 2021	December 31, 2020
An entity over which the Group has significant influence	$ 238	-
Other related parties	147	-
	$ 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:

	2021	2020
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:

	2021		2020	
	Rental income	Other income	Rental income	Other income
An entity over which the Group has significant influence	$ 127	$ 779	$ 544	$ 2,065

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

(2) Other receivables

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

	December 31, 2021	December 31, 2020
An entity over which the Group has significant influence	$ 42	$ 273

(3) Other non-current liabilities

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

	December 31, 2021	December 31, 2020
An entity over which the Group has significant influence	$ -	$ 95

5. Transactions with non-controlling interests

In the third quarter of 2020, the Group sold part of the shares of Aetina Corporation to the Group's key management, as described in Note 6(29).

6. Property transactions

Acquisition of financial assets

Assets acquired	Accounts	Number of shares traded	Subject of transaction	2021 Price of acquisition
Antzer Tech Co., Ltd.	Note	3,802,072	Common stock	$ 1,901

Note: The Group acquired Antzer Tech Co., Ltd. on May 18, 2021; the shares acquired increased from 31.89% to 100%, and it is listed as a subsidiary. Please refer to note 6 (28) for details.

Assets acquired	Accounts	Number of shares traded	Subject of transaction	2020 Price of acquisition
Millitronic Co.,Ltd.	Investments accounted for using equity method	1,900,000	Common stock	$ 19,000

(III) Compensation of key management personnel

	2021	2020
Short-term employee benefits	$ 72,245	$ 64,409
Post-employment benefits	745	422
Share-based payment	4,228	4,382
	$ 77,218	$ 69,213

VIII. Pledged assets

Assets pledged by the Group as collateral are as follows:

Assets	Book value December 31, 2021	Book value December 31, 2020	Purpose of guarantee
Other non-current assets - pledge of time deposits	$ 10,706	$ 7,706	Provide pledged time deposits for lease and customs tax guarantee
Land and buildings	156,159	-	Long-term loans
	$ 166,865	$ 7,706	

IX. Significant contingent liabilities and unrecognized contract commitments

(I) Major contingent liabilities

Not applicable.

(II) Significant unrecognized contract commitments

1. The endorsements and guarantees provided by the Company for the bank borrowings to

subsidiaries were NT$21,924 and NT$89,450 as of December 31, 2021 and 2020, respectively.

2. Capital expenditures with contracts signed that have not yet been incurred

	December 31, 2021	December 31, 2020
Property, plant and equipment	$ 268,544	$ -

It is the contractual commitment of the Company to purchase the real estate in Xizhi District, New Taipei City, for NT$268,544.

X. Losses due to major disasters

Not applicable.

XI. Significant events after the balance sheet date

(1) The appropriation of 2021 earnings was resolved by the board meeting on February 23, 2022. Details are summarized in Note 6 (18).

(2) On November 5, 2021, the Company's board meeting passed the resolution to purchase the factory office at "Taiwan Science Park" in Xizhi District, New Taipei City, for operation expansion. The total transaction price is NT$337,346, and NT$68,802 (listed as "other non-current assets") has been prepaid. On January 13, 2022, the Company obtained the property right of the factory office and paid the remaining balance.

(3) On January 24, 2022, the Company's board meeting resolved to build a plant in Yilan Park of Hsinchu Science Park by commissioned construction on leased land, with a total contract amount of NT$579,500.

XII. Others

(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 2021 as in 2020. For the years ended December 31, 2021 and 2020, the Group's debt-to-capital ratios were 27% and 22%, respectively.

(II) Financial instruments

1. Types of financial instrument

		December 31, 2021		December 31, 2020
Financial Assets				
Financial assets measured at amortized cost				
Cash and cash equivalents	$	2,137,891	$	2,260,204
Time deposits due in more than three months		600,000		400,000
Notes receivable		1,986		258
Accounts receivable		1,554,637		879,782
Accounts receivable -- related parties		2		72
Other receivables		6,139		3,736
Other receivables - related parties		42		273
Pledged time deposits		10,706		7,706
Other non-current assets -- refundable deposits		4,571		3,989
	$	4,315,974	$	3,556,020

		December 31, 2021		December 31, 2020
Financial Liabilities				
Financial assets measured at amortized cost				
Accounts payable	$	956,657	$	565,168
Accounts payable -- related parties		385		-
Other payables		489,380		319,597
Long-term loans (including current portion)		142,654		20,311
Other non-current liabilities -- guarantee deposit received		1,402		1,243
	$	1,590,478	$	906,319
Lease liabilities - current	$	21,312	$	22,098
Lease liabilities - non-current		187,265		192,781
	$	208,577	$	214,879

2. Risk management policies

(1) The Group's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and performance.

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

3. Significant financial risks and degrees of financial risks

(1) Market risk

A. <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:

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

(foreign currency: functional currency)	December 31, 2020 Foreign currency (in thousands)	Exchange rate	Book value (NT$)
Financial Assets			
Monetary items			
USD : NTD	52,146	28.4800	$ 1,485,118
RMB : NTD	36,151	4.3770	158,233
JPY : NTD	154,323	0.2763	42,639
EUR : NTD	178	35.0200	6,234
Financial Liabilities			
Monetary items			
USD : NTD	15,388	28.4800	438,250
RMB : NTD	170	4.3770	744
JPY : NTD	126	35.0200	4,413
EUR : NTD	16,151	0.2763	4,463
USD : RMB	5,096	6.5067	145,133

(D) Total exchange gain (loss) (realized and unrealized) due to significant foreign exchange rate fluctuations on monetary items held by the Group were NT$(25,264) and NT$(53,641) for 2021 and 2020, respectively.

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

	2021 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)	-

	2020		
	Sensitivity Analysis		
	Fluctuation	Impact on profit or loss	Impact on other comprehensive income
Financial Assets			
Monetary items			
USD : NTD	1%	$ 14,851	$ -
RMB : NTD	1%	1,582	-
JPY : NTD	1%	426	-
EUR : NTD	1%	62	-
Financial Liabilities			
Monetary items			
USD : NTD	1%	(4,383)	-
RMB : NTD	1%	(7)	-
JPY : NTD	1%	(44)	-
EUR : NTD	1%	(45)	-
USD : RMB	1%	(1,451)	-

B. Price risk

The Group does not invest in equity instruments and has not yet had price risk associated with equity instrument investments.

C. Cash flow and fair value interest rate risk

(A) The Group's interest rate risk arises from short-term and long-term loans. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During 2021 and 2020, the Group's borrowings at floating rates were denominated in USD and EUR.

(B) For the years ended December 31, 2021 and 2020, if the interest rate had been 1% higher, while all other variables remain unchanged, the net profit after tax for 2021 and 2020 would have been NT$1,427 and NT$203 lower, respectively, mainly due to higher interest expenses on floating rate borrowings.

(2) Credit risk

A. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments under contract obligations. The defaults are accounts receivable and the contract cash flow from debt instruments measured at amortized cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

	Not past due	Less than 30 days past due	31 to 60 days past due	61 to 180 days past due	More than 181 days past due	Total
December 31, 2021						
Expected loss rate	0.03%~0.08%	0.03%~0.95%	0.03%~12.82%	0.03%~81.53%	100.00%	
Notes receivable	$ 1,986	$ -	$ -	$ -	$ -	$ 1,986
Accounts receivable	1,472,521	72,779	10,907	877		1,557,084
Total book value	$ 1,474,507	$ 72,779	$ 10,907	$ 877	$ -	$ 1,559,070
Loss provision	($ 884)	($ 364)	($ 578)	($ 619)	$	($ 2,445)

	Not past due	Less than 30 days past due	31 to 60 days past due	61 to 180 days past due	More than 181 days past due	Total
December 31, 2020						
Expected loss rate	0.03%~0.08%	0.03%~1.01%	0.03%~13.34%	0.03%~78.73%	100.00%	
Notes receivable	$ 258	$ -	$ -	$ -	$ -	$ 258
Accounts receivable	826,895	47,911	5,982	222	50	881,060
Total book value	$ 827,153	$ 47,911	$ 5,982	$ 222	$ 50	$ 881,318
Loss provision	($ 286)	($ 89)	($ 742)	($ 39)	$ 50	($ 1,206)

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

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

	2021	2020
	Accounts receivable	Accounts receivable
January 1	$ 1,206	$ 569
Expected loss on credit impairment	1,228	6,640
Write-offs	(3)	(5,982)
Effects of changes in foreign exchange rates	14	(21)
December 31	$ 2,445	$ 1,206

(3) Liquidity risk

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

B. The treasury department of the Group invests the remaining funds in interest-bearing demand deposits, as the instruments chosen have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. For the years ended December 31, 2021 and 2020, the position of the money market held by the Group is expected to generate immediate cash flow to manage liquidity risk.

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

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

December 31, 2020	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)	$ 24,546	$ 15,654	$ 27,195	$ 189,978	$ 257,373
Long-term loans (including current portion)	2,691	2,662	15,602	-	20,955

(III) Fair value information

1. The Group has no financial instruments measured at fair value. And the book value of the Company's financial instruments is not measured at fair value (including cash and cash equivalents, financial assets measured at amortized cost - current, notes receivable, accounts receivable (including related parties), other receivables (including related parties), other non-current assets - refundable deposits and pledged time deposits, accounts payable (including related parties), other payables, lease liabilities (including current and non-current), long-term loans, other non-current liabilities - guarantee deposit received) is a reasonable approximation of fair value.
2. For fair value information of investment property measured at cost, please refer to Note 6 (9).

(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 chains prudently and flexibly. Meanwhile, we have adopted relevant measures, such as flexible working hours and regular screening, to reduce the impact of the pandemic on the Group's operations. As of February 23, 2022, the changes due to the pandemic did not significantly impact our operations.

XIII. Additional disclosures

(I) Significant transactions information

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

(II) Information on investees

Names, locations and other information of investee companies (not including investees in China): Please refer to Schedule 6.

(III) Information on investments in China

1. Basic information: Please refer to Schedule 7.
2. Significant transactions, either directly or indirectly through a third area, with investee companies in China: Please refer to Schedule 8.

(IV) Information on major shareholders

For information on major shareholders: Please refer to Schedule 9.

XIV. Operating Segments Information

(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) Reconciliation for segment income

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

	2021	2020
Profit (loss) from reportable segments	$ 1,949,246	$ 1,207,293
Interest income	5,860	6,539
Other income	51,745	22,031
Other gains and losses	(23,956)	(52,721)
Finance cost	(2,987)	(2,293)
Shares of losses of associates and joint ventures accounted for using equity method	(7,854)	(13,253)
Income (loss) before tax from continuing operations	$ 1,972,054	$ 1,167,596

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

(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:

	2021	2020
Revenue from product sales	$ 10,195,658	$ 7,152,015

(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:

	2021		2020	
	Revenue	Non-current assets (note)	Revenue	Non-current assets (note)
Taiwan	$ 3,049,064	$ 1,929,440	$ 2,005,174	$ 1,595,543
United States	1,536,890	61,158	1,088,907	65,880
Japan	677,391	6,431	482,740	10,650
Germany	667,876	-	413,408	-
China	1,962,778	11,207	1,632,113	12,640
Others	2,301,659	44,650	1,529,673	51,629
	$ 10,195,658	$ 2,052,886	$ 7,152,015	$ 1,736,342

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

(VII) Major customer information

For 2021 and 2020, the Group had no customers accounting for more than 10% of the sales revenue.

Innodisk Corporation and Subsidiaries
Provision of endorsements and guarantees to others
January 1 to December 31, 2021

Schedule 1

Expressed in Thousands of NTD
(Unless otherwise specified)

Number (Note 1)	Endorser / guarantor	Party being endorsed/guaranteed		Limit on endorsements/guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/guarantee amount for the period (Note 4)	Outstanding endorsement/ guarantee amount for the period	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Percentage of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on the total amount of endorsements/guarantees provided (Note 3)	Provision of endorsements/guarantees by the parent company to the subsidiary	Provision of endorsements/ guarantees by the subsidiary to the parent company	Provision of endorsements/ guarantees to the party in China	Remarks
		Company name	Relationship (Note 2)											
0	Innodisk Corporation	Innodisk Europe B.V.	2	$ 1,192,198	$ 24,514	$ 21,924	$ 15,973	$ -	0.37%	$ 2,980,495	Y	N	N	
0	Innodisk Corporation	Innodisk USA Corporation	2	1,192,198	19,975	-	-	-	0.00%	2,980,495	Y	N	N	
0	Innodisk Corporation	Aetina Corporation	2	1,192,198	45,000	-	-	-	0.00%	2,980,495	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1). Fill in 0 for the issuer.
(2). The invested companies are numbered in order starting from 1.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of categories each case belongs to:
(1). A company with business dealings.
(2). A company in which the Company directly or indirectly holds more than 50% of its voting shares.
(3). A company which directly or indirectly holds more than 50% of the voting shares of the Company.
(4). A company in which the Company directly or indirectly holds more than 90% of its voting shares.
(5). A mutually guaranteed company of the trade or among joint constructors due to the need of the construction contract.
(6). A company jointly endorsed/guaranteed by its shareholders in proportion to their ownerships due to joint venture.
(7). Performance guarantee and joint guarantee by industry peers engaging in a house pre-sale contract in accordance with the Consumer Protection Act.

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

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

Innodisk Corporation and Subsidiaries
Acquisition of real estate reaching NT$300 million or 20% of the paid-in capital or more
January 1 to December 31, 2021

Schedule 2

Expressed in Thousands of NTD
(Unless otherwise specified)

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	A total of NT$68,802 has been paid for the first to third phases, and the remaining NT$268,544 has not yet been paid.	Kingfisher Technology Corporation	-	-	-	-	-	In accordance with the contract.	For the Company's operation.	No

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

Innodisk Corporation and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more
January 1 to December 31, 2021

Schedule 3

Expressed in Thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared with third party transactions		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)	($ 1,401,964)	(15%)	Net 60	As agreed by both parties	Normal	$ 270,261	18%	
Innodisk Corporation	Innodisk Shenzhen Corporation	Subsidiary	(Sales)	(748,434)	(8%)	Net 60	As agreed by both parties	Normal	85,534	6%	
Innodisk USA Corporation	Innodisk Corporation	Parent company	Purchase	1,401,964	19%	Net 60	As agreed by both parties	Normal	(270,261)	(29%)	
Innodisk Shenzhen Corporation	Innodisk Corporation	Parent company	Purchase	748,434	10%	Net 60	As agreed by both parties	Normal	(85,534)	(9%)	

Innodisk Corporation and Subsidiaries
Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more:
January 1 to December 31, 2021

Schedule 4

Expressed in Thousands of NTD
(Except as otherwise indicated)

Companies with accounts receivable	Counterparty name	Relationship with the endorser/ guarantor	Balance of account receivable from related parties	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Amount of recognized allowance for bad debts
					Amount	Action taken		
Innodisk Corporation	Innodisk USA Corporation	Subsidiary	$ 270,261	6.90	$ -	Not applicable	$ 110,971	$ -
Innodisk Corporation	Innodisk Shenzhen Corporation	Subsidiary	85,534	6.49	-	Not applicable	73,598	-

Innodisk Corporation and Subsidiaries
Significant inter-company transactions during the reporting periods and their business relationships.
January 1 to December 31, 2021

Schedule 5
Individual transactions less than NT$10 million will not be disclosed. Transactions which are disclosed as part of the parent company's transactions will not be disclosed again.

Expressed in Thousands of NTD
(Except as otherwise indicated)

				Status of transaction			
Number (Note 1)	Relationship	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Innodisk Corporation	Innodisk USA Corporation	(1)	Sales	$ 1,401,964	Same with other customers	14%
0	Innodisk Corporation	Innodisk Shenzhen Corporation	(1)	Sales	748,434	Same with other customers	7%
0	Innodisk Corporation	Innodisk USA Corporation	(1)	Accounts receivable	270,261	Same with other customers	3%
0	Innodisk Corporation	Innodisk Shenzhen Corporation	(1)	Accounts receivable	85,534	Same with other customers	1%

Note 1: The business dealing information between the parent company and its subsidiaries shall be indicated in the number field respectively. The filling method of the number is as follows:
(1). Parent company is "0".
(2). The subsidiaries are numbered in order starting from "1".

Note 2: There are the following three types of relationships with the counterparty, and only the type needs to be indicated (if it is the same transaction between parent and subsidiary companies or between subsidiaries, there is no need to disclose it again. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction;
For transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction):
(1). Parent company to subsidiary.
(2). Subsidiary to parent company.
(3). Subsidiary to subsidiaries.

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

Innodisk Corporation and Subsidiaries
Names, locations and other information of investee companies (not including investees in China)
January 1 to December 31, 2021

Schedule 6

Expressed in Thousands of NTD
(Except as otherwise indicated)

Name of Investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as of the end of period			Net profit (loss) of the investee for the current period	Investment income(loss) recognized by the Company for the current period	Remarks
				Balance at the end of period	End of the previous year	Number of Shares	Percentage	Book value			
Innodisk Corporation	Innodisk USA Corporation	United States	Industrial embedded storage devices	$ 140,499	$ 140,499	2,046,511	100	$ 91,661	$ 38,521	$ 38,640	
Innodisk Corporation	Innodisk Japan Corporation	Japan	After-sales services and support of industrial embedded storage devices	3,533	3,533	196	100	8,513	1,709	1,733	
Innodisk Corporation	Innodisk Europe B.V.	Netherlands	After-sales services and support of industrial embedded storage devices	17,802	17,802	50,000,100	100	33,118	2,483	2,483	
Innodisk Corporation	Innodisk Global-M Corporation	Mauritius	Investment holdings	20,154	20,154	665,000	100	73,883	12,903	12,927	
Innodisk Corporation	Aetina Corporation	Taiwan	Manufacturing and sales of industrial graphics cards	24,091	24,091	13,361,737	74.78	215,018	84,521	63,528	
Innodisk Corporation	AccelStor Inc.	Taiwan	Computers and computing peripheral equipment manufacturing	224,058	224,058	16,652,700	40.37	-	-	-	
Innodisk Corporation	Millitronic Co.,Ltd.	Taiwan	Electronic parts and components manufacturing.	54,157	54,157	5,415,720	33.55	10,501	(23,044)	(7,731)	
Innodisk Corporation	Antzer Tech Co., Ltd.	Taiwan	Electronic parts and components manufacturing.	57,133	37,244	58,400,000	100.00	28,545	6,923	1,125	
Innodisk Corporation	Sysinno Technology Inc.	Taiwan	Electronic parts and components manufacturing.	12,900	12,900	645,000	43.00	8,237	(4,425)	(1,903)	
Innodisk Europe B.V.	Innodisk France SAS	France	After-sales services and support of industrial embedded storage devices	175	-	-	100.00	659	532	532	
Aetina Corporation (Note 2)	Aetina USA Corporation	United States	After-sales service and support for industrial graphics cards	-	-	-	100.00	-	-	-	

Note 1: Disclosed at the historical exchange rate
Note 2: Aetina Corporation established the subsidiary Aetina USA Corporation in September 2021, and the capital injection has not been completed as of December 31, 2021.

Innodisk Corporation and Subsidiaries
Information on investments in China - Basic data
January 1 to December 31, 2021

Schedule 7

Expressed in Thousands of NTD
(Except as otherwise indicated)

Investee in China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to China	Amount remitted from Taiwan to China/Amount remitted back to Taiwan for the year		Accumulated amount of remittance from Taiwan to China	Net profit (loss) of the investee for the current period	Ownership held by the Company (direct or indirect)	Investment income(loss) recognized by the Company for the current period (Note 2)	Net profit (loss) of the investee for the year	Accumulated amount of investment income remitted back to Taiwan	Remarks
					Remitted to	Remitted back							
Innodisk Shenzhen Corporation	Industrial embedded storage devices	$18,168 (US$600 thousands) (Note 3)	2. Innodisk Global-M Corporation	$18,168 (US$600 thousands) (Note 3)	$ -	$ -	$18,168 (US$600 thousands) (Note 3)	$ 13,168	100	$ 13,168	$ 72,595	$ -	

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

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

Note 3: Disclosed at the historical exchange rate

Company name	Accumulated amount of investment remitted from Taiwan to China at the end of the period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in China imposed by the Investment Commission of MOEA (Note 4)
Innodisk Corporation	$18,168 (US$600 thousands) (Note 5)	$18,168 (US$600 thousands) (Note 5)	$ 3,620,106

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

Note 5: Disclosed at the historical exchange rate

Innodisk Corporation and Subsidiaries
Significant transactions, either directly or indirectly through a third area, with investee companies in China
January 1 to December 31, 2021

Schedule 8

Expressed in Thousands of NTD
(Except as otherwise indicated)

	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	$ 748,434	7%	$ -	-	$ 85,534	1%	$ -	-	$ -	$ -	-	$ -	-

Innodisk Corporation and Subsidiaries
Information on major shareholders
December 31, 2021

Schedule 9

Names of major shareholders	Shares	
	Number of Shares Held	Shareholding percentage
Rui Ding Invest Co., Ltd.	6,252,307	7.56%
Colbert Global Opportunities Fund II in the custody of HSBC	6,213,922	7.51%

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

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