Innodisk Corporation and Subsidiaries
Consolidated Financial Statements and Independent Auditor's Review Report
For The Nine Months Ended September 30, 2023 and 2022
(Stock Code: 5289)

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Innodisk Corporation and Subsidiaries

Consolidated Financial Report and Independent Auditor's Review Report For The Nine Months Ended September 30, 2023 and 2022

Table of Contents

Independent Auditor's Review Report

(112) Cai-Shen-Bao-Zi No. 23001899

To the Board of Directors and Stockholders of Innodisk Corporation:

Opinion

We have duly audited the Consolidated Balance Sheet of Innodisk Corporation and its subsidiaries as of September 30, 2023 and 2022, the Consolidated Statement of Comprehensive Income from July 1 to September 30, 2023 and 2022, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement from January 1 to September 30, 2023 and 2022, as well as notes to the Consolidated Financial Statements (including the summary of significant accounting policies). The management shall be responsible for preparing the financial statements fairly presented based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standards No. 34 "Interim Financial Reporting" recognized and released by the Financial Supervisory Commission. We are only responsible for concluding the financial statements based on the result of the review.

Scope of Review

We conducted the review in accordance with the "Review of Financial Statements" of the Auditing Standards Bulletin No. 2410. The procedures of reviewing the consolidated financial statements include inquiry (mainly with the personnel in charge of financial and accounting affairs), analytical procedures, and other review procedures. The scope of the review work is significantly smaller than that of the audit work, so we may not be able to detect all significant matters that can be identified through the audit work. Therefore, we cannot express an audit opinion.

Conclusion

According to our review results, it is not found that the consolidated financial statements above have not been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" approved and released by the Financial Supervisory Commission which may lead to the inability to properly express the consolidated financial status of Innodisk Corporation and its subsidiaries as of September 30, 2023 and 2022, the consolidated financial performance from July 1 to September 30, 2023 and 2022 and from January 1 to September 30, 2023 and 2022, as well as the consolidated cash flow from January 1 to September 30, 2023 and 2022.

Yeh, Tsui Miao　　　　　Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

November 3, 2023

Innodisk Corporation and Subsidiaries
Consolidated Balance Sheet
September 30, 2023 and December 31 and September 30, 2022

Expressed in Thousands of NTD

	Assets	Note	September 30, 2023 Amount	%	(Adjusted) December 31, 2022 Amount	%	(Adjusted) September 30, 2022 Amount	%
	Current assets							
1100	Cash and cash equivalents	6 (1)	$ 3,559,664	38	$ 4,000,049	43	$ 2,574,830	30
1136	Current financial assets at amortised cost	6 (3)	-	-	-	-	250,000	3
1150	Notes receivable	6 (4)	1,779	-	2,565	-	546	-
1170	Accounts receivable, net	6 (4)	1,341,992	15	1,418,794	15	1,651,378	20
1180	Accounts receivable -- related parties	6 (4) and 7 (2)	4	-	109	-	27	-
1200	Other receivables		32,551	-	5,217	-	41,955	-
1210	Other receivables -- related parties	7 (2)	32	-	52	-	328	-
1220	Current income tax assets	6 (27)	4,473	-	2,741	-	2,276	-
130X	Inventories	6 (5)	1,117,209	12	1,158,475	12	1,256,068	15
1410	Prepayments		62,513	1	61,317	1	53,459	1
11XX	**Current Assets**		6,120,217	66	6,649,319	71	5,830,867	69
	Non-current assets							
1517	Non-current financial assets at fair value through other comprehensive income	6 (2)	27,373	-	27,839	1	28,039	-
1535	Non-current financial assets at amortized cost	6 (3) and 8	10,706	-	10,706	-	11,206	-
1550	Investments accounted for using equity method	6 (6)	16,477	-	12,953	-	15,151	-
1600	Property, plant and equipment	6 (7) and 8	2,648,358	29	2,138,510	23	2,094,119	25
1755	Right-of-use assets	6 (8)	207,520	2	207,483	2	210,359	3
1760	Investment property, net	6 (10) and 8	118,691	1	119,318	1	119,111	1
1780	Intangible assets	6 (11)	35,311	1	44,117	1	42,729	1
1840	Deferred income tax assets		77,426	1	89,302	1	85,590	1
1920	Refundable deposit		6,772	-	5,535	-	5,141	-
15XX	**Non-current assets**		3,148,634	34	2,655,763	29	2,611,445	31
1XXX	**Total Assets**		$ 9,268,851	100	$ 9,305,082	100	$ 8,442,312	100

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Innodisk Corporation and Subsidiaries
Consolidated Balance Sheet
September 30, 2023 and December 31 and September 30, 2022

Expressed in Thousands of NTD

	Liabilities and Equity	Note	September 30, 2023 Amount	%	(Adjusted) December 31, 2022 Amount	%	(Adjusted) September 30, 2022 Amount	%
	Current liabilities							
2130	Current contract liabilities	6 (20)	$ 42,812	-	$ 42,079	-	$ 23,239	-
2150	Notes payable		-	-	-	-	530	-
2170	Accounts payable		910,927	10	706,617	8	330,776	4
2180	Accounts payable -- related parties	7 (2)	130	-	65	-	46	-
2200	Other payables	6 (12)	540,565	6	607,012	7	463,387	6
2230	Current income tax liabilities	6 (27)	245,359	3	212,868	2	192,405	2
2250	Provisions for liabilities-current	6 (16)	6,154	-	6,651	-	6,817	-
2280	Current lease liabilities		25,219	-	22,229	-	24,136	-
2320	Long-term liabilities -- current portion	6 (13)	19,168	-	11,006	-	2,188	-
2399	Other current liabilities, others		9,344	-	6,276	-	7,823	-
21XX	**Current Liabilities**		1,799,678	19	1,614,803	17	1,051,347	12
	Non-current liabilities							
2540	Long-term loans	6 (13)	350,754	4	310,070	3	408,353	5
2550	Provisions for non-current liabilities	6 (16)	56,009	1	62,460	1	60,373	1
2570	Deferred income tax liabilities:		9,618	-	8,542	-	18,327	-
2580	Non-current lease liabilities		185,966	2	188,184	2	188,984	2
2645	Guarantee deposit received	7 (2)	3,299	-	1,586	-	1,485	-
25XX	**Non-current Liabilities**		605,646	7	570,842	6	677,522	8
2XXX	**Total liabilities**		2,405,324	26	2,185,645	23	1,728,869	20
	Equity attributable to owners of parent							
	Share capital	6 (17)						
3110	Share capital - common stock		883,977	10	865,531	10	864,706	10
	Capital surplus	6 (18)						
3200	Capital surplus		1,401,756	15	1,356,462	15	1,338,541	17
	Retained earnings	6 (19)						
3310	Legal reserve		951,850	10	766,831	8	766,831	9
3320	Special reserve		924	-	13,147	-	13,147	-
3350	Unappropriated retained earnings		3,512,658	38	4,011,820	43	3,626,759	43
	Other equity interests							
3400	Other equity interests		5,796	-	(924)	-	1,991	-
31XX	**Total equity attributable to owners of parent**		6,756,961	73	7,012,867	76	6,611,975	79
36XX	**Non-controlling interest**		106,566	1	106,570	1	101,468	1
3XXX	**Total equity**		6,863,527	74	7,119,437	77	6,713,443	80
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	**Total Liabilities and Equity**		$ 9,268,851	100	$ 9,305,082	100	$ 8,442,312	100

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

Chairman: Chuan-Sheng Chien Managerial Officer: Chuan-Sheng Chien Head of Accounting: Wen-Kui Hsiao

Innodisk Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to September 30, 2023 and 2022

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

	Item	Note	July 1 to September 30, 2023 Amount	%	July 1 to September 30, 2022 Amount	%	January 1 to September 30, 2023 Amount	%	January 1 to September 30, 2022 Amount	%
4000	Operating revenue	6 (20) and 7 (2)	$ 1,993,007	100	$ 2,560,341	100	$ 6,183,729	100	$ 8,016,657	100
5000	Operating costs	6 (5) and 7 (2)	(1,305,494)	(65)	(1,645,439)	(64)	(4,045,201)	(66)	(5,418,846)	(67)
5950	Gross profit before unrealized gross profit on sales to subsidiaries		687,513	35	914,902	36	2,138,528	34	2,597,811	33
	Operating expenses	6 (25) and 7 (2)								
6100	Selling expenses		(156,560)	(8)	(147,728)	(6)	(478,850)	(8)	(426,316)	(6)
6200	General and administrative expenses		(111,430)	(6)	(114,543)	(5)	(350,641)	(5)	(345,063)	(4)
6300	Research and development expenses		(103,475)	(5)	(88,817)	(3)	(302,396)	(5)	(237,491)	(3)
6450	Expected credit impairment gain (loss)	12 (2)	(2,072)	-	(6,598)	-	19,347	-	(7,549)	-
6000	Total operating expenses		(373,537)	(19)	(357,686)	(14)	(1,112,540)	(18)	(1,016,419)	(13)
6900	Operating profit		313,976	16	557,216	22	1,025,988	16	1,581,392	20
	Non-operating income and expenses									
7100	Interest income	6 (21)	8,841	-	2,353	-	26,897	1	6,078	-
7010	Other income	6 (22) and 7 (2)	7,039	-	3,690	-	16,834	-	12,842	-
7020	Other gains and losses	6 (23)	55,323	3	138,314	5	77,916	1	275,828	3
7050	Finance cost	6 (24)	(1,789)	-	(2,015)	-	(4,897)	-	(5,346)	-
7060	Shares of losses of associates and joint ventures accounted for using equity method	6 (6)	(671)	-	(921)	-	(3,976)	-	(3,586)	-
7000	Total non-operating income and expenses		68,743	3	141,421	5	112,774	2	285,816	3
7900	**Profit before income tax**		382,719	19	698,637	27	1,138,762	18	1,867,208	23
7950	Income tax expense	6 (27)	(78,587)	(4)	(144,439)	(5)	(256,661)	(4)	(376,083)	(4)
8200	**Profit for the year**		$ 304,132	15	$ 554,198	22	$ 882,101	14	$ 1,491,125	19

(Continued)

Innodisk Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to September 30, 2023 and 2022

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

	Item	Note	July 1 to September 30, 2023 Amount	%	July 1 to September 30, 2022 Amount	%	January 1 to September 30, 2023 Amount	%	January 1 to September 30, 2022 Amount	%
	Other comprehensive income									
	Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Unrealized appraisal gains and losses of equity instrument investment measured at fair value through other comprehensive income		($ 666)	-	$ 800	-	($ 466)	-	($ 1,931)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(666)	-	800	-	(466)	-	(1,931)	-
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations		5,203	-	8,944	-	7,350	-	17,069	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		5,203	-	8,944	-	7,350	-	17,069	-
8300	**Other comprehensive income for the period, net of tax**		$ 4,537	-	$ 9,744	-	$ 6,884	-	$ 15,138	-
8500	**Total comprehensive income for the year**		$ 308,669	15	$ 563,942	22	$ 888,985	14	$ 1,506,263	19
	Profit attributable to:									
8610	Owners of the parent		$ 306,457	15	$ 542,661	22	$ 885,378	14	$ 1,465,128	18
8620	Non-controlling interest		(2,325)	-	11,537	-	(3,277)	-	25,997	1
	Profit for the year		$ 304,132	15	$ 554,198	22	$ 882,101	14	$ 1,491,125	19
	Comprehensive income attributable to									
8710	Owners of the parent		$ 310,830	15	$ 552,405	22	$ 892,098	14	$ 1,480,266	19
8720	Non-controlling interest		(2,161)	-	11,537	-	(3,113)	-	25,997	-
	Total comprehensive income for the year		$ 308,669	15	$ 563,942	22	$ 888,985	14	$ 1,506,263	19
	Basic earnings per share	6 (28)								
9750	Profit for the year		$ 3.47		$ 6.16		$ 10.02		$ 16.68	
	Diluted earnings per share	6 (28)								
9850	Profit for the year		$ 3.41		$ 6.13		$ 9.82		$ 16.52	

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

Chairman: Chuan-Sheng Chien Managerial Officer: Chuan-Sheng Chien Head of Accounting: Wen-Kui Hsiao

Innodisk Corporation and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to September 30, 2023 and 2022

Expressed in Thousands of NTD

		Equity attributable to owners of parent									
		Share capital		Retained earnings			Other equity interests				
	Note	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized appraisal gains and losses of financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
January 1 to September 30, 2022											
Balance on January 1, 2022		$ 826,680	$ 1,213,829	$ 610,743	$ 5,438	$ 3,317,446	($ 13,147)	$ -	$ 5,960,989	$ 72,521	$ 6,033,510
Profit for the year		-	-	-	-	1,465,128	-	-	1,465,128	25,997	1,491,125
Other comprehensive profit and loss for the year		-	-	-	-	-	17,069	(1,931)	15,138	-	15,138
Total comprehensive profit and loss for the year		-	-	-	-	1,465,128	17,069	(1,931)	1,480,266	25,997	1,506,263
Appropriation and distribution of 2021 earnings	6 (19)										
Legal reserve		-	-	156,088	-	(156,088)	-	-	-	-	-
Special reserve		-	-	-	7,709	(7,709)	-	-	-	-	-
Stock dividends		24,801	-	-	-	(24,801)	-	-	-	-	-
Cash dividends		-	-	-	-	(967,217)	-	-	(967,217)	-	(967,217)
Share-based payment	6 (15)	-	19,417	-	-	-	-	-	19,417	-	19,417
Exercise of employee share options	6 (17)	13,225	105,027	-	-	-	-	-	118,252	-	118,252
Share-based remuneration for employees of subsidiaries		-	268	-	-	-	-	-	268	2,950	3,218
Balance on September 30, 2022		$ 864,706	$ 1,338,541	$ 766,831	$ 13,147	$ 3,626,759	$ 3,922	($ 1,931)	$ 6,611,975	$ 101,468	$ 6,713,443
January 1 to September 30, 2023											
Balance on January 1, 2023		$ 865,531	$ 1,356,462	$ 766,831	$ 13,147	$ 4,011,820	$ 1,207	($ 2,131)	$ 7,012,867	$ 106,570	$ 7,119,437
Profit for the year		-	-	-	-	885,378	-	-	885,378	(3,277)	882,101
Other comprehensive profit and loss for the year		-	-	-	-	-	7,186	(466)	6,720	164	6,884
Total comprehensive profit and loss for the year		-	-	-	-	885,378	7,186	(466)	892,098	(3,113)	888,985
Appropriation and distribution of 2022 earnings	6 (19)										
Legal reserve		-	-	185,019	-	(185,019)	-	-	-	-	-
Special reserve		-	-	-	(12,223)	12,223	-	-	-	-	-
Stock dividends		17,311	-	-	-	(17,311)	-	-	-	-	-
Cash dividends		-	-	-	-	(1,194,433)	-	-	(1,194,433)	-	(1,194,433)
Share-based payment	6 (15)	-	36,090	-	-	-	-	-	36,090	-	36,090
Exercise of employee share options	6 (17)	1,135	8,104	-	-	-	-	-	9,239	-	9,239
Share-based remuneration for employees of subsidiaries		-	580	-	-	-	-	-	580	3,109	3,689
Exercise of disgorgement rights		-	520	-	-	-	-	-	520	-	520
Balance on September 30, 2023		$ 883,977	$ 1,401,756	$ 951,850	$ 924	$ 3,512,658	$ 8,393	($ 2,597)	$ 6,756,961	$ 106,566	$ 6,863,527

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

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

Innodisk Corporation and Subsidiaries
Consolidated Cash Flow Statement
January 1 to September 30, 2023 and 2022

Expressed in Thousands of NTD

	Note	January 1 to September 30, 2023	January 1 to September 30, 2022
Cash flow from operating activities			
Profit before income tax for the year		$ 1,138,762	$ 1,867,208
Adjustments:			
Adjustments to reconcile profit (loss)			
Depreciation charges on property, plant and equipment	6 (25)	82,821	71,379
Depreciation charges on right-of-use assets	6 (25)	24,937	21,715
Amortization charges on the intangible assets and deferred assets.	6 (25)	18,147	19,123
Depreciation charges on investment property	6 (23)	1,083	1,040
Expected loss (profit) on credit impairment	12 (2)	(19,347)	7,549
Inventory (price recovery gain) valuation loss	6 (5)	(54,812)	79,370
Loss on scrapping inventory	6 (5)	11,061	7,708
Gain on lease modification	6 (8)	-	(48)
Interest income	6 (21)	(26,897)	(6,078)
Dividend income	6 (22)	(1,127)	-
Interest expense	6 (24)	4,897	5,346
Compensation cost of employee stock options	6 (15)	36,090	19,417
Shares of losses of associates and joint ventures accounted for using equity method	6 (6)	3,976	3,586
Loss (gain) on disposal of property, plant and equipment	6 (23)	25	31
Disposal of investment gains	6 (23)	-	(4,228)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		786	1,440
Accounts receivable, net		96,371	(104,450)
Accounts receivable -- related parties		105	(25)
Other receivables		(26,155)	(35,388)
Other receivables -- related parties		20	(286)
Inventories		85,017	321,203
Prepayments		(1,196)	49,199
Changes in operating liabilities			
Current contract liabilities		733	(8,571)
Notes payable		-	530
Accounts payable		204,310	(625,881)
Accounts payable -- related parties		65	(339)
Other payables		(69,885)	(10,810)
Current provisions		(497)	(463)
Non-current provisions		(6,451)	7,802
Other current liabilities, others		3,068	1,802
Cash inflow generated from operations		1,505,907	1,688,881
Interest received		25,718	5,650
Cash dividend received		1,127	-
Income taxes paid		(212,838)	(477,378)
Net cash flows from operating activities		1,319,914	1,217,153

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Innodisk Corporation and Subsidiaries
Consolidated Cash Flow Statement
January 1 to September 30, 2023 and 2022

Expressed in Thousands of NTD

	Note	January 1 to September 30, 2023	January 1 to September 30, 2022
Cash Flow from Investing Activities			
Acquisition of non-current financial assets at fair value through other comprehensive income		$ -	($ 29,970)
Decrease in current financial assets at amortized cost		-	350,000
Increase in non-current financial assets at amortized cost		-	(500)
Acquisition of investments accounted for using equity method	6 (6)	(7,500)	-
Proceeds from disposal of investments accounted for using equity method		-	4,228
Acquisition of property, plant and equipment	6 (29)	(581,387)	(457,111)
Disposal of property, plant and equipment		7	90
Increase in refundable deposits		(1,715)	(1,290)
Decrease in refundable deposits		482	783
Acquisition of investment property	6 (10)	-	(26,236)
Acquisition of intangible assets	6 (11)	(8,785)	(13,265)
Increase in other non-current assets		-	(7,297)
Net cash used in investing activities		(598,898)	(180,568)
Cash Flow from Financing Activities			
Proceeds from long-term debt	6 (30)	229,000	268,544
Repayment of long-term debt	6 (30)	(180,670)	(623)
Increase in guarantee deposits received	6 (30)	1,745	682
Decrease in guarantee deposits received	6 (30)	(6)	(599)
Cash dividends paid	6 (30)	(1,194,433)	(967,217)
Exercise of employee share options		9,239	118,252
Interest paid		(5,209)	(5,649)
Payment of lease liabilities	6 (30)	(24,033)	(21,418)
Exercise of disgorgement rights		520	-
Net cash used in financing activities		(1,163,847)	(608,028)
Effects of changes in foreign exchange rates		2,446	8,382
Increase (decrease) in cash and cash equivalents		(440,385)	436,939
Cash and cash equivalents at beginning of year		4,000,049	2,137,891
Cash and cash equivalents at end of year		$ 3,559,664	$ 2,574,830

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

Chairman: Chuan-Sheng Chien Managerial Officer: Chuan-Sheng Chien Head of Accounting: Wen-Kui Hsiao

Innodisk Corporation and Subsidiaries

Notes to Consolidated Financial Statements

For The Nine Months Ended September 30, 2023 and 2022

Expressed in Thousands of NTD

(Except as otherwise indicated)

I. Company history

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

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

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

This consolidated financial report was approved and issued by the board meeting on November 3, 2023.

III. Application of new standards, amendments, and interpretations

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

The following table summarizes the new, amended and revised standards of IFRS and their interpretations endorsed and released by FSC and became effective from 2023:

New/Amended/Revised Standards and Interpretations	Effective date of issuance by IASB
Amendment to IAS 1 "Disclosure of accounting policies"	January 1, 2023
Amendment to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendment to IAS 12 "Deferred tax related to assets and liabilities arising from a single transaction"	January 1, 2023
Amendment to IAS 12 "International Tax Reform—Pillar Two Model Rules"	May 23, 2023

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

Amendment to IAS 12 "Deferred tax related to assets and liabilities arising from a single transaction"

This amendment requires enterprises to recognize deferred income tax assets and liabilities related to specific transactions that generate the same amount of taxable and deductible temporary differences at the time of original recognition.

The Group recognizes deferred income tax assets and liabilities for all deductible and taxable temporary differences related to right-of-use assets and lease liabilities as of January 1, 2022, and deferred income tax assets increased by NT$4,307, NT$1,489, NT$3,446 and NT$4,145, and deferred income tax liabilities increased by NT$4,307, NT$1,489, NT$3,446 and NT$4,145 on September 30, 2023 and January 1, September 30 and December 31, 2022, respectively after adjustment.

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

The following table summarizes the new, amended and revised standards, and interpretations endorsed by FSC and applicable in 2024:

New/Amended/Revised Standards and Interpretations	Effective date of issuance by IASB
Amendment to IFRS 16 “Lease liability in a sale and leaseback”	January 1, 2024
Amendment to IAS 1 “Classification of liabilities as current or non-current”	January 1, 2024
Amendment to IAS 1 “Non-current liabilities with covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Financing Arrangements”.	January 1, 2024

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

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

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

New/Amended/Revised Standards and Interpretations	Effective date of issuance by IASB
Amendment to IFRS 10 and IAS 28 “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined by IASB.
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 21 “Lack of Exchangeability”	January 1, 2025

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) <u>Compliance statement</u>

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standards No. 34 "Interim Financial Reporting" recognized and released by the Financial Supervisory Commission.

(II) <u>Basis of preparation</u>

1. Other than financial assets measured at fair value through other comprehensive income, the consolidated financial statements are prepared based on historical cost.
2. The preparation of financial statements in compliance with the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretation (hereinafter collectively referred to as "IFRSs") requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying them to the Group's accounting policies, which involves a high degree of judgment or complexity, or the significant assumptions and estimates in the consolidated financial statements. Please refer to Note 5.

(III) <u>Basis of consolidation</u>

1. The basis for preparation of consolidated financial statements

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

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

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

(4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are equity transactions, and they are considered as transactions with owners in their capacity as owners. Any differences

between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is directly recognized in equity.

2. Subsidiaries included in the consolidated financial statements:

			Percentage of Equity Holdings			
Name of Investor	Name of Subsidiary	Main Business Activity	September 30, 2023	December 31, 2022	September 30, 2022	Remarks
Innodisk Corporation	Innodisk USA Corporation	Industrial embedded storage devices	100	100	100	
Innodisk Corporation	Innodisk Japan Corporation	After-sales services and support of industrial embedded storage devices	100	100	100	
Innodisk Corporation	Innodisk Europe B.V.	After-sales services and support of industrial embedded storage devices	100	100	100	
Innodisk Corporation	Innodisk Global-M Corporation	Investment holdings	100	100	100	
Innodisk Corporation	Aetina Corporation	Manufacturing and sales of industrial graphics cards.	73.67	74.20	74.20	Note 1
Innodisk Corporation	Antzer Tech Co., Ltd.	Electronic parts and components manufacturing.	100	100	100	
Innodisk Global-M Corporation	Innodisk Shenzhen Corporation	Industrial embedded storage devices	100	100	100	
Innodisk Europe B.V.	Innodisk France SAS	After-sales services and support of industrial embedded storage devices	100	100	100	
Aetina Corporation	Aetina USA Corporation	After-sales service and support for industrial graphics cards	100	100	100	Note 2
Aetina Corporation	Aetina Europe B.V.	After-sales service and support for industrial graphics cards	100	100	100	Note 3
Aetina Corporation	Aetina (Shenzhen) Artificial Intelligence Co., Ltd.	After-sales service and support for industrial graphics cards	100			Note 4

The financial statements of the abovementioned important subsidiary - Innodisk USA Corporation and other non-important subsidiaries listed in the consolidated financial statements as of September 30, 2023 and 2022 were all reviewed by the Company's independent auditors. The financial statements of the subsidiaries listed in the consolidated financial statements as of December 31, 2022 were all audited by the Company's independent auditors.

Note 1: Aetina Corporation, through a resolution of the shareholders' meeting on May 19, 2023, issued 230,000 shares from capital increase for the payment of employees' remuneration by shares, with August 21, 2023 as the ex-date for capital increase, and the shareholding ratio of the Company decreased to 73.67%.

Note 2: Aetina Corporation established its subsidiary Aetina USA Corporation in September 2021, and the capital injection has been completed on January 10, 2023.

Note 3: Aetina Corporation established its subsidiary Aetina Europe B.V. in January 2022, and the capital injection has been completed on March 13, 2023.

Note 4: Aetina Corporation established the subsidiary Aetina (Shenzhen) Artificial Intelligence Co., Ltd. in July 2023. The capital injection was not yet completed as of September 30, 2023.

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

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

5. Significant restrictions: none.

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

(IV) Foreign currency translation

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

1. Foreign currency transactions and balances

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

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

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

historical exchange rate of the initial transaction date.

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

2. Translation of foreign operations

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

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

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

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

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

(V) Classification of current and non-current items

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

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

(2) Assets held mainly for trading purposes.

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

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

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

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

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

(2) Assets held mainly for trading purposes.

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

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

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

(VI) Cash equivalents

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

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

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

(VIII) Financial assets measured at amortized cost

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

(IX) Accounts and notes receivable

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

(X) Impairment of financial assets

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

(XI) De-recognition of financial assets

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

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

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

(XIII) Inventories

Inventories are measured at the lower of cost or net realizable value, and the cost is determined by weighted-average method. The cost of finished goods and work-in-progress comprises raw materials, direct labor, other direct costs and related production overheads, but excludes borrowing costs. The item-by-item comparison method is adopted when comparing whether the cost or the net realizable value is lower. The net realizable value refers to the balance of the estimated selling price in the normal course of business, minus the estimated cost to be invested until completion and the estimated cost to complete the sale.

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

1. Associates refer to entities over which the Group has significant influence but is not in control. In general, the associates may have more than 20% of their voting shares directly or indirectly owned by the Group. The Group accounts for its investment in associates using the equity method, and the investment is initially recognized at cost.
2. The Group recognizes the profit and loss upon the acquisition of associates as the current profit and loss. Other comprehensive profit and loss after the acquisition are recognized as the other comprehensive profit and loss. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group will not recognize further losses, unless it has incurred legal or constructive obligations or make payments on behalf of the associate.

3. If an associate has changes in equity not from profit or loss or other comprehensive income, and such changes do not affect the Group's shareholding in the associate, the Group will recognize all changes in equity as "capital surplus" according to the shareholding percentage.
4. Unrealized gains on transactions between the Group and associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
5. In the event that an associate issues new shares and the Group does not subscribe to or acquire the new shares in proportion, which results in a change to the Group's shareholding percentage but the Group maintains a significant influence on the associate, the increase or decrease of the Group's share of equity interest is the adjustment of "capital surplus" and "investments accounted for under the equity method." If the investment percentage is reduced, in addition to the above adjustments, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionally on the same basis as would be required if the relevant assets or liabilities were disposed of.
6. When the Group loses its significant influence on an associate, the remaining investment in said associate is re-measured at fair value, and the difference between the fair value and the book value is recognized as profit or loss in the current period.
7. When the Group disposes of an associate, if it loses the significant influence on the associate, all amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses the significant influence on an associate, all gains or losses previously recognized in other comprehensive income in relation to the associate should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of. If the Group still has a significant influence on the associate, only the amount recognized in other comprehensive income previously will be transferred out in the manner above on a pro-rata basis.

(XV) Property, plant and equipment

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

part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

4. The Group reviews the assets' residual values, useful lives and depreciation methods at the end of each fiscal year. If the estimates of the residual values and useful lives are different from the previous estimates or the expected pattern of consumption of future economic benefits embodied in the assets has changed significantly, then from the date of change, it shall be handled in accordance with the provisions of International Accounting Standards No. 8 "Changes and Errors in Accounting Policies and Accounting Estimates" regarding accounting estimate changes.

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

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

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

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

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

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

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

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

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

(XVII) Investment property

Investment properties are initially measured at cost and may be subsequently measured using a cost model. Except for land, the service life is recognized on a straight-line basis of depreciation and is about 24 to 41 years.

(XVIII) Intangible assets

1. Computer software

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

2. Trademarks and patent rights

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

3. Goodwill

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

(XIX) Impairment of non-financial assets

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

2. Goodwill regularly estimates its recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The goodwill impairment loss will not be reversed in subsequent years.

3. Goodwill is allocated to cash-generating units for the purpose of conducting the impairment testing. The allocation identified based on the operating segment, and the goodwill is allocated to cash-generation units or groups of cash-generation units expected to benefit from the business combination that generates goodwill.

(XX) Borrowings

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

(XXI) Accounts and notes payable

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

(XXII) De-recognition of financial liabilities

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

(XXIII) Offset between financial assets and liabilities

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

(XXIV) Provisions

Liability reserve (which is for warranty) is a present statutory or deferred obligation as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Future operating losses shall not be recognized as liability reserves.

(XXV) Employee benefits

1. Short-term employee benefits

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

2. Pension

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

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

Employees' remuneration and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and the amounts can be reliably estimated. Any difference between the resolved amounts and the subsequent actually distributed amounts shall be treated as accounting estimate changes. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(XXVI) Employee share-based payment

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

(XXVII) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax

is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities. They are levied by the same taxation authority on either the same entities or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
6. The income tax expenses during the interim period are calculated using the estimated annual average effective tax rate applied to the pre-tax profit and loss during the interim period, and relevant information is disclosed in accordance with the aforementioned policies.

(XXVIII) Share capital

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

(XXIX) Dividend distribution

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

(XXX) Revenue recognition

1. Our Group develops, manufactures and sells various products related to industrial storage devices and memory modules. Sales revenue is recognized when the control of products is transferred to customers. That is, once products are delivered to customers, the customers have discretion on the channel and price of product sales, and the Group has no outstanding performance obligations that may affect customers’ acceptance of the products. The delivery of products occurs when products are shipped to a designated location and the risk of obsolescence and loss has been transferred to customers, and the customers accept the products in accordance with the sales contract or have objective evidence that all criteria have been met.

2. The payment terms of sales transactions are usually payment in advance or net 30 to 90. With respect to the contracts signed between the Group and customers, the time interval between the transfer products or services promised to customers and the customers' payment has not exceeded one year, so the Group has not adjusted the transaction price to reflect the time value of money.
3. Sales revenue is recognized as the net from subtracting sales discounts from the contract price. The Group estimates possible sales discounts based on past experience and different contract conditions, and recognizes the refund liabilities accordingly.
4. The Group provides warranty for products sold, and has the obligation to repair product defects, which are recognized as liability provisions when goods are sold.
5. Accounts receivable are recognized when goods are delivered to customers. The Group has unconditional rights to the contract price, and will be able to collect the amount from the customers after the time has passed.

(XXXI) Government grants

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

(XXXII) 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

In the Group's preparation of the consolidated financial statements, the management has used its judgment to determine the accounting policies to be adopted, and based on the current situation on the balance sheet date, has made accounting estimates and assumptions based on reasonable expectations for future events. Significant accounting estimates and assumptions may differ from the actual results, and continuous evaluation and adjustment will be made based on historical experience and other factors. Such estimates and assumptions have a risk of causing an adjustment to the carrying amounts of assets and liabilities in 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) Significant Accounting Estimates and Assumptions

Inventory Evaluation

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

The book value of the Group's inventory as of September 30, 2023 is detailed in note 6(5).

VI. Statements of main accounting items

(I) Cash and cash equivalents

	September 30, 2023		December 31, 2022		September 30, 2022	
Cash:						
Cash on hand and working capital	$	1,128	$	1,076	$	888
Checking deposits and demand deposits		1,895,551		2,663,473		1,588,442
Cash equivalents:						
Time deposits		1,662,985		1,335,500		985,500
	$	3,559,664	$	4,000,049	$	2,574,830

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

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

	September 30, 2023	December 31, 2022	September 30, 2022
Non-current items:			
Equity instruments			
TWSE/TPEx list domestic companies	$ 29,970	$ 29,970	$ 29,970
Preferred shares			
Evaluation adjustment	(2,597)	(2,131)	(1,931)
	$ 27,373	$ 27,839	$ 28,039

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

(III) Financial assets measured at amortized cost

	September 30, 2023	December 31, 2022	September 30, 2022
Current items:			
Time deposits due in three months to one year	$ -	$ -	$ 250,000
Non-current items:			
Pledged time deposits	$ 10,706	$ 10,706	$ 11,206

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

(IV) Notes and accounts receivable

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable	$ 1,779	$ 2,565	$ 546
Less: Loss allowance	-	-	-
	$ 1,779	$ 2,565	$ 546
Accounts receivable	$ 1,345,028	$ 1,441,399	$ 1,661,532
Accounts receivable - related parties	4	109	27
	1,345,032	1,441,508	1,661,559
Less: Loss allowance	(3,036)	(22,605)	(10,154)
	$ 1,341,996	$ 1,418,903	$ 1,651,405

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 September 30, 2023, December 31, 2022 and September 30, 2022, all notes receivable and accounts receivable were generated from contracts with customers. The balance of notes and accounts receivable as of January 1, 2022 were NT$1,559,070.
3. The Group does not hold any collateral for the aforementioned notes and accounts receivable.

(V) Inventories

	September 30, 2023		
	Cost	Loss allowance for falling prices	Book value
Raw materials	$ 847,598	($ 168,228)	$ 679,370
Work in process	229,808	(22,509)	207,299
Finished products	216,018	(23,875)	192,143
Products	48,293	(9,896)	38,397
	$ 1,341,717	($ 224,508)	$ 1,117,209

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

	September 30, 2022		
	Cost	Loss allowance for falling prices	Book value
Raw materials	$ 988,074	($ 244,466)	$ 743,608
Work in process	237,768	(16,403)	221,365
Finished products	301,568	(34,291)	267,277
Products	33,916	(10,098)	23,818
	$ 1,561,326	($ 305,258)	$ 1,256,068

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

	July 1 to September 30, 2023	July 1 to September 30, 2022
Cost of inventory sold	$ 1,326,728	$ 1,658,798
Inventory (price recovery gain) valuation loss	(25,998)	(19,846)
Loss on scrapping of inventory	-	204
Others	4,764	6,283
	$ 1,305,494	$ 1,645,439

	January 1 to September 30, 2023	January 1 to September 30, 2022
Cost of inventory sold	$ 4,072,044	$ 5,309,776
Inventory (price recovery gain) valuation loss	(54,812)	79,370
Loss on scrapping of inventory	11,061	7,708
Others	16,908	21,992
	$ 4,045,201	$ 5,418,846

Because the Group sold the inventory whose valuation loss was recognized, the allowance for impairment loss reduced, and thus a price recovery gain was generated.

(VI) Investments accounted for using equity method

	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	Shareholding percentage	Amount	Shareholding percentage	Amount	Shareholding percentage
Affiliates:						
Millitronic Co.,Ltd.	$ 3,664	33.55%	$ 6,134	33.55%	$ 7,839	33.55%
Sysinno Technology Inc.	12,813	42.95%	6,819	43.00%	7,312	43.00%
	$ 16,477		$ 12,953		$ 15,151	

From July 1 to September 30, 2023 and 2022 and from January 1 to September 30, 2023 and 2022, the Group's share of profit (loss) from affiliates recognized by the equity method was NT$(671), NT$(921), NT$(3,976), and NT$(3,586), respectively, as recognized in the financial statements reviewed by the Company's independent auditors.

1. Sysinno Technology Inc. increased its capital by NT$17,500 in cash on March 21, 2023; the Company participated in the capital increase with NT$7,500 and obtained 300,000 shares, resulting in a decrease in our shareholding ratio to 42.95%.

2. As of September 30, 2023, December 31, 2022 and September 30, 2022, the Group had no significant affiliates, and the consolidated book value of individual non-significant affiliates were NT$16,477, NT$12,953 and NT$15,151, respectively. Their operating results are summarized as follows:

	July 1 to September 30, 2023	July 1 to September 30, 2022
Profit (loss) from continuing operations	($ 671)	($ 921)
Other comprehensive income or loss (net of income tax)	-	-
Total comprehensive income	($ 671)	($ 921)

	January 1 to September 30, 2023	January 1 to September 30, 2022
Profit (loss) from continuing operations	($ 3,976)	($ 3,586)
Other comprehensive income or loss (net of income tax)	-	-
Total comprehensive income	($ 3,976)	($ 3,586)

(blank below)

(VII) Property, plant and equipment

	2023										
	Land			Buildings and construction			Machines and equipment	Office equipment	Unfinished construction and equipment pending acceptance	Others	Total
	For self-use	For lease	Subtotal	For self-use	For lease	Subtotal	For self-use	For self-use	For self-use	For self-use	
January 1											
Cost	$ 818,658	$ -	$ 818,658	$ 1,042,912	$ -	$ 1,042,912	$ 324,396	$ 72,245	$ 220,157	$ 102,344	$ 2,580,712
Accumulated depreciation and impairments	-	-	-	(146,361)	-	(146,361)	(191,254)	(43,738)	-	(60,849)	(442,202)
	$ 818,658	$ -	$ 818,658	$ 896,551	$ -	$ 896,551	$ 133,142	$ 28,507	$ 220,157	$ 41,495	$ 2,138,510
January 1	$ 818,658	$ -	$ 818,658	$ 896,551	$ -	$ 896,551	$ 133,142	$ 28,507	$ 220,157	$ 41,495	$ 2,138,510
Addition	-	213,475	213,475	6,836	109,359	116,195	2,779	15,083	230,057	11,237	588,826
Reclassification	-	-	-	800	-	800	2,632	-	(5,967)	2,535	-
Disposal	-	-	-	-	-	-	(16)	(16)	-	-	(32)
Depreciation expense	-	-	-	(26,343)	(678)	(27,021)	(30,322)	(15,266)	-	(10,212)	(82,821)
Net exchange difference	846	-	846	2,906	-	2,906	-	81	-	42	3,875
September 30	$ 819,504	$ 213,475	$ 1,032,979	$ 880,750	$ 108,681	$ 989,431	$ 108,215	$ 28,389	$ 444,247	$ 45,097	$ 2,648,358
September 30											
Cost	$ 819,504	$ 213,475	$ 1,032,979	$ 1,039,548	$ 109,359	$ 1,148,907	$ 329,785	$ 76,020	$ 444,247	$ 115,644	$ 3,147,582
Accumulated depreciation and impairments	-	-	-	(158,798)	(678)	(159,476)	(221,570)	(47,631)	-	(70,547)	(499,224)
	$ 819,504	$ 213,475	$ 1,032,979	$ 880,750	$ 108,681	$ 989,431	$ 108,215	$ 28,389	$ 444,247	$ 45,097	$ 2,648,358

	2022						
	Land	Buildings and construction	Machines and equipment	Office equipment	Unfinished construction and equipment pending acceptance	Others	Total
	For self-use	For self-use	For self-use	For self-use	For self-use	For self-use	
January 1							
Cost	$ 624,621	$ 910,262	$ 260,429	$ 36,098	$ 55,500	$ 81,976	$ 1,968,886
Accumulated depreciation and impairment	-	(121,302)	(154,334)	(24,997))	-	(51,467)	(352,100)
	$ 624,621	$ 788,960	$ 106,095	$ 11,101	$ 55,500	$ 30,509	$ 1,616,786
January 1	$ 624,621	$ 788,960	$ 106,095	$ 11,101	$ 55,500	$ 30,509	$ 1,616,786
Addition	142,908	93,071	13,903	16,790	160,121	18,608	445,401
Reclassification	49,598	32,421	47,685	14,198	(48,553)	867	96,216
Disposal	-	-	(-)	(121)	-	-	(121)
Depreciation expense	-	(23,011)	(26,922)	(13,421)	-	(8,025)	(71,379)
Net exchange difference	1,813	5,349	6	20	-	28	7,216
September 30	$ 818,940	$ 896,790	$ 140,767	$ 28,567	$ 167,068	$ 41,987	$ 2,094,119
September 30							
Cost	$ 818,940	$ 1,035,762	$ 322,035	$ 69,338	$ 167,068	$ 101,060	$ 2,514,203
Accumulated depreciation and impairment	-	(138,972)	(181,268)	(40,771)	-	(59,073)	(420,084)
	$ 818,940	$ 896,790	$ 140,767	$ 28,567	$ 167,068	$ 41,987	$ 2,094,119

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

2. The Group had no capitalization of interest of property, plant and equipment from January 1 to September 30, 2023 and 2022.

(VIII) Leasing arrangements - lessee

1. The underlying assets leased by the Group include land, buildings and company vehicles, with the lease contract periods for buildings and company vehicles from 1 to 9 years. The land for the plant site in Taiwan is leased from Hsinchu Science Park; the lease contract has a term of 20 years, and the Company enjoys the priority of lease, with the lease period expected to be 50 years. Lease contracts are negotiated separately and include a variety of terms and conditions. There are no restrictions for the leased assets, except that they cannot be used as loan collateral.

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

	Land	Buildings	Company vehicles	Total
January 1, 2023	$ 175,260	$ 27,702	$ 4,521	$ 207,483
Addition	-	21,544	3,261	24,805
Depreciation expense	(4,986)	(17,225)	(2,726)	(24,937)
Effects of changes in foreign exchange rates	-	57	112	169
September 30, 2023	$ 170,274	$ 32,078	$ 5,168	$ 207,520

	Land	Buildings	Company vehicles	Total
January 1, 2022	$ 178,850	$ 23,968	$ 3,283	$ 206,101
Addition	3,020	31,076	2,722	36,818
Early termination of leases	-	(10,809)	-	(10,809)
Depreciation expense	(4,948)	(15,214)	(1,553)	(21,715)
Effects of changes in foreign exchange rates	-	(27)	(9)	(36)
September 30, 2022	$ 176,922	$ 28,994	$ 4,443	$ 210,359

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

Items affecting current profit and loss	July 1 to September 30, 2023	July 1 to September 30, 2022
Interest expenses on lease liabilities	$ 645	$ 637
Lease modification loss (gain)	-	(19)

Items affecting current profit and loss	January 1 to September 30, 2023	January 1 to September 30, 2022
Interest expenses on lease liabilities	$ 1,913	$ 1,883
Lease modification loss (gain)	-	(48)

4. From January 1 to September 30, 2023 and 2022, other than the cash outflow from lease-related expenses mentioned in note 6(8)3 above, please refer to note 6(30) for details of the amount of cash outflow arising from the payment of lease liabilities.

(IX) Leasing arrangements - lessor

1. The Group leases out assets such as land and buildings. The periods of lease contracts are typically from 1 to 6 years, and the terms of lease contracts are negotiated separately. In order to preserve the condition of leased assets, the Company usually requires lessees not to sublet, sublease or pledge all or part of the underlying leased assets.

2. Please refer to 6(22) for the rental income recognized by the Group based on operating lease contracts.

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

	September 30, 2023	December 31, 2022	September 30, 2022
2022	$ -	$ -	$ 1,459
2023	3,741	4,666	2,283
2024	12,607	333	332
2025	11,230	-	-

2026 and afterwards	3,144	-	-
	$ 30,722	$ 4,999	$ 4,074

(X) Investment property

	2023		
	Land	Buildings and construction	Total
January 1			
Cost	$ 86,688	$ 44,153	$ 130,841
Accumulated depreciation and impairments	-	(11,523)	(11,523)
	$ 86,688	$ 32,630	$ 119,318
January 1	$ 86,688	$ 32,630	$ 119,318
Depreciation expense	-	(1,083)	(1,083)
Net exchange difference	208	248	456
September 30	$ 86,896	$ 31,795	$ 118,691
September 30			
Cost	$ 86,896	$ 44,451	$ 131,347
Accumulated depreciation and impairments	-	(12,656)	(12,656)
	$ 86,896	$ 31,795	$ 118,691

	2022		
	Land	Buildings and construction	Total
January 1			
Cost	$ 73,690	$ 37,316	$ 111,006
Accumulated depreciation and impairments	-	(11,655)	(11,655)
	$ 73,690	$ 25,661	$ 99,351
January 1	$ 73,690	$ 25,661	$ 99,351
Addition	16,343	(9,893)	(26,236)
Reclassification	(3,590)	(1,821)	(5,411)
Depreciation expense	-	(1,040)	(1,040)
Net exchange difference	(11)	(14)	(25)
September 30	$ 86,432	$ 32,679	$ 119,111
September 30			
Cost	$ 86,432	$ 43,787	$ 130,219
Accumulated depreciation and impairments	-	(11,108)	(11,108)
	$ 86,432	$ 32,679	$ 119,111

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

	July 1 to September 30, 2023	July 1 to September 30, 2022
Rental income from investment property	$ 1,808	$ 1,528
Direct operating expenses incurred by investment property that generates rental income for the period	$ 448	$ 226
	January 1 to September 30, 2023	January 1 to September 30, 2022
Rental income from investment property	$ 4,984	$ 5,039
Direct operating expenses incurred by investment property that generates rental income for the period	$ 1,406	$ 1,110

2. The fair values of the investment property held by the Group as of September 30, 2023, December 31, 2022 and September 30, 2022 were NT$172,516, NT$181,673 and NT$171,835, respectively. The abovementioned fair value is obtained from the market price assessments and actual transaction prices of similar properties in the vicinity of the relevant assets.
3. Please refer to Note 8 for the information on the collateral provided by the Group with its property, plant and equipment.

4. The Group had no capitalization of interest of investment property from January 1 to September 30, 2023 and 2022.

(XI) Intangible assets

	2023				
	Patent	Computer software	Trademark rights	Goodwill	Total
January 1					
Cost	$ 6,000	$ 99,750	$ 3,000	$ 12,466	$ 121,216
Accumulated amortization and impairments	(3,333)	(72,099)	(1,667)	-	(77,099)
	$ 2,667	$ 27,651	$ 1,333	$ 12,466	$ 44,117
January 1	$ 2,667	$ 27,651	$ 1,333	$ 12,466	$ 44,117
Addition - from individual acquisition	-	8,785	-	-	8,785
Amortization expenses	(1,500)	(15,897)	(750)	-	(18,147)
Net exchange difference	-	1	-	555	556
September 30	$ 1,167	$ 20,540	$ 583	$ 13,021	$ 35,311
September 30					
Cost	$ 6,000	$ 108,535	$ 3,000	$ 13,021	$ 130,556
Accumulated amortization and impairments	(4,833)	(87,995)	(2,417)	-	(95,245)
	$ 1,167	$ 20,540	$ 583	$ 13,021	$ 35,311

	2022				
	Patent	Computer software	Trademark rights	Goodwill	Total
January 1					
Cost	$ 6,000	$ 77,776	$ 3,000	$ 11,386	$ 98,162
Accumulated amortization and impairments	(1,333)	(49,025)	(667)	-	(51,025)
	$ 4,667	$ 28,751	$ 2,333	$ 11,386	$ 47,137
January 1	$ 4,667	$ 28,751	$ 2,333	$ 11,386	$ 47,137
Addition - from individual acquisition	-	13,265	-	-	13,265
Amortization expenses	(1,500)	(16,873)	(750)	-	(19,123)
Net exchange difference	-	-	-	1,450	1,450
September 30	$ 3,167	$ 25,143	$ 1,583	$ 12,836	$ 42,729
September 30					
Cost	$ 6,000	$ 88,620	$ 3,000	$ 12,836	$ 110,456
Accumulated amortization and impairments	(2,833)	(63,477)	(1,417)	-	(67,727)
	$ 3,167	$ 25,143	$ 1,583	$ 12,836	$ 42,729

1. Breakdown of intangible assets amortization:

	July 1 to September 30, 2023	July 1 to September 30, 2022
Operating costs	$ 318	$ 419
Selling expenses	25	55
General and administrative expenses	2,746	2,529
Research and development expenses	2,342	3,995
	$ 5,431	$ 6,998

	January 1 to September 30, 2023	January 1 to September 30, 2022
Operating costs	$ 1,164	$ 1,253
Selling expenses	93	148
General and administrative expenses	8,662	7,583
Research and development expenses	8,228	10,139
	$ 18,147	$ 19,123

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

	September 30, 2023	December 31, 2022	September 30, 2022
Innodisk USA Corporation	$ 11,490	$ 10,935	$ 11,305
Others	1,531	1,531	1,531
	$ 13,021	$ 12,466	$ 12,836

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 September 30, 2023, December 31, 2022 and September 30, 2022, the Group had not pledged intangible assets as collaterals.

(XII) Other payables

	September 30, 2023	December 31, 2022	September 30, 2022
Payroll and bonus payable	$ 269,261	$ 305,046	$ 248,645
Employees' remuneration and directors' and supervisors' remuneration payable	108,420	152,364	116,071
Accrued expenses	85,382	77,502	75,314
Payable on equipment	60,240	52,801	4,638
Others	17,262	19,299	18,719
	$ 540,565	$ 607,012	$ 463,387

(XIII) Long-term loans

Type of borrowing	Borrowing period and payment method	Range of interest rate	Collateral		September 30, 2023
Borrowing with installment repayments					
Innodisk Corporation					
E.Sun Commercial Bank Credit loan	The borrowing period is from August 23, 2023 to August 15, 2033; the grace period for the principal is two years, and the interest is paid monthly.	1.25%	No	$	229,000
Innodisk Europe B.V.					
Chinatrust Commercial Bank Credit loan	The borrowing period is from December 10, 2018 to December 10, 2023; the principal is repaid annually and the interest is paid quarterly.	1.15%	No		10,173
Chinatrust Commercial Bank Credit loan	The borrowing period is from March 15, 2019 to March 15, 2024; the principal is amortized annually and the interest is paid quarterly.	1.15%	No		4,069
Aetina Corporation					
Chinatrust Commercial Bank Secured borrowings	The borrowing period is from November 24, 2021 to November 24, 2041; the grace period for the principal is two years, and the interest is paid monthly.	0.94%	Please see Note 8 for details.		90,000
Chinatrust Commercial Bank Credit loan	The borrowing period is from November 24, 2021 to November 24, 2041; the grace period for the principal is two years, and the interest is paid monthly.	1.09%	No		36,680
					369,922
Less: Long-term loans, current portion				(	19,168)
				$	350,754

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

Type of borrowing	Borrowing period and payment method	Range of interest rate	Collateral	September 30, 2022
Borrowing with installment repayments				
Innodisk Corporation				
Chinatrust Commercial Bank Secured borrowings	The borrowing period is from January 7, 2022 to January 7, 2042; the grace period for principal repayment is two years, and the interest is paid monthly.	0.82%	Please see Note 8 for details.	$ 67,343
Chinatrust Commercial Bank Secured borrowings	The borrowing period is from January 13, 2022 to January 13, 2042; the grace period for principal repayment is two years, and the interest is paid monthly.	0.82%	Please see Note 8 for details.	112,657
Chinatrust Commercial Bank Unsecured borrowings	The borrowing period is from January 13, 2022 to January 13, 2042; the grace period for principal repayment is two years, and the interest is paid monthly.	1.09%	No	88,544
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	10,941
Chinatrust Commercial Bank Credit loan	The borrowing period is from March 15, 2019 to March 15, 2024; the principal is repaid annually and the interest is paid quarterly.	1.15%	No	4,376
Aetina Corporation				
Chinatrust Commercial Bank Secured borrowings	The borrowing period is from November 24, 2021 to November 24, 2041; the grace period for the principal is two years, and the interest is paid monthly.	0.94%	Please see Note 8 for details.	90,000
Chinatrust Commercial Bank Unsecured borrowings	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
				410,541
Less: Long-term loans, current portion				(2,188)
				$ 408,353

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

(XIV) Pensions

1. The Company and its domestic subsidiaries have established a defined contribution pension plan

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

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

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

4. From July 1 to September 30, 2023 and 2022 and from January 1 to September 30, 2023 and 2022, the Group's pension costs recognized in accordance with the pension regulations above were NT$11,130, NT$9,908, NT$34,833 and NT$29,318, respectively.

(XV) Share-based payment

1. Share-based payment agreement of the Company

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

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

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

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

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

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

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

	January 1 to September 30, 2023		January 1 to September 30, 2022	
	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	3,578	166.28	1,628	89.80
Stock options granted in this period	-	-	3,500	168.00
Free allotment of additional shares or adjustment of the number of subscribed shares	-	-	-	-
Stock options lost in this period	(96)	81.40	(100)	89.80
Stock options exercised in this period	(113)	81.40	(1,322)	89.42
Stock options expired in this period	-	-	-	-
Stock options outstanding as of September 30	3,369	168.00	3,706	163.19
Stock options exercisable as of September 30	-		206	

3. The weighted-average share prices of the stock options exercised from January 1 to September 30, 2023 and 2022 were NT$221.28 and NT$189.25, respectively on the date of exercise.

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

		September 30, 2023	
Approved issue date	Expiration date	Number of shares (thousand)	Exercise price (NT$)
August 5, 2022	August 5, 2026	3,369	168.00

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

		September 30, 2022	
Approved issue date	Expiration date	Number of shares (thousand)	Exercise price (NT$)
January 29, 2019	January 29, 2023	206	81.40
August 5, 2022	August 5, 2026	3,500	168.00

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

Type of arrangement	Grant date	Stock price (NT$)	Exercise price (NT$)	Expected volatility	Expected duration	Expected dividend	Risk-free rate	Weighted average fair value

								per unit (NT$)
Employee stock options plan	2019.1.29	105.50	105.50	34.34%	4 years	NA	0.61%	26.4442
Employee stock options plan	2022.8.5	168.00	168.00	30.62%	3.25 years	NA	0.95%	38.5462

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

	July 1 to September 30, 2023	July 1 to September 30, 2022
Equity delivery	$ 12,030	$ 7,374

	January 1 to September 30, 2023	January 1 to September 30, 2022
Equity delivery	$ 36,090	$ 19,417

(XVI) Provisions

	2023	2022
Balance on January 1	$ 69,111	$ 59,851
Provision for liabilities used in the period	(20,296)	(10,378)
Provision for liabilities added in this period	13,348	17,717
Balance on September 30	$ 62,163	$ 67,190

The analysis of provisions is as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Current	$ 6,154	$ 6,651	$ 6,817
Non-current	56,009	62,460	60,373
	$ 62,163	$ 69,111	$ 67,190

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

(XVII) Share capital

1. As of September 30, 2023, the Company’s authorized capital was NT$1,000,000 thousand, divided into 100,000 thousand shares (including 10,000 thousand shares for the subscription by employee stock options). The paid-in capital was NT$883,977 thousand, with a par value of NT$10 per share. 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)

	2023	2022
January 1	86,553,081	82,668,040
Stock dividends	1,731,061	2,480,041
Exercise of employee share options	113,500	1,322,500
September 30	88,397,642	86,470,581

2. The shareholders’ meeting on May 31, 2023 resolved to increase the Company’s capital by issuing new shares with the 2022 unappropriated retained earnings of NT$17,311 thousand. The ex-date for the capital increase is August 27, 2023.

3. The shareholders’ meeting on May 31, 2022 resolved to increase the Company’s capital by issuing new shares with the 2021 unappropriated retained earnings of NT$24,801 thousand. The ex-date for

the capital increase was August 6, 2022.

4. The ordinary shares issued due to the exercise of employee stock options from January 1 to September 30, 2023 were 113,500 shares, and all of them have been registered for share capital change.
5. The ordinary shares issued due to the exercise of employee stock options from January 1 to September 30, 2022 were 1,322,500 shares, and all of them have been registered for share capital change.

(XVIII) Capital surplus

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

	2023					
	Issue premium	Difference between the price of acquiring or disposing of the equity of subsidiaries and the book value	Recognition of changes in ownership in subsidiaries	Employee stock options	Others	Total
January 1	$ 1,302,829	$ 802	$ 24,806	$ 23,320	$ 4,705	$ 1,356,462
Share-based payment	-	-		36,090	-	36,090
Share-based remuneration for employees of subsidiaries	-	-	580	-	-	580
Exercise of employee share options	13,157	-	-	(5,053)	-	8,104
Exercise of disgorgement rights	-	-	-	-	520	520
Expired options	-	-	-	(3,467)	3,467	-
September 30	$ 1,315,986	$ 802	$ 25,386	$ 50,890	$ 8,692	$ 1,401,756

	2022					
	Issue premium	Difference between the price of acquiring or disposing of the equity of subsidiaries and the book value	Recognition of changes in ownership in subsidiaries	Employee stock options	Others	Total
January 1	$ 1,157,494	$ 802	$ 24,538	$ 30,321	$ 674	$1,213,829
Share-based payment	-	-	-	19,417	-	19,417
Share-based remuneration for employees of subsidiaries	-	-	268	-	-	268
Exercise of employee share options	137,423	-	-	(32,396)	-	105,027
Expired options	-	-	-	(2,450)	2,450	-
September 30	$ 1,294,917	$ 802	$ 24,806	$ 14,892	$ 3,124	$1,338,541

(XIX) 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.

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

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

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

4. The Company's distribution of profits

(1) The Company's earnings distribution for 2022 and 2021 as approved by the shareholders' meeting on May 31, 2023 and May 31, 2022 is as follows:

	2022		2021	
	Amount	Dividends Per Share (NT$)	Amount	Dividends Per Share (NT$)
Legal reserve allocation	$ 185,019		$ 156,088	
Appropriation (reversal) of special reserve	(12,223)		7,709	
Stock dividends	17,311	0.20	24,801	0.30
Cash dividends	1,194,433	13.80	967,217	11.70
	$ 1,384,540		$ 1,155,815	

(XX) Operating revenue

1. Segmentation of revenue from contracts with customers

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

	Industrial storage devices and memory modules					
July 1 to September 30, 2023	Taiwan	Asia	Americas	Europe	Others	Total
Revenue from contracts with customers	$ 555,549	$ 679,914	$ 337,573	$ 389,607	$ 30,364	$ 1,993,007

	Industrial storage devices and memory modules					
July 1 to September 30, 2022	Taiwan	Asia	Americas	Europe	Others	Total
Revenue from contracts with customers	$ 774,216	$ 763,213	$ 357,194	$ 563,026	$ 102,692	$ 2,560,341

	Industrial storage devices and memory modules					
January 1 to September 30, 2023	Taiwan	Asia	Americas	Europe	Others	Total
Revenue from contracts with customers	$ 1,976,070	$ 1,847,167	$ 906,282	$ 1,352,806	$ 101,404	$ 6,183,729

	Industrial storage devices and memory modules					
January 1 to September 30, 2022	Taiwan	Asia	Americas	Europe	Others	Total
Revenue from contracts with customers	$ 2,438,448	$ 2,301,773	$ 1,322,588	$ 1,732,763	$ 221,085	$ 8,016,657

2. Contract liabilities

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

	September 30, 2023	December 31, 2022	September 30, 2022	January 1, 2022
Contract liabilities				
- Product sales contracts	$ 42,812	$ 42,079	$ 23,239	$ 31,810

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

	July 1 to September 30, 2023	July 1 to September 30, 2022
Product sales contracts	$ 397	$ 413
	January 1 to September 30, 2023	January 1 to September 30, 2022
Product sales contracts	$ 39,620	$ 30,071

(XXI) Interest income

	July 1 to September 30, 2023	July 1 to September 30, 2022
Interest on bank deposits	$ 8,371	$ 1,545
Interest income on financial assets at amortized cost	467	807
Others	3	1
	$ 8,841	$ 2,353
	January 1 to September 30, 2023	January 1 to September 30, 2022
Interest on bank deposits	$ 26,255	$ 3,474
Interest income on financial assets at amortized cost	629	2,598
Others	13	6
	$ 26,897	$ 6,078

(XXII) Other income

	July 1 to September 30, 2023	July 1 to September 30, 2022
Rental income	$ 3,781	$ 1,697
Dividend income	1,127	-
Others	2,131	1,993
	$ 7,039	$ 3,690
	January 1 to September 30, 2023	January 1 to September 30, 2022
Government grants	$ -	$ 2,208
Rental income	8,276	5,496
Dividend income	1,127	-
Others	7,431	5,138
	$ 16,834	$ 12,842

(XXIII) Other gains and (losses)

	July 1 to September 30, 2023	July 1 to September 30, 2022
Net foreign exchange gain (loss)	$ 55,728	$ 138,462
Gain (loss) on disposal of property, plant and equipment	-	(3)
Disposal of investment gains	-	-
Depreciation charges on investment property	(363)	(354)
Others	(42)	209
	$ 55,323	$ 138,314
	January 1 to September 30, 2023	January 1 to September 30, 2022
Net foreign exchange gain (loss)	$ 79,073	$ 272,964
Gain (loss) on disposal of property, plant and equipment	(25)	(31)
Disposal of investment gains	-	4,228
Depreciation charges on investment property	(1,083)	(1,040)
Others	(49)	(293)
	$ 77,916	$ 275,828

(XXIV) Finance cost

	July 1 to September 30, 2023	July 1 to September 30, 2022
Interest expense on bank borrowings	$ 1,114	$ 1,358
Interest expenses on lease liabilities	645	637
Others	30	20
	$ 1,789	$ 2,015

	January 1 to September 30, 2023	January 1 to September 30, 2022
Interest expense on bank borrowings	$ 2,936	$ 3,419
Interest expenses on lease liabilities	1,913	1,883
Others	48	44
	$ 4,897	$ 5,346

(XXV) Expenses by nature

	July 1 to September 30, 2023	July 1 to September 30, 2022
Employee benefits expense	$ 357,521	$ 341,959
Depreciation charges on property, plant and equipment	$ 28,162	$ 25,868
Depreciation charges on right-of-use assets	$ 8,556	$ 7,653
Amortization expense on intangible assets	$ 5,431	$ 6,998

	January 1 to September 30, 2023	January 1 to September 30, 2022
Employee benefits expense	$ 1,080,489	$ 997,588
Depreciation charges on property, plant and equipment	$ 82,821	$ 71,379
Depreciation charges on right-of-use assets	$ 24,937	$ 21,715
Amortization expense on intangible assets	$ 18,147	$ 19,123

(XXVI) Employee benefits expense

	July 1 to September 30, 2023	July 1 to September 30, 2022
Payroll expenses	$ 294,769	$ 285,726
Employee stock options	12,030	7,374
Labor and health insurance fees	24,184	22,908
Pension costs	11,130	9,908
Directors' remuneration	4,608	6,342
Other employee benefit expenses	10,800	9,701
	$ 357,521	$ 341,959

	January 1 to September 30, 2023	January 1 to September 30, 2022
Payroll expenses	$ 890,285	$ 839,406
Employee stock options	36,090	19,417
Labor and health insurance fees	72,003	63,440
Pension costs	34,833	29,318
Directors' remuneration	16,278	17,226
Other employee benefit expenses	31,000	28,781
	$ 1,080,489	$ 997,588

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

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

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

Employee compensation mentioned in the preceding paragraph shall be in the form of stocks or cash and shall be determined by the board resolution and reported to the shareholders meeting. The recipients include the employees of subsidiaries in which the Company holds more than half of the shares with voting power or the total capital of the subsidiaries.

2. The estimated amount of employees' remuneration from July 1 to September 30, 2023 and 2022 and from January 1 to September 30, 2023 and 2022 is NT$$21,000, NT$30,735, NT$93,000 and NT$93,225, respectively; the estimated amount of directors' remuneration is NT$4,200, NT$5,400, NT$15,000 and NT$14,800, respectively; these amounts are recognized as salary expenses.

   The employees' remuneration and directors' remuneration were respectively estimated and accrued at 7.45% and 1.20% of the Company's profit from January 1 to September 30, 2023.

   The employees' remuneration and directors' remuneration approved by the board meeting for 2022 were NT$120,225 and NT$21,000, respectively, which were consistent with the amounts recognized in the 2022 consolidated financial statements, and NT$120,007 and NT$21,000 have been paid respectively in cash as of September 30, 2023.

3. Information about employees' and directors' remuneration resolved by the board meeting can be inquired on the "Market Observation Post System."

(XXVII) Income tax

1. Income tax expense

(1) Components of income tax expense

	July 1 to September 30, 2023	July 1 to September 30, 2022
Current income tax:		
Current income tax liabilities and (assets)	$ 72,506	($ 79,460)
Amount of income tax not paid in the previous year	279	2,211)
Tax underestimate (overestimate) in the previous year	(468)	(121)
Withholding and provisional tax	2,176	210,172
Total current income tax	74,493	128,380
Deferred income tax:		
Origination and reversal of temporary differences	4,006	16,107
Others:		
Effects of changes in foreign exchange rates	88	(48)
Income tax expense	$ 78,587	$ 144,439

	January 1 to September 30, 2023	January 1 to September 30, 2022
Current income tax:		
Current income tax liabilities and (assets)	$ 240,886	$ 190,129
Amount of income tax not paid in the previous year	(291)	(2,301)
Tax underestimate (overestimate) in the previous year	(4,415)	(28,433)
Withholding and provisional tax	7,417	215,693
Additional tax on undistributed earnings	(23,282)	(20,254)
Total current income tax	220,315	354,834
Deferred income tax:		
Origination and reversal of temporary differences	12,952	797
Others:		
Additional tax on undistributed earnings	23,282	20,254
Effects of changes in foreign exchange rates	112	198
Income tax expense	$ 256,661	$ 376,083

(2) From July 1 to September 30, 2023 and 2022 and from January 1 to September 30, 2023 and 2022, the Group had no income tax related to other comprehensive income or direct debits or credits of equity.

2. The Company's business income taxes have been approved by the tax authority up to 2021.

The business income taxes of the Group's domestic consolidated subsidiary Aetina Corporation have been approved by the tax authority up to 2021.

The income taxes of the Group's domestic consolidated subsidiary Antzer Tech Co., Ltd. have been approved by the tax authority up to 2021.

(XXVIII) Earnings per share

	July 1 to September 30, 2023		
	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	$ 306,457	88,398	3.47
Diluted earnings per share			
Current net profit attributable to ordinary shareholders of the parent company	$ 306,457	88,398	
Impact of conversion of all dilutive potential ordinary shares			
- Employee remuneration	-	71	
- Employee stock options	-	1,322	
Current net profit attributable to ordinary shareholders of the parent company plus the impact of potential ordinary shares from conversion	$ 306,457	89,791	3.41

	July 1 to September 30, 2022		
	Amount after tax	Weighted average number of share outstanding (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Current net profit attributable to ordinary shareholders of the parent company	$ 542,661	88,162	6.16
Diluted earnings per share			
Current net profit attributable to ordinary shareholders of the parent company	$ 542,661	88,162	
Impact of conversion of all dilutive potential ordinary shares			
- Employee remuneration	-	190	
- Employee stock options	-	156	
Current net profit attributable to ordinary shareholders of the parent company plus the impact of potential ordinary shares from conversion	$ 542,661	88,508	6.13

	January 1 to September 30, 2023		
	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	$ 885,378	88,395	10.02
Diluted earnings per share			
Current net profit attributable to ordinary shareholders of the parent company	$ 885,378	88,395	
Impact of conversion of all dilutive potential ordinary shares			
- Employee remuneration	-	433	
- Employee stock options	-	1,322	
Current net profit attributable to ordinary shareholders of the parent company plus the impact of potential ordinary shares from conversion	$ 885,378	90,150	9.82

	January 1 to September 30, 2022		
	Amount after tax	Weighted average number of share outstanding (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Current net profit attributable to ordinary shareholders of the parent company	$ 1,465,128	87,825	16.68
Diluted earnings per share			
Current net profit attributable to ordinary shareholders of the parent company	$ 1,465,128	87,825	
Impact of conversion of all dilutive potential ordinary shares			
- Employee remuneration	-	682	
- Employee stock options	-	166	
Current net profit attributable to ordinary shareholders of the parent company plus the impact of potential ordinary shares from conversion	$ 1,465,128	88,673	16.52

The aforesaid weighted average number of outstanding shares from July 1 to September 30, 2022 and from January 1 to September 30, 2022 have been retroactively adjusted according to the ratio of capital increase from earnings in 2022.

(XXIX) Supplemental cash flow information

1. Investing activities with partial cash payments:

	January 1 to September 30, 2023	January 1 to September 30, 2022
Purchase of property, plant and equipment	$ 588,826	$ 445,401
Add: Opening balance of payable on equipment	52,801	16,348
Less: Ending balance of payable on equipment	(60,240)	(4,638)
Cash paid during the year	$ 581,387	$ 457,111

2. Financing activities with no cash flow effects:

	January 1 to September 30, 2023	January 1 to September 30, 2022
Stock dividends	$ 17,311	$ 24,801

(XXX) Changes in liabilities from financing activities

	2023			
	Other payables - Cash dividends payable	Long-term loans (including current portion)	Lease liabilities (current/ non-current)	Guarantee deposit received
January 1	$ -	$ 321,076	$ 210,413	$ 1,586
Increase in borrowings	-	229,000	-	-
Repayment of borrowings	-	(180,670)	-	-
Declared cash dividends	1,194,433	-	-	-
Cash dividends paid	(1,194,433)	-	-	-
Increase in principal of lease liabilities	-	-	24,805	-
Payment of lease liabilities	-	-	(24,033)	-
Increase in guarantee deposits received	-	-	-	1,745
Decrease in guarantee deposits received	-	-	-	(6)
Impact of changes in foreign exchange rates	-	516	-	(26)
September 30	$ -	$ 369,922	$ 211,185	$ 3,299

	2022			
	Other payables - Cash dividends payable	Long-term loans (including current portion)	Lease liabilities (current/ non-current)	Guarantee deposit received
January 1	$	$ 142,654	$ 208,577	$ 1,402
Increase in borrowings	-	268,544	-	-
Repayment of borrowings	-	(623)	-	-
Declared cash dividends	967,217	-	-	-
Cash dividends paid	(967,217)	-	-	-
Payment of lease liabilities	-	-	(21,418)	-
Other non-cash transactions	-	-	25,961	-
Increase in guarantee deposits received	-	-	-	682
Decrease in guarantee deposits received	-	-	-	(599)
Impact of changes in foreign exchange rates	-	(34)	-	-
September 30	$ -	$ 410,541	$ 213,120	$ 1,485

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
Other related parties:	
I-MEDIA TECH CO., LTD.	The director of that company and one of the Company's directors are the same person.
Innodisk Foundation	The amount donated by the Company and the directors is more than one-third of the total fund received by the foundation.
All directors, the general manager and key executives.	The Group's key executives and governance units

(II) Significant transactions with the related parties

1. Sales of goods

(1) Operating revenue

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

	July 1 to September 30, 2023	July 1 to September 30, 2022
An entity over which the Group has significant influence	$ 55	$ 26

	January 1 to September 30, 2023	January 1 to September 30, 2022
An entity over which the Group has significant influence	$ 118	$ 105

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:

	September 30, 2023	December 31, 2022	September 30, 2022
An entity over which the Group has significant influence	$ 4	$ 109	$ 27

2. Purchase transaction

(1) Operating costs

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

	July 1 to September 30, 2023	July 1 to September 30, 2022
An entity over which the Group has significant influence	$ 70	$ 15
Other related parties	28	43
	$ 98	$ 58

	January 1 to September 30, 2023	January 1 to September 30, 2022
An entity over which the Group has significant influence	$ 282	$ 580
Other related parties	74	92
	$ 356	$ 672

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

(2) Accounts payable

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

	September 30, 2023	December 31, 2022	September 30, 2022
An entity over which the Group has significant influence	$ 67	$ 53	$ 1
Other related parties	63	12	45
	$ 130	$ 65	$ 46

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:

	July 1 to September 30, 2023	July 1 to September 30, 2022
Innodisk Foundation	$ 1,000	$ 1,000

	January 1 to September 30, 2023	January 1 to September 30, 2022
Innodisk Foundation	$ 3,000	$ 3,000

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:

	July 1 to September 30, 2023		July 1 to September 30, 2022	
	Rental income	Other income	Rental income	Other income
An entity over which the Group has significant influence	$ 249	$ 90	$ 266	$ 90

	January 1 to September 30, 2023		January 1 to September 30, 2022	
	Rental income	Other income	Rental income	Other income
An entity over which the Group has significant influence	$ 748	$ 270	$ 711	$ 270

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:

	September 30, 2023	December 31, 2022	September 30, 2022
An entity over which the Group has significant influence	$ 32	$ 52	$ 328

(3) Guarantee deposits received

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

	September 30, 2023	December 31, 2022	September 30, 2022
An entity over which the Group has significant influence	$ 146	$ -	$ 152

5. Acquisition of financial assets

Counterparty	Accounting item	Number of shares traded	Subject of transaction	July 1 to September 30, 2023 Price of acquisition
Sysinno Technology Inc.	Investments accounted for using equity method	300,000	Common stock	$ -

Counterparty	Accounting item	Number of shares traded	Subject of transaction	January 1 to September 30, 2023 Price of acquisition
Sysinno Technology Inc.	Investments accounted for using equity method	300,000	Common stock	$ 7,500

From July 1 to September 30, 2022 and from January 1 to September 30, 2022: None.

(III) Compensation of key management personnel

	July 1 to September 30, 2023	July 1 to September 30, 2022
Short-term employee benefits	$ 41,608	$ 39,923
Post-employment benefits	241	165
Share-based payment	2,827	1,733
	$ 44,676	$ 41,821

	January 1 to September 30, 2023	January 1 to September 30, 2022
Short-term employee benefits	$ 88,516	$ 84,956
Post-employment benefits	722	625
Share-based payment	8,481	4,563
	$ 97,719	$ 90,144

VIII. Pledged assets

Assets pledged by the Group as collateral are as follows:

	Book value			
Assets	September 30, 2023	December 31, 2022	September 30, 2022	Purpose of guarantee
Non-current financial assets at amortized cost - Pledged time deposits	$ 10,706	$ 10,706	$ 11,206	Provide pledged time deposits for lease and customs tax guarantee
Land and buildings	153,719	450,313	451,349	Long-term loans
Investment property - Land and buildings	-	32,839	32,915	Long-term loans
	$ 164,425	$ 493,858	$ 495,470	

IX. Significant contingent liabilities and unrecognized contract commitments

(I) Major contingent liabilities

Not applicable.

(II) Significant unrecognized contract commitments

1. As of September 30, 2023, December 31, 2022 and September 30, 2022, the amount of endorsements and guarantees for individual entities in the Group was NT$19,283, NT$27,768 and NT$26,529, respectively, and the amount used was NT$14,242, NT$14,397 and NT$15,317, respectively.

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

	September 30, 2023	December 31, 2022	September 30, 2022
Property, plant and equipment (note)	$ 166,505	$ 383,940	$ 427,150

Note: It was mainly due to the contractual commitment of the Company to invest in the new plant in the Yilan area of Hsinchu Science Park.

X. Losses due to major disasters

Not applicable.

XI. Significant events after the balance sheet date

Not applicable.

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 2023 as in 2022. Please refer to the consolidated balance sheet for the Group's debt-to-capital ratio as of September 30, 2023, December 31, 2022 and September 30, 2022.

(II) Financial instruments

1. Types of financial instrument

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

2. Risk management policies

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

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

3. Significant financial risks and degrees of financial risks

(1) Market risk

A. Foreign exchange risk

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

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

(C) The Group's operations involve certain non-functional currencies (the Company's and certain subsidiaries' functional currency is the New Taiwan dollar (NTD), and for other certain subsidiaries, the functional currency is Euro, USD, JPY and 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:

	September 30, 2023		
(foreign currency: functional currency)	Foreign currency (in thousands)	Exchange rate	Book value (NT$)
Financial Assets			
Monetary items			
USD : NTD	60,258	32.2700	$ 1,944,526
RMB : NTD	17,242	4.4150	76,123
JPY : NTD	139,302	0.2162	30,117
EUR : NTD	1,586	33.9100	53,781
GBP : NTD	6	39.2300	235
Financial Liabilities			
Monetary items			
USD : NTD	23,737	32.2700	$ 765,993
RMB : NTD	3	4.4150	13
EUR : NTD	4	33.9100	136
JPY : NTD	5,469	0.2162	1,182
USD : RMB	4,572	7.3090	147,538

	December 31, 2022		
(foreign currency: functional currency)	Foreign currency (in thousands)	Exchange rate	Book value (NT$)
Financial Assets			
Monetary items			
USD : NTD	83,904	30.7100	$ 2,576,692
RMB : NTD	9,803	4.40800	43,212
JPY : NTD	125,186	0.2324	29,093
EUR : NTD	399	32.7200	13,055
GBP : NTD	5	37.0900	185
Financial Liabilities			
Monetary items			
USD : NTD	19,271	30.7100	$ 591,812
JPY : NTD	4,662	0.2324	1,083
EUR : NTD	4	32.7200	131

USD : RMB	2,336	6.9670	71,739

	September 30, 2022		
(foreign currency: functional currency)	Foreign currency (in thousands)	Exchange rate	Book value (NT$)
Financial Assets			
Monetary items			
USD : NTD	73,055	31.7500	$ 2,319,496
RMB : NTD	10,796	4.4730	48,291
JPY : NTD	258,833	0.2201	56,969
EUR : NTD	188	31.2600	5,877
Financial Liabilities			
Monetary items			
USD : NTD	7,718	31.7500	$ 245,047
JPY : NTD	22,189	0.2201	4,884
EUR : NTD	180	31.2600	5,627
USD : RMB	2,336	7.0981	74,168

(D) Please refer to note 6(23) for the total exchange gain (loss) (realized and unrealized) due to significant foreign exchange rate fluctuations on monetary items held by the Group from July 1 to September 30, 2023 and 2022 and from January 1 to September 30, 2023 and 2022.

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

	January 1 to September 30, 2023		
	Sensitivity Analysis		
	Fluctuation	Impact on profit or loss	Impact on other comprehensive income
Financial Assets			
Monetary items			
USD : NTD	1%	$ 19,445	$ -
RMB : NTD	1%	761	-
JPY : NTD	1%	301	-
EUR : NTD	1%	538	-
GBP : NTD	1%	2	-
Financial Liabilities			
Monetary items			
USD : NTD	1%	(7,660)	-
RMB : NTD	1%	(0)	-
EUR : NTD	1%	(1)	-
JPY : NTD	1%	(12)	-
USD : RMB	1%	(1,475)	-

	January 1 to September 30, 2022		
	Sensitivity Analysis		
	Fluctuation	Impact on profit or loss	Impact on other comprehensive income
Financial Assets			
Monetary items			

USD : NTD	1%	$	23,195	$ -
RMB : NTD	1%		483	-
JPY : NTD	1%		570	-
EUR : NTD	1%		59	-
Financial Liabilities				
Monetary items				
USD : NTD	1%	(	2,450)	-
JPY : NTD	1%	(	49)	-
EUR : NTD	1%	(	56)	-
USD : RMB	1%	(	742)	-

B. Price risk

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

(B) The Group mainly invests in equity instruments issued by domestic companies, and the price of such equity instruments will be affected by the uncertainty of the future values of the investment objects. If the price of such instruments rises or falls by 1% while all other factors remain unchanged, the other comprehensive income classified as equity investments measured at fair value through other comprehensive income from January 1 to September 30, 2023 and 2022 will increase or decrease by NT$273 and NT$280, respectively.

C. Cash flow and fair value interest rate risk

(A) The Group's interest rate risk arises from long-term loans. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at floating rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at floating rates. The Group's borrowings at floating rates from January 1 to September 30, 2023 and 2022 were denominated in NTD and EUR.

(B) On September 30, 2023 and 2022, if the borrowing rate increased by 1% with all other reasons remained unchanged, the profit before income tax from January 1 to September 30, 2023 and 2022 would decrease by NT$2,774 and NT$3,079 respectively, mainly due to the increase of borrowing interest caused by floating interest rates.

(2) Credit risk

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

B. The management of credit risk is established with a Group perspective. According to the

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

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

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

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

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

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

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

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

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

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

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

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

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

	Not past due	Less than 30 days past due	31 to 60 days past due	61 to 180 days past due	More than 181 days past due	Total
September 30, 2023						
Expected loss rate	0.03%~0.08%	0.03%~0.36%	0.03%~12.54%	0.03%~80.38%	100%	
Notes receivable	$ 1,779	$ -	$ -	$ -	$ -	$ 1,779
Accounts receivable	1,250,430	72,790	17,153	3,258	1,401	1,345,032
Total book value	$ 1,252,209	$ 72,790	$ 17,153	$ 3,258	$ 1,401	$ 1,346,811
Loss provision	($ 388)	($ 23)	($ 246)	($ 978)	($ 1,401)	($ 3,036)

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

	Not past due	Less than 30 days past due	31 to 60 days past due	61 to 180 days past due	More than 181 days past due	Total
September 30, 2022						
Expected loss rate	0.03%~0.09%	0.03%~1.12%	0.03%~14.2%	0.03%~85.33%	100%	
Notes receivable	$ 546	$ -	$ -	$ -	$ -	$ 546
Accounts receivable	1,531,189	103,179	798	26,392	1	1,661,559
Total book value	$ 1,531,735	$ 103,179	$ 798	$ 26,392	$ 1	$ 1,662,105
Loss provision	($ 819)	($ 580)	($ 107)	($ 8,647)	($ 1)	($ 10,154)

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:

	2023	2022
	Accounts receivable	Accounts receivable
January 1	$ 22,605	$ 2,445
Expected loss (gain) on credit impairment	(19,347)	7,549
Effects of changes in foreign exchange rates	(222)	160
September 30	$ 3,036	$ 10,154

(3) Liquidity risk

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

B. The Finance Department of the Group invests the remaining funds in interest-bearing demand deposits and equity securities; the instruments chosen have appropriate maturities or sufficient liquidity to respond to the forecasts above and provide sufficient funds required in the future. As of September 30, 2023, December 31, 2022 and September 30, 2022, the Group's positions in the currency and securities markets are expected to generate immediate cash flow for liquidity risk management.

C. The Group does not have derivative financial liabilities. The table below analyzes the non-derivative financial liabilities by maturity groups based on the remaining period from the balance sheet date to the contractual maturity date. Except those listed in the table below, the liabilities 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:

September 30, 2023	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Non-derivative Financial Liabilities:					
Lease liabilities (current/non-current)	$ 27,596	$ 17,293	$ 29,727	$ 174,089	$ 248,705
Long-term loans (including current portion)	24,560	13,615	117,914	255,308	411,397

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

September 30, 2022	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Non-derivative Financial Liabilities:					
Lease liabilities (current/non-current)	$ 26,547	$ 14,796	$ 28,805	$ 182,600	$ 252,748
Long-term loans (including current portion)	6,047	32,154	74,272	336,703	449,176

(III) Fair value information

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

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

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

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

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

3. Financial instruments not measured at fair value

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

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

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

September 30, 2023	Level 1	Level 2	Level 3	Total
Repetitive fair value				
Financial assets at fair value through other comprehensive income				
- Equity securities	$ 27,373	$ -	$ -	$ 27,373

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

September 30, 2022	Level 1	Level 2	Level 3	Total
Repetitive fair value				
Financial assets at fair value through other comprehensive income				
- Equity securities	$ 28,039	$ -	$ -	$ 28,039

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

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

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

5. The Company did not have any transfer between Level 1 and Level 2, and there was no change in Level 3 and no transfer into or out of Level 3 from January 1 to September 30, 2023 and 2022.

XIII. Additional disclosures

(I) Significant transactions information

1. Loans to others: None.
2. Provision of endorsements and guarantees to others: Please refer to Schedule 1.
3. Holdings of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Note 2.

4. Acquisition or sale of the same security with the accumulated cost reaching NT$300 million or 20% of the Company's paid-in capital: None.

5. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: Please refer to Schedule 3.

6. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

7. The amount of goods purchased or sold with related parties reaches NT$100 million or more than 20% of the paid-in capital: Please refer to Schedule 4.

8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to Schedule 5.

9. Engagement in derivative transactions: None.

10. Significant inter-company transactions during the reporting periods: Please refer to Schedule 6.

(II) Information on investees

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

(III) Information on investments in China

1. Basic information: Please refer to Schedule 8.

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

(IV) Information on major shareholders

Information on major shareholders: Please refer to Schedule 10.

XIV. Operating Segments Information

(I) General information

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

(II) Measurement of segment information

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

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

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

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

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

	January 1 to September 30, 2023	January 1 to September 30, 2022
Profit (loss) from reportable segments	$ 1,025,988	$ 1,581,392
Interest income	26,897	6,078
Other income	16,834	12,842
Other gains and losses	77,916	275,828
Finance cost	(4,897)	(5,346)
Shares of losses of associates and joint ventures accounted for using equity method	(3,976)	(3,586)
Income (loss) before tax from continuing operations	$ 1,138,762	$ 1,867,208

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.

(blank below)

Innodisk Corporation and Subsidiaries

Provision of endorsements and guarantees to others

January 1 to September 30, 2023

Schedule 1

Expressed in Thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser / guarantor	Party being endorsed/ guaranteed: Company name	Party being endorsed/ guaranteed: Relationship (Note 2)	Limit on endorsements/ guarantees for a single enterprise (notes 3 and 4)	Maximum endorsement/ guarantee balance for the period (note 5)	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	Maximum amount of endorsements/ guarantees (notes 3 and 4)	Provision of endorsements/ guarantees by the parent company to the subsidiary	Provision of endorsements/ guarantees by the subsidiary to the parent company	Provision of endorsements/ guarantees to the party in China	Remarks
0	Innodisk Corporation	Innodisk Europe B.V.	2	$ 1,351,392	$ 37,867	$ 14,242	$ 14,242	-	0.21%	$ 3,378,481	Y	N	N	
1	Innodisk Europe B.V.	Innodisk France SAS	4	9,311	5,041	5,041	-	-	10.83%	23,277	N	N	N	

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

Innodisk Corporation and Subsidiaries

Holding of marketable securities at the end of the period (excluding the controlling shares in subsidiaries, associates and joint ventures)

September 30, 2023

Schedule 2

Expressed in Thousands of NTD
(Except as otherwise indicated)

			Period end					
Holding company	Type and name of securities	Relationship with the issuer of securities	Account of recognition	Number of Shares	Book value	Shareholding percentage (note)	Fair value (note)	Remarks
Innodisk Corporation	Preference shares of TWSE/ TPEx list domestic companies - Supreme Electronics Co., Ltd.	No	Non-current financial assets at fair value through other comprehensive income	666,000	$ 27,373	2.22%	$ 27,373	

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

Innodisk Corporation and Subsidiaries

Acquisition of real estate reaching NT$300 million or 20% of the paid-in capital or more

January 1 to September 30, 2023

Schedule 3

Expressed in Thousands of NTD
(Except as otherwise indicated)

The company which acquired the real estate	Property name	Date of fact	Transaction amount (note)	Payment status	Counterparty	Relationship with the endorser/ guarantor	Previous transfer information if the counterparty is a related party				Reference for price determination	Purpose of acquisition and status of use	Other agreed matters
							Owner	Relationship with the Issuer	Transfer date	Amount			
Innodisk Corporation	Real estate in Xizhi District, New Taipei City	May 2023	$ 322,834	2023: Already paid $322,834.	Ikonix Taiwan Co., Ltd.	-	-	-	-	-	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 September 30, 2023

Schedule 4

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)	($ 552,573)	(10%)	Net 60	None	None	$ 138,237	10%	
Innodisk Corporation	Innodisk Shenzhen Corporation	Subsidiary	(Sales)	(341,662)	(6%)	Net 60	None	None	141,051	10%	
Innodisk USA Corporation	Innodisk Corporation	Parent company	Purchase	552,573	16%	Net 60	None	None	(138,237)	(19%)	
Innodisk Shenzhen Corporation	Innodisk Corporation	Parent company	Purchase	341,662	10%	Net 60	None	None	(141,051)	(20%)	

Innodisk Corporation and Subsidiaries

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more:

January 1 to September 30, 2023

Schedule 5

Expressed in Thousands of NTD
(Except as otherwise indicated)

Companies with accounts receivable	Counterparty name	Relationship with the endorser/ guarantor	Balance of account receivable from related parties	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Amount of recognized allowance for bad debts
					Amount	Action taken		
Innodisk Corporation	Innodisk USA Corporation	Subsidiary	$ 138,237	5.31	$ -	Not applicable	$ 77,636	$ -
Innodisk Corporation	Innodisk Shenzhen Corporation	Subsidiary	141,051	4.13	-	Not applicable	65,006	-

Innodisk Corporation and Subsidiaries

Significant inter-company transactions during the reporting periods and their business relationships

January 1 to September 30, 2023

Schedule 6

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

Expressed in Thousands of NTD
(Except as otherwise indicated)

				Status of transaction			
Number (Note 1)	Relationship	Counterparty	Relationship	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (note 2)
0	Innodisk Corporation	Innodisk USA Corporation	Parent company to subsidiary	Sales	$ 552,573	Same with other customers	9%
0	Innodisk Corporation	Innodisk Shenzhen Corporation	Parent company to subsidiary	Sales	341,662	Same with other customers	6%
0	Innodisk Corporation	Innodisk USA Corporation	Parent company to subsidiary	Accounts receivable	138,237	Same with other customers	1%
0	Innodisk Corporation	Innodisk Shenzhen Corporation	Parent company to subsidiary	Accounts receivable	141,051	Same with other customers	2%
0	Innodisk Corporation	Innodisk Japan Corporation	Parent company to subsidiary	Operating expenses	29,246	Same with other customers	0%
0	Innodisk Corporation	Innodisk Europe B.V.	Parent company to subsidiary	Operating expenses	59,137	Same with other customers	1%

Note 1: The business dealing information between the parent company and the subsidiaries shall be indicated in the number field respectively. The filling method of the number is as follows:

(1) Parent company is "0".

(2) The subsidiaries are numbered in order starting from "1".

Note 2: Regarding percentage of transaction amount to consolidated total operating revenue or total assets, it is computed based on the period-end balance to consolidated total assets for balance sheet accounts, and based on the accumulated amount for the period to consolidated total operating revenue for income statement accounts.

Note 3: For details of endorsements and guarantees between the parent and subsidiaries, please refer to Schedule (I) for the description of endorsements and guarantees for others.

Innodisk Corporation and Subsidiaries

Names, locations and other information of investee companies (not including investees in China)

January 1 to September 30, 2023

Schedule 7

Expressed in Thousands of NTD
(Except as otherwise indicated)

				Initial investment amount (Note 1)		Shares held as of the end of period					
Name of Investor	Investee	Location	Main business activities	Balance at the end of period	End of the previous year	Number of Shares	Percentage	Book value	Net profit (loss) of the investee for the current period	Investment income(loss) recognized by the Company for the current period	Remarks
Innodisk Corporation	Innodisk USA Corporation	United States	Industrial embedded storage devices Sales	$ 140,499	$ 140,499	2,046,511	100.00	$ 114,045	($ 5,638)	($ 5,399)	
Innodisk Corporation	Innodisk Japan Corporation	Japan	After-sales services and support of industrial embedded storage devices	3,533	3,533	196	100.00	10,618	1,659	1,592	
Innodisk Corporation	Innodisk Europe B.V.	Netherlands	After-sales services and support of industrial embedded storage devices	17,802	17,802	50,000,100	100.00	46,553	2,189	2,189	
Innodisk Corporation	Innodisk Global-M Corporation	Mauritius	Investment holdings	20,154	20,154	665,000	100.00	4,900	(36,876)	(36,936)	
Innodisk Corporation	Aetina Corporation	Taiwan	Manufacturing and sales of industrial graphics cards	24,091	24,091	23,884,103	73.67	298,079	(12,446)	(9,163)	
Innodisk Corporation	Antzer Tech Co., Ltd.	Taiwan	Electronic parts and components manufacturing.	57,133	57,133	58,400,000	100.00	31,304	2,223	2,223	
Innodisk Corporation	Millitronic Co.,Ltd.	Taiwan	Electronic parts and components manufacturing.	54,157	54,157	5,415,720	33.55	3,664	(7,361)	(2,470)	
Innodisk Corporation	Sysinno Technology Inc.	Taiwan	Electronic parts and components manufacturing.	20,400	12,900	945,000	42.95	12,813	(3,505)	(1,506)	Note 4
Innodisk Europe B.V.	Innodisk France SAS	France	After-sales services and support of industrial embedded storage devices	175	175	5,000	100.00	3,719	1,457	1,457	
Aetina Corporation	Aetina USA Corporation	United States	After-sales service and support for industrial graphics cards	6,098	-	200,000	100.00	6,796	179	179	Note 2
Aetina Corporation	Aetina Europe B.V.	Netherlands	After-sales service and support for industrial graphics cards	-	-	100	100.00	991	678	678	Note 3

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 been completed on January 10, 2023.
Note 3: Aetina Corporation established the subsidiary Aetina Europe B.V. in January 2022, and the capital injection has been completed on March 13, 2023.
Note 4: The Company injected an additional investment capital of NT$7,500 thousand to Sysinno Technology Inc. and acquired additional 300 thousand shares in March 2023.

Innodisk Corporation and Subsidiaries

Information on investments in China - Basic data

January 1 to September 30, 2023

Schedule 8

Expressed in Thousands of NTD
(Except as otherwise indicated)

Investee in China	Main business activities	Paid-in capital	Investment method (note 1)	Accumulated amount of remittance from Taiwan to China	Amount remitted from Taiwan to China/ Amount remitted back to Taiwan for the year: Remitted to	Amount remitted from Taiwan to China/ Amount remitted back to Taiwan for the year: Remitted back	Accumulated amount of remittance from Taiwan to China	Net profit (loss) of the investee for the current period	Ownership held by the Company (direct or indirect)	Investment income(loss) recognized for the current period (note 2)	Net profit (loss) of the investee for the year	Accumulated amount of investment income remitted back to Taiwan	Remarks
Innodisk Shenzhen Corporation	Industrial embedded storage devices	$ 18,168 (USD 600 thousand) (Note 3)	2.Innodisk Global-M Corporation	$ 18,168 (USD 600 thousand) (Note 3)	$ -	$ -	$ 18,168 (USD 600 thousand) (Note 3)	($ 36,876)	100	($ 36,876)	$ 2,355	$ -	
Aetina (Shenzhen) Artificial Intelligence Co., Ltd.	After-sales service and support for industrial graphics cards	-	1. Aetina Corporation	-	-	-	-	-	100	-	-	-	Note 6

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 company's financial statements for the same period audited by the Taiwan parent company's independent accountants.
Note 3: Disclosed at the historical exchange rate

Company name	Accumulated amount of investment remitted from Taiwan to China at the end of the period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in China imposed by the Investment Commission of MOEA (Note 4)
Innodisk Corporation	$ 18,168 (US$600 thousands) (Note 5)	$ 18,168 (US$600 thousands) (Note 5)	$ 4,118,116

Note 4: The cap is 60% of the net worth in accordance with the provisions in the letter referenced (90) Tai-Cai-Zheng (1) #006130 from the Securities and Futures Commission, Ministry of Finance on November 16, 2001.
Note 5: Disclosed at the historical exchange rate
Note 6: Aetina Corporation established the subsidiary Aetina (Shenzhen) Artificial Intelligence Co., Ltd. in July 2023, but the capital injection is not yet completed as of September 30, 2023.

Innodisk Corporation and Subsidiaries

Information on Investment in China - Material transactions that occur directly or indirectly through third-party enterprises and invested companies that invest in mainland China

September 30, 2023

Schedule 9

Expressed in Thousands of NTD
(Except as otherwise indicated)

	Sales (Purchases)		Property transactions		Accounts receivable / payable		Notes endorsement and guarantee or provision of collateral		Financial intermediation					
Investee in China	Amount	%	Amount	%	Balance	%	Balance at the end of the period	Purpose	Highest balance	Balance at the end of the period	Range of interest rate	Current interest rate	Others
Innodisk Shenzhen Corporation	$ 341,662	6%	$ -	-	$ 141,051	10%	$ -	-	$ -	$ -	-	$ -	-

Innodisk Corporation and Subsidiaries

Information on major shareholders

September 30, 2023

Schedule 10

Expressed in Thousands of NTD
(Except as otherwise indicated)

Names of major shareholders	Shares	
	Number of Shares Held	Shareholding percentage
Rui Ding Investment Co., Ltd.	6,821,307	7.71%

Note 1: The information on major shareholders in this Exhibit is compiled by Taiwan Depository & Clearing Corporation based on the data of the last business day of the quarter, on shareholders holding 5% or more of the Company's ordinary shares and preference shares (including treasury shares) combined whose scripless registration and delivery have been completed. 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 information above shall be disclosed by the individual trustor account opened at the trustee. As for shareholders who hold more than 10% of the shares and are required to declare the insider's equity according to the Securities and Exchange Act, the shareholding includes both their own shares and those delivered to a trust, over which they have the right to make usage decisions. Please refer to the Public Information Observation Station for information on the declaration of insider's equity.