Innodisk Corporation and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Review Report

First Quarter of 2021 and 2020

(Stock Code: 5289)

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Innodisk Corporation and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Review Report for the First Quarter of 2021 and 2020

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Independent Auditor's Report Translated from Chinese

To the Board of Directors and Stockholders of Innodisk Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Innodisk Corporation and its subsidiaries (the “Group”) as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and cash flows for the 3 months then ended March 31, 2021 and 2020 and notes to the consolidated financial statements (including a summary of significant accounting policies.) Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Statement 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

We concluded our reviews in accordance with Statements of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries (primarily of persons responsible for financial and accounting matters), and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material aspects the consolidated financial position of the Group as of March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed by the Financial Supervisory Commission.

Yeh, Tsui Miao Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

May 7, 2021

Innodisk Corporation and Subsidiaries
Consolidated balance sheet
March 31, 2021, December 31, 2020 and March 31, 2020
(The accompanying consolidated balance sheets as of March 31, 2021 and 2020 have been reviewed only, and have not been audited in accordance with generally accepted auditing standards.)

Unit: Thousand NTD

	Assets	Note	March 31, 2021 Amount	%	December 31, 2020 Amount	%	March 31, 2020 Amount	%
	Current assets							
1100	Cash and cash equivalents	6 (1)	$ 1,936,762	29	$ 2,260,204	36	$ 1,564,975	25
1136	Current financial assets at amortized cost	6 (2)	700,000	10	400,000	7	400,000	6
1150	Notes receivable	6 (3)	1,120	-	258	-	462	-
1170	Accounts receivable, net	6 (3)	1,199,057	18	879,782	14	1,326,790	22
1180	Accounts receivable -- related parties	6 (3) and 7 (2)	111	-	72	-	70	-
1200	Other receivables		34,680	-	3,736	-	40,289	1
1210	Other receivables -- related parties	7 (2)	220	-	273	-	195	-
1220	Current income tax assets		238	-	777	-	219	-
130X	Inventories	6 (4)	1,001,947	15	791,673	13	963,635	16
1410	Prepayments	7 (2)	52,424	1	56,228	1	70,916	1
11XX	**Total Current Assets**		4,926,559	73	4,393,003	71	4,367,551	71
	Non-current assets							
1550	Investments accounted for using equity method	6 (5)	29,639	-	33,123	1	25,212	-
1600	Property, plant and equipment	6 (6)	1,360,737	20	1,374,994	22	1,364,503	22
1755	Right-of-use assets	6 (7)	213,602	3	213,356	3	132,319	2
1760	Investment property, net	6 (9)	101,245	2	102,216	2	115,374	2
1780	Intangible assets	6 (10)	27,295	-	28,927	-	25,764	1
1840	Deferred income tax assets		40,160	1	43,707	1	38,448	1
1900	Other non-current assets	8	36,826	1	28,544	-	54,851	1
15XX	**Total Non-current assets**		1,809,504	27	1,824,867	29	1,756,471	29
1XXX	**Total Assets**		$ 6,736,063	100	$ 6,217,870	100	$ 6,124,022	100

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Innodisk Corporation and Subsidiaries
Consolidated balance sheet
March 31, 2021, December 31, 2020 and March 31, 2020
(The accompanying consolidated balance sheets as of March 31, 2021 and 2020 have been reviewed only, and have not been audited in accordance with generally accepted auditing standards.)

Unit: Thousand NTD

	Liabilities and Equity	Note	March 31, 2021 Amount	%	December 31, 2020 Amount	%	March 31, 2020 Amount	%
	Current liabilities							
2130	Current contract liabilities	6 (19)	$ 20,297	-	$ 41,011	1	$ 24,559	1
2150	Notes payable		30	-	-	-	20	-
2170	Accounts payable		687,411	10	565,168	9	508,585	8
2180	Accounts payable -- related parties	7 (2)	87	-	-	-	53	-
2200	Other payables	6 (21)	305,159	5	319,597	5	309,775	5
2230	Current income tax liabilities		173,588	3	114,838	2	238,334	4
2250	Provisions for liabilities-current	6 (15)	62,525	1	61,444	1	63,496	1
2280	Current lease liabilities		21,852	-	22,098	-	18,890	-
2320	Long-term liabilities -- current portion	6 (12)	2,344	-	2,451	-	2,327	-
2399	Other current liabilities, others		17,067	-	14,318	-	3,985	-
21XX	**Total Current Liabilities**		1,290,360	19	1,140,925	18	1,170,024	19
	Non-current liabilities							
2540	Long-term loans	6 (12)	16,405	-	17,860	1	18,614	-
2570	Deferred income tax liabilities:		1,513	-	-	-	1,376	-
2580	Non-current lease liabilities		193,515	3	192,781	3	114,336	2
2600	Other non-current liabilities	7 (2)	1,230	-	1,243	-	1,097	-
25XX	**Total Non-current Liabilities**		212,663	3	211,884	4	135,423	2
2XXX	**Total liabilities**		1,503,023	22	1,352,809	22	1,305,447	21
	Equity attributable to owners of parent							
	Share capital	6 (16)						
3110	Share capital - common stock		824,590	12	813,240	13	797,294	13
	Capital surplus	6 (17)						
3200	Capital surplus		1,180,892	17	1,082,702	17	1,064,397	17
	Retained earnings	6 (18)						
3310	Legal reserve		517,734	8	517,734	8	416,308	7
3320	Special reserve		4,080	-	4,080	-	-	-
3350	Unappropriated retained earnings		2,663,491	40	2,403,928	39	2,508,979	41
	Other equity interests							
3400	Other equity interests		(7,890)	-	(5,438)	-	(4,004)	-
31XX	**Total equity attributable to owners of parent**		5,182,897	77	4,816,246	77	4,782,974	78
36XX	**Non-controlling interest**		50,143	1	48,815	1	35,601	1
3XXX	**Total equity**		5,233,040	78	4,865,061	78	4,818,575	79
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	**Total Liabilities and Equity**		$ 6,736,063	100	$ 6,217,870	100	$ 6,124,022	100

The accompanying notes are an integral part of the consolidated financial statements.

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

Innodisk Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to March 31, 2021 and 2020
(Reviewed only, not audited in accordance with generally accepted auditing standards.)

Unit: Thousand NTD
(Except for earnings per share)

	Item	Note	January 1 to March 31, 2021 Amount	%	January 1 to March 31, 2020 Amount	%
4000	Operating revenue	6 (19) and 7 (2)	$ 1,939,920	100	$ 2,032,575	100
5000	Operating costs	6 (4) and 7 (2)	(1,388,717)	(72)	(1,406,386)	(69)
5950	Gross profit before unrealized gross profit on sales to subsidiaries		551,203	28	626,189	31
	Operating expenses	6 (24) and 7 (2)				
6100	Selling expenses		(100,740)	(5)	(102,680)	(5)
6200	General and administrative expenses		(91,561)	(5)	(100,160)	(5)
6300	Research and development expenses		(40,623)	(2)	(37,945)	(2)
6450	Expected gain (loss) on credit impairment	12 (2)	30	-	(4,440)	-
6000	Total operating expenses		(232,894)	(12)	(245,225)	(12)
6900	Operating profit		318,309	16	380,964	19
	Non-operating income and expenses					
7100	Interest income	6 (20)	1,435	-	1,506	-
7010	Other income	6 (21) and 7 (2)	17,701	1	7,896	-
7020	Other gains and losses	6 (22)	(3,959)	-	14,191	1
7050	Finance cost	6 (23)	(707)	-	(491)	-
7060	Shares of losses of associates and joint ventures accounted for using equity method	6 (5)	(3,484)	-	(3,744)	-
7000	Total non-operating income and expenses		10,986	1	19,358	1
7900	**Profit before income tax**		329,295	17	400,322	20
7950	Income tax expense	6 (26)	(68,369)	(4)	(82,559)	(4)
8200	**Profit for the year**		$ 260,926	13	$ 317,763	16
	Other comprehensive income					
	Components of other comprehensive income that will be reclassified to profit or loss:					
8361	Financial statements translation differences of foreign operations		($ 2,487)	-	$ 76	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		(2,487)	-	76	-
8300	**Other consolidated profit and loss after taxes**		($ 2,487)	-	$ 76	-
8500	**Total comprehensive income for the year**		$ 258,439	13	$ 317,839	16
	Profit attributable to:					
8610	Owners of the parent		$ 259,563	13	$ 315,711	16
8620	Non-controlling interest		1,363	-	2,052	-
	Profit for the year		$ 260,926	13	$ 317,763	16
	Comprehensive income attributable to					
8710	Owners of the parent		$ 257,111	13	$ 315,787	16
8720	Non-controlling interest		1,328	-	2,052	-
	Total comprehensive income for the year		$ 258,439	13	$ 317,839	16
	Basic earnings per share	6 (27)				
9750	Profit for the year		$	3.17	$	3.88
	Diluted earnings per share	6 (27)				
9850	Profit for the year		$	3.12	$	3.80

The accompanying notes are an integral part of the consolidated financial statements.

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

Innodisk Corporation and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to March 31, 2021 and 2020
(Reviewed only, not audited in accordance with generally accepted auditing standards.)

Unit: Thousand NTD

		Equity attributable to owners of parent								
				Retained earnings			Other equity interests			
	Note	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences arising on translation of foreign operations .	Total	Non-controlling interest	Total equity
January 1 to March 31, 2020										
Balance at January 1, 2020		$ 797,294	$ 1,058,681	$ 416,308	$ -	$ 2,193,268	($ 4,080)	$ 4,461,471	$ 33,549	$ 4,495,020
Profit for the year		-	-	-	-	315,711	-	315,711	2,052	317,763
Other comprehensive profit and loss for the year		-	-	-	-	-	76	76	-	76
Total comprehensive profit and loss for the year		-	-	-	-	315,711	76	315,787	2,052	317,839
Share-based payment	6 (14)	-	5,716	-	-	-	-	5,716	-	5,716
Balance as of March 31, 2020		$ 797,294	$ 1,064,397	$ 416,308	$ -	$ 2,508,979	($ 4,004)	$ 4,782,974	$ 35,601	$ 4,818,575
January 1 to March 31, 2021										
Balance as of January 1, 2021		$ 813,240	$ 1,082,702	$ 517,734	$ 4,080	$ 2,403,928	($ 5,438)	$ 4,816,246	$ 48,815	$ 4,865,061
Profit for the year		-	-	-	-	259,563	-	259,563	1,363	260,926
Other comprehensive profit and loss for the year		-	-	-	-	-	(2,452)	(2,452)	(35)	(2,487)
Total comprehensive profit and loss for the year		-	-	-	-	259,563	(2,452)	257,111	1,328	258,439
Share-based payment	6 (14)	-	4,212	-	-	-	-	4,212	-	4,212
Exercise of employee share options	6 (16)	11,350	93,978	-	-	-	-	105,328	-	105,328
Balance as of March 31, 2021		$ 824,590	$ 1,180,892	$ 517,734	$ 4,080	$ 2,663,491	($ 7,890)	$ 5,182,897	$ 50,143	$ 5,233,040

The accompanying notes are an integral part of the consolidated financial statements.

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

Innodisk Corporation and Subsidiaries
Consolidated Statement of Cash Flow
January 1 to March 31, 2021 and 2020
(Reviewed only, not audited in accordance with generally accepted auditing standards.)
Unit: Thousand NTD

	Note	January 1 to March 31, 2021	January 1 to March 31, 2020
Cash flow from operating activities			
Profit before income tax for the year		$ 329,295	$ 400,322
Adjustments:			
Adjustments to reconcile profit (loss)			
Depreciation charges on property, plant and equipment	6 (24)	16,636	15,329
Depreciation charges on right-of-use assets	6 (24)	6,724	5,592
Amortization charges on the intangible assets and deferred assets.	6 (24)	4,946	6,944
Depreciation charges on investment property	6 (22)	348	407
Expected loss (gain) on credit impairment	12 (2)	(30)	4,440
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	6 (4)	62	(5,372)
Gain on lease modification	6 (7)	-	(2)
Interest expense	6 (23)	707	491
Interest income	6 (20)	(1,435)	(1,506)
Compensation cost of employee stock options	6 (14)	4,212	5,716
Shares of losses of associates accounted for using equity method	6 (5)	3,484	3,744
Loss (gain) on disposal of property, plant and equipment	6 (22)	(441)	2
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(862)	904
Accounts receivable, net		(319,246)	(367,155)
Accounts receivable -- related parties		(39)	6
Other receivables		(30,857)	(35,676)
Other receivables -- related parties		53	(33)
Inventories		(210,336)	(185,197)
Prepayments		3,804	4,455
Changes in operating liabilities			
Current contract liabilities		(20,714)	6,573
Notes payable		30	20
Accounts payable		122,243	79,136
Accounts payable -- related parties		87	53
Other payables		(14,438)	(1,849)
Provisions for liabilities-current		1,081	4,402
Other current liabilities, others		2,749	(783)
Cash inflow generated from operations		(101,937)	(59,037)
Interest received		1,348	1,488
Income taxes paid		(3,961)	(1,609)
Net cash outflow from operating activities		(104,550)	(59,158)

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Innodisk Corporation and Subsidiaries
Consolidated Statement of Cash Flow
January 1 to March 31, 2021 and 2020
(Reviewed only, not audited in accordance with generally accepted auditing standards.)

Unit: Thousand NTD

	Note	January 1 to March 31, 2021	January 1 to March 31, 2020
Cash Flow from Investing Activities			
Increase in financial assets at amortized cost - current		($ 300,000)	($ 250,000)
Acquisition of property, plant and equipment	6 (28)	(2,742)	(17,108)
Disposal of property, plant and equipment		449	-
Increase in refundable deposits		(440)	(51)
Decrease in refundable deposits		145	25
Acquisition of intangible assets	6 (10)	(833)	(2,989)
Increase in the other non-current assets		(11,548)	(3,171)
Net cash used in investing activities		(314,969)	(273,294)
Cash Flow from Financing Activities			
Repayment of long-term debt	6 (29)	(684)	(664)
Decrease in guarantee deposits received	6 (29)	-	(242)
Exercise of employee share options	6 (16)	105,328	-
Interest paid		(707)	(478)
Payment of lease liabilities	6 (29)	(6,798)	(5,580)
Net cash inflow (outflow) from financing activities		97,139	(6,964)
Effects of changes in foreign exchange rates		(1,062)	(237)
Decrease in cash and cash equivalents for the period		(323,442)	(339,653)
Cash and cash equivalents at beginning of year		2,260,204	1,904,628
Cash and cash equivalents at end of year		$ 1,936,762	$ 1,564,975

The accompanying notes are an integral part of the consolidated financial statements.

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

Innodisk Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

First Quarter of 2021 and 2020

(Reviewed only, not audited in accordance with generally accepted auditing standards.)

Unit: Thousand NTD

(Except as otherwise indicated)

I. Company history

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

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

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 7, 2021.

III. Application of new standards, amendments, and interpretations

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

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

Newly released / corrected / amended standards and interpretations	International Accounting Standards Board Effective date of publication
Amendment to IFRS 4 "Extension of Provisional Exemption for Application of IFRS 9"	January 1, 2021
Amendments to the IFRS 9, IAS 39, and IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase	January 1, 2021

II.”	
Amendment to IFRS 16 “Rent Reduction associated with the Covid-19 pandemic after June 30, 2021.”	April 1, 2021 (Note)

Note: The Financial Supervisory Commission allowed an earlier application date of January 1, 2021.

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

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

None.

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

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

Newly released / corrected / amended standards and interpretations	International Accounting Standards Board Effective date of publication
Amendment to IFRS 3 “Update the index of the conceptual framework.”	January 1, 2022
IFRS 10 and IAS 28 amendments, “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined by the IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17 “Insurance Contracts.”	January 1, 2023
Amendment to IAS 1 “Classification of Liabilities as Current or Non-Current”	January 1, 2023
Amendment to IAS 1 “Disclosure of Accounting Policies.”	January 1, 2023
Amendment to IAS 8 “Disclosure of Accounting Policies.”	January 1, 2023
Amendment to IAS 16 “Property, plant and equipment: price before reaching the intended state of use”	January 1, 2022
Amendment to IAS 37 “Onerous Contracts - Cost of Performing Contracts”	January 1, 2022
Annual improvements to IFRS standards 2018 - 2020 cycle	January 1, 2022

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

IV. Summary of significant accounting policies

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

(I) Compliance statement

The consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission.

(II) Basis of preparation

1. The consolidated financial report has been prepared under the historical cost convention.

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

(III) Basis of consolidation

1. The basis for preparation of consolidated financial statements

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

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

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

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

equity.

2. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activity	Percentage of equity holdings			Remarks
			March 31, 2021	December 31, 2020	March 31, 2020	
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	Note 1
Innodisk Corporation	Aetina Corporation	Manufacturing and sales of industrial graphics cards	75.63	75.63	78.65	Note 2
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	-	-	Note 3

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

Note 2: Aetina Corporation was approved by the shareholder meeting on May 28, 2020 to issue 200,000 shares as a capital increase for employees' remuneration and August 31, 2020 was the capital increase base-date, with the Company's shareholding dropping to 77.54%. In the third quarter of 2020, the Company sold its equity interest in Aetina Corporation, and the Company's shareholding decreased to 75.63%.

Note 3: Innodisk Europe B.V. established a subsidiary, Innodisk France SAS, in January 2021.

Note 4: The financial statements of the aforementioned significant subsidiary, Innodisk USA Corporation and other non-significant subsidiaries, which are included in the consolidated entities of the consolidated financial statements for the three months ended March 31, 2021 and 2020, have been reviewed by the Company's auditors.

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

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

5. Significant restrictions: none.

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

(IV) Foreign currency translation

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

1. Foreign currency transactions and balances

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

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

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

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

2. Translation of foreign operations

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

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

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

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

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

(V) Classification of current and non-current items

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

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

   (2) Assets held mainly for trading purposes.

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

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

   The Group classifies all assets that do not meet the above criteria as 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.

   The Group classifies all liabilities that do not meet the above criteria as non-current.

(VI) Cash equivalents

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

(VII) Financial assets measured at amortized cost

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

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

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

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

3. The Group measures financial assets at fair value plus transaction costs in the initial

recognition. The financial assets are subsequently amortized by the effective interest rate during the circulation to recognize interest income and impairment loss. The profits or losses are recognized in the profit and loss when the assets are derecognized.

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

(VIII) Accounts and notes receivable

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

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

(IX) Impairment of financial assets

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

(X) De-recognition of financial assets

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

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

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

(XII) Inventories

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

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

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

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

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

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

5. In the event that an associate issues new shares and the Group does not subscribe to or acquire the new shares in proportion, which results in a change to the Group's shareholding percentage but the Group maintains a significant influence on the associate, the increase or decrease of the Group's share of equity interest is the adjustment of "capital surplus" and "investments accounted for under the equity method." If the investment percentage is reduced, in addition to the above adjustments, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionally on the same basis as would be required if the relevant assets or liabilities were disposed of.

(XIV) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

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

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

Buildings and structures	2 years to 50 years
Machinery and equipment	3 years to 8 years
Office equipment	2 years to 6 years
Others	2 years to 6 years

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

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

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

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

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

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

4. For lease modifications that reduce the scope of the lease, the lessee reduces the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognizes the difference between this amount and the remeasurement amount of the lease liability in profit or loss.

(XVI) Investment property

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

(XVII) Intangible assets

1. Computer software

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

2. Goodwill

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

(XVIII) Impairment of non-financial assets

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

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

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

(XIX) Borrowings

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

(XX) Accounts and notes payable

1. Refers to debts incurred as a result of the purchase of raw materials, goods or services and the notes payable due to business and non-business purposes.

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

(XXI) De-recognition of financial liabilities

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

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

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

(XXIII) Provisions

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

(XXIV) Employee benefits

1. Short-term employee benefits

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

2. Pension

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

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

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

(XXV) Share-based payment to employees

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

(XXVI) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

3. Deferred income tax is recognized, using the balance sheet method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal

of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

6. The income tax expense for the interim period is calculated by applying the estimated average effective tax rate for the year to the income before tax for the interim period and the related information is disclosed in accordance with the aforementioned policies.

(XXVII) Share capital

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

(XXVIII) Dividend distribution

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

(XXIX) Revenue recognition

1. Our Group develops, manufactures and sells various products related to industrial storage devices and memory modules. Sales revenue is recognized when the control of products is transferred to customers. That is, once products are delivered to customers, the customers have discretion on the channel and price of product sales,

and the Group has no outstanding performance obligations that may affect customers' acceptance of the products. The delivery of products occurs when products are shipped to a designated location and the risk of obsolescence and loss has been transferred to customers, and the customers accept the products in accordance with the sales contract or have objective evidence that all criteria have been met.

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

(XXX) Government grants

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

(XXXI) Operating segments

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

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

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

(I) Important judgments adopted by the accounting policies

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

(II) Critical accounting estimates and assumptions

Key audit matter –Inventory Evaluation

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

As of March 31, 2021, the book value of the Group's inventory was NT$1,001,947.

VI. Statements of main accounting items

(I) Cash and cash equivalents

	March 31, 2021	December 31, 2020	March 31, 2020
Cash:			
Cash on hand and revolving funds	$ 962	$ 919	$ 988
Checking accounts and demand deposits	1,352,300	1,605,785	847,487
Cash equivalents:			
Time deposits	583,500	653,500	716,500
	$ 1,936,762	$ 2,260,204	$ 1,564,975

1. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
2. For the status on the Group providing pledged collaterals with cash and cash equivalents which have been reclassified to other non-current assets, please refer to the details in Note 8.

(II) Financial assets measured at amortized cost

	March 31, 2021	December 31, 2020	March 31, 2020
Current items:			
Time deposits with a maturity of more than three months	$ 700,000	$ 400,000	$ 400,000

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

	January 1 to March 31, 2021	January 1 to March 31, 2020
Interest income	$ 624	$ 485

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

(III) Notes and accounts receivable

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable	$ 1,120	$ 258	$ 462
Less: Loss allowance	-	-	-
	$ 1,120	$ 258	$ 462
Accounts receivable	$ 1,200,234	$ 880,988	$ 1,331,762
Account receivable - Related parties	111	72	70
	1,200,345	881,060	1,331,832
Less: Loss allowance	(1,177)	(1,206)	(4,972)
	$ 1,199,168	$ 879,854	$ 1,326,860

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

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

(IV) Inventories

	March 31, 2021		
	Cost	Allowance for Valuation loss	Book value
Raw materials	$ 712,577	($ 66,961)	$ 645,616
Work in process	219,514	(10,557)	208,957
Finished goods	116,015	(8,886)	107,129
Merchandises	45,311	(5,066)	40,245
	$ 1,093,417	($ 91,470)	$ 1,001,947

	December 31, 2020		
	Cost	Allowance for Valuation loss	Book value

Raw materials	$ 525,617	($ 72,296)	$ 453,321
Work in process	143,562	(6,790)	136,772
Finished goods	179,745	(8,176)	171,569
Merchandises	34,157	(4,146)	30,011
	$ 883,081	($ 91,408)	$ 791,673

	March 31, 2020		
	Cost	Allowance for Valuation loss	Book value
Raw materials	$ 614,266	($ 54,673)	$ 559,593
Work in process	187,261	(7,485)	179,776
Finished goods	203,466	(11,472)	191,994
Merchandises	35,679	(3,407)	32,272
	$ 1,040,672	($ 77,037)	$ 963,635

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

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

	January 1 to March 31, 2021	January 1 to March 31, 2020
Cost of goods sold	$ 1,384,041	$ 1,405,036
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	62	(5,372)
Loss on scrapping of inventory	4	-
Others	4,610	6,722
	$ 1,388,717	$ 1,406,386

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

(V) Investments accounted for using equity method

	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	Shareholding percentage	Amount	Shareholding percentage	Amount	Shareholding percentage
Affiliates:						
AccelStor Inc.	$ -	40.37%	$ -	40.37%	$ -	40.37%
Millitronic Co., Ltd.	16,400	33.55%	18,232	33.55%	5,463	31.96%
Antzer Tech Co., Ltd.	3,937	31.89%	4,751	31.89%	7,997	31.89%
Sysinno Technology Inc.	9,302	43.00%	10,140	43.00%	11,752	43.00%
	$ 29,639		$ 33,123		$ 25,212	

For the 3 months ended March 31, 2021 and 2020, the Group's share of (losses) profits from affiliates recognized under the equity method was NT$(3,484) and NT$(3,744), respectively, based on the financial statements reviewed by the Company's CPAs

1. AccelStor Inc.

As of March 31, 2021, the Group adopted the equity method to recognize the losses of AccelStor Inc. to reduce the balance of book value to zero.

2. Millitronic Co., Ltd.

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

3. As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group had no significant affiliates, and the aggregate book values of separate non-significant affiliates were $29,639, $33,123, and $25,212, respectively. Their operating results are summarized as follows:

	January 1 to March 31, 2021	January 1 to March 31, 2020
Net loss from continuing operations	($ 3,484)	($ 3,744)
Other comprehensive income or loss (net)	-	-
Total comprehensive profit and loss for the year	($ 3,484)	$ 3,744)

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

(VI) Property, plant and equipment

	2021					
	Land	Buildings and structures	Machinery and equipment	Office equipment	Others	Total
January 1						
Cost	$ 528,288	$ 820,165	$ 227,965	$ 33,827	$ 63,622	$ 1,673,867
Accumulated depreciation and impairment	-	(101,849)	(133,212)	(19,137)	(44,675)	(298,873)
	$ 528,288	$ 718,316	$ 94,753	$ 14,690	$ 18,947	$ 1,374,994
January 1	$ 528,288	$ 718,316	$ 94,753	$ 14,690	$ 18,947	$ 1,374,994
Additions	-	490	1,303	645	304	2,742
Reclassifications	-	-	1,100	-	-	1,100
Disposal	-	-	-	(8)	-	(8)
Depreciation expense	-	(6,445)	(6,907)	(1,512)	(1,772)	(16,636)
Net exchange difference	(168)	(1,259)	(1)	(6)	(21)	(1,455)
March 31	$ 528,120	$ 711,102	$ 90,248	$ 13,809	$ 17,458	$ 1,360,737
March 31						
Cost	$ 528,120	$ 819,870	$ 223,721	$ 34,361	$ 63,701	$ 1,669,773
Accumulated depreciation and impairment	-	(108,768)	(133,473)	(20,552)	(46,243)	(309,036)
	$ 528,120	$ 711,102	$ 90,248	$ 13,809	$ 17,458	$ 1,360,737

	2020					
	Land	Buildings and structures	Machinery and equipment	Office equipment	Others	Total
January 1						
Cost	$ 521,007	$ 763,876	$ 216,662	$ 32,177	$ 56,332	$ 1,590,054
Accumulated depreciation and impairment	-	(61,987)	(102,111)	(13,824)	(38,141)	(216,063)
	$ 521,007	$ 701,889	$ 114,551	$ 18,353	$ 18,191	$ 1,373,991
January 1	$ 521,007	$ 701,889	$ 114,551	$ 18,353	$ 18,191	$ 1,373,991
Additions	-	-	4,123	983	497	5,603
Disposal	-	-	(2)	-	-	(2)
Depreciation expense	-	(4,327)	(7,905)	(1,421)	(1,676)	(15,329)
Net exchange difference	66	183	(2)	(11)	4	240
March 31	$ 521,073	$ 697,745	$ 110,765	$ 17,904	$ 17,016	$ 1,364,503
March 31						
Cost	$ 521,073	$ 764,155	$ 220,764	$ 33,144	$ 56,870	$ 1,596,006
Accumulated depreciation and impairment	-	(66,410)	(109,999)	(15,240)	(39,854)	(231,503)
	$ 521,073	$ 697,745	$ 110,765	$ 17,904	$ 17,016	$ 1,364,503

1. As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group had not provided property, plant and equipment as pledged collaterals.

2. The Group had no capitalization of interest for property, plant and equipment in 1Q2021 and1Q2020.

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

(VII) Leasing arrangements - lessee

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

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

	Land	Buildings	Company cars	Total
January 1, 2021	$ 185,386	$ 25,154	$ 2,816	$ 213,356
Additions	-	5,320	1,966	7,286
Depreciation expense	(1,634)	(4,538)	(552)	(6,724)
Exchange rate impact	-	214)	(102)	(316)
March 31, 2021	$ 183,752	$ 25,722	$ 4,128	$ 213,602

	Land	Buildings	Company cars	Total
January 1, 2020	$ 102,914	$ 26,834	$ 3,035	$ 132,783
Additions	-	5,640	-	5,640
Early termination of leases	-	(357)	-	(357)
Depreciation expense	(530)	(4,466)	(596)	(5,592)
Exchange rate impact	-	(132)	(23)	(155)
March 31, 2020	$ 102,384	$ 27,519	$ 2,416	$ 132,319

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

Items affecting current profit and loss	January 1 to March 31, 2021	January 1 to March 31, 2020
Interest expenses on lease liabilities	$ 644	$ 409
Lease modification losses (gains)	-	(2)

4. In addition to the cash outflow for lease related expenses mentioned in Note 6(7)3. above, the Group had cash outflows of NT$6,798 and NT$5,580 for the 3 months ended March 31, 2021 and 2020, respectively, due to principal repayment of lease liabilities.

5. Options to extend or terminate leases

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

(VIII) Leasing arrangements - lessor

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

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

	January 1 to March 31, 2021	January 1 to March 31, 2020
Rental income (including rental income from investment property)	$ 1,552	$ 1,600

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

	March 31, 2021	December 31, 2020	March 31, 2020
2020	$ -	$ -	$ 3,928
2021	3,567	5,096	4,888
2022	1,151	1,104	1,030
2023	528	552	515
	$ 5,246	$ 6,752	$ 10,361

(IX) Investment property

	2021		
	Land	Buildings and structures	Total
January 1			
Cost	$ 74,337	$ 38,244	$ 112,581
Accumulated depreciation and impairment	-	(10,365)	(10,365)
	$ 74,337	$ 27,879	$ 102,216
January 1	$ 74,337	$ 27,879	$ 102,216
Depreciation expense	-	(348)	(348)
Net exchange difference	(270)	(353)	(623)
March 31	$ 74,067	$ 27,178	$ 101,245
March 31			
Cost	$ 74,067	$ 37,891	$ 111,958
Accumulated depreciation and impairment	-	(10,713)	(10,713)
	$ 74,067	$ 27,178	$ 101,245

	2020		
	Land	Buildings and structures	Total
January 1			
Cost	$ 81,860	$ 43,990	$ 125,850
Accumulated depreciation and impairment	-	(9,924)	(9,924)
	$ 81,860	$ 34,066	$ 115,926
January 1	$ 81,860	$ 34,066	$ 115,926
Depreciation expense	-	(407)	(407)
Net exchange difference	(61)	(84)	(145)
March 31	$ 81,799	$ 33,575	$ 115,374
March 31			
Cost	$ 81,799	$ 43,902	$ 125,701
Accumulated depreciation and impairment	-	(10,327)	(10,327)
	$ 81,799	$ 33,575	$ 115,374

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

	January 1 to March 31, 2021	January 1 to March 31, 2020
Rental income from investment property	$ 1,296	$ 1,335
Direct operating expenses incurred by investment property that generates rental income for the period	$ 254	$ 950

2. The fair value of the investment property held by the Group as of March 31, 2021, December 31, 2020 and March 31, 2020 were $135,440, $137,028, and $151,187, respectively. The

abovementioned fair value is obtained from the market price assessment and actual transaction price of similar properties in the vicinity of the relevant assets, and the fair value is for Level 3 assets.

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

4. The Group had no capitalization of interest for investment property in 1Q2021 and 1Q2020.

(X) Intangible assets

	2021		
	Computer software	Goodwill	Total
January 1			
Cost	$ 53,213	$ 11,671	$ 64,884
Accumulated amortization and impairment	(35,957)	-	(35,957)
	$ 17,256	$ 11,671	$ 28,927
January 1	$ 17,256	$ 11,671	$ 28,927
Additions - from separate acquisitions	833	-	833
Amortization expense	(2,485)	-	(2,485)
Net exchange difference	-	20	20
March 31	$ 15,604	$ 11,691	$ 27,295
March 31			
Cost	$ 54,046	$ 11,691	$ 65,737
Accumulated amortization and impairment	(38,442)	-	(38,442)
	$ 15,604	$ 11,691	$ 27,295

	2020		
	Computer software	Goodwill	Total
January 1			
Cost	$ 39,871	$ 12,205	$ 52,076
Accumulated amortization and impairment	(27,709)	-	(27,709)
	$ 12,162	$ 12,205	$ 24,367
January 1	$ 12,162	$ 12,205	$ 24,367
Additions - from separate acquisitions	2,989	-	2,989
Amortization expense	(1,680)	-	(1,680)
Net exchange difference	-	88	88
March 31	$ 13,471	$ 12,293	$ 25,764
March 31			
Cost	$ 42,860	$ 12,293	$ 55,153
Accumulated amortization and impairment	(29,389)	-	(29,389)
	$ 13,471	$ 12,293	$ 25,764

1. Breakdown of intangible assets amortization:

	January 1 to March 31, 2021	January 1 to March 31, 2020
Operating costs	$ 254	$ 215
Selling expenses	29	21
Management expenses	1,193	913
Research and development expenses	1,009	531
	$ 2,485	$ 1,680

2. Goodwill is allocated to cash-generating units:

	March 31, 2021	December 31, 2020	March 31, 2020
Innodisk USA Corporation	$ 10,160	$ 10,141	$ 10,763
Others	1,531	1,530	1,530
	$ 11,691	$ 11,671	$ 12,293

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

(XI) Other payables

	March 31, 2021	December 31, 2020	March 31, 2020
Payroll and bonus payable	$ 139,643	$ 175,663	$ 132,753
Employees' bonuses and directors' and supervisors' remuneration payable	102,731	82,696	117,625
Accrued expenses	49,193	47,198	45,793
Others	13,592	14,040	13,604
	$ 305,159	$ 319,597	$ 309,775

(XII) Long-term loans

Type of borrowings	Borrowing period and payment method	Interest rate range	Collateral	March 31, 2021
Installment borrowings				
Innodisk Europe B.V.				
Credit borrowing from Chinatrust Commercial	The principal is repayable in annual installments from December 10, 2018 to	1.15%	No	$ 13,392

Bank	December 10, 2023, with interest payable quarterly.			
Credit borrowing from Chinatrust Commercial Bank	The principal is repayable in annual installments from March 15, 2019 to March 15, 2024, with interest payable quarterly.	1.15%	No	5,357
				18,749
Less: Long-term loans due within one year or one business cycle				(2,344)
				$ 16,405

Type of borrowings	Borrowing period and payment method	Interest rate range	Collateral	December 31, 2020
Installment borrowings				
Innodisk Europe B.V.				
Credit borrowing from Chinatrust Commercial Bank	The principal is repayable in annual installments from December 10, 2018 to December 10, 2023, with interest payable quarterly.	1.15%	No	$ 14,007
Credit borrowing from Chinatrust Commercial Bank	The principal is repayable in annual installments from March 15, 2019 to March 15, 2024, with interest payable quarterly.	1.15%	No	6,304
				20,311
Less: Long-term loans due within one year or one business cycle				(2,451)
				$ 17,860

Type of borrowings	Borrowing period and payment method	Interest rate range	Collateral	March 31, 2020
Installment borrowings				
Innodisk Europe B.V.				
Credit borrowing from Chinatrust Commercial Bank	The principal is repayable in annual installments from December 10, 2018 to December 10, 2023, with interest payable quarterly.	1.20%	No	$ 14,958
Credit borrowing from Chinatrust Commercial Bank	The principal is repayable in annual installments from March 15, 2019 to March 15, 2024, with interest payable quarterly.	1.15%	No	5,983
				20,941
Less: Long-term loans due within one year or one business cycle				(2,327)
				$ 18,614

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

(XIII) Pensions

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

2. The overseas subsidiary Innodisk Global-M Corporation has not established an employee pension plan, and the local laws do not have mandatory requirements. Innodisk USA Corporation, Innodisk Europe B.V. and Innodisk Japan Corporation have adopted a defined contribution pension plan which allocates a certain percentage of the monthly

total salary of local employees as the pensions. The Company has no further obligations except for the monthly allocation.

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

4. For 1Q2021 and 1Q2020, the pension costs recognized by the Group in accordance with the pension measures were $8,195 and $8,093, respectively.

(XIV) Share-based payment

1. For 1Q2021 and 1Q2020, the Company's share-based payment agreements were as follows:

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

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

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

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

	January 1 to March 31, 2021		January 1 to March 31, 2020	
	Number of stock options (thousands of shares)	Weighted average exercise price (NT)	Number of stock options (thousands of shares)	Weighted average exercise price (NT)
Options outstanding as of January 1	3,000	92.80	3,000	98.70
Share options granted this period	-	-	-	-
Addition of stock dividends or adjustment of number of shares subscribed	-	-	-	-
Share options foregone this period	(28)	92.80	-	-
Share options exercised this period	(1,135)	92.80	-	-
Share options expired this period	-	-	-	-
Options outstanding as of March 31	1,837	92.80	3,000	98.70
Options exercisable as of March 31	337			

3. The weighted-average share price of the stock options exercised in 2021 was $166.76 on the date of exercise.

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

		March 31, 2021	
Approved issue date	Expiration date	Number of shares (thousands of shares)	Exercise price (NTD)
January 29, 2019	January 29, 2023	1,837	92.80

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

		March 31, 2020	
Approved issue date	Expiration date	Number of shares (thousands of shares)	Exercise price (NTD)
January 29, 2019	January 29, 2023	3,000	98.70

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

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

	January 1 to March 31, 2021	January 1 to March 31, 2020
Equity settlement	$ 4,212	$ 5,716

(XV) Provisions

	2021	2020
Balance on January 1	$ 61,444	$ 59,094
Provisions used for the period	(2,779)	(1,710)
Provision added this period	3,860	6,112
Balance on March 31	$ 62,525	$ 63,496

The analysis of provisions is as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Current	$ 62,525	$ 61,444	$ 63,496

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

(XVI) Share capital

1. As of March 31, 2021, the Company's authorized capital was $1,000,000, consisting of 100,000 thousand shares (including 10,000 thousand shares which can be subscribed to as employee stock options). The paid-in capital was $824,590 with a par value of NT$10. All proceeds from shares issued have been collected. The movements in the number of the Company's common stocks outstanding are as follows: (Unit: Share)

	2021	2020
January 1	81,324,040	79,729,451
Employee exercise of stock options	1,135,000	-
March 31	82,459,040	79,729,451

2. For 1Q2021 and 1Q2020, the common shares issued due to the exercise of employee stock options were 1,135,000 shares, respectively. The common shares issued for employees' exercise of stock options in 2021 have not been registered for capital changes.

(XVII) Capital surplus

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

	2021				
	Issue premium	Difference between the price of acquiring or disposing of equity in subsidiaries and its carrying value	Recognition of changes in ownership in subsidiaries recognized	Employee stock options	Total
January 1	$ 1,013,516	$ 802	$ 24,439	$ 43,945	$ 1,082,702
Share-based payment transactions	-	-	-	4,212	4,212
Employee exercise of stock options	121,781	-	-	(27,803)	93,978
Lapsed options	674	-	-	(674)	-
March 31	$ 1,135,971	$ 802	$ 24,439	$ 19,680	$ 1,180,892

	2020				
	Issue premium	Difference between the price of acquiring or disposing of equity in subsidiaries and its carrying value	Recognition of changes in ownership in subsidiaries recognized	Employee stock options	Total
January 1	$ 1,013,516	$ 802	$ 23,282	$ 21,081	$ 1,058,681
Share-based payment transactions	-	-	-	5,716	5,716
March 31	$ 1,013,516	$ 802	$ 23,282	$ 26,797	$ 1,064,397

(XVIII) Retained earnings

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

   (1) Withholding taxes.

   (2) Make up for past losses.

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

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

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

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

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

5. The Company's distribution of profits

On February 25, 2021, the Board of Directors resolved to approve the distribution of earnings for 2020 and on May 29, 2020, the shareholders’ meeting resolved to approve the distribution of earnings for 2019, as follows:

	2020		2019	
	Amount	Dividends per share (NTD)	Amount	Dividends per share (NTD)
Legal reserve allocated	$ 93,008		$ 101,425	
Special reserve	1,358		4,080	
Stock dividends	-	-	15,946	0.20
Cash dividends	553,003	6.80	597,971	7.50
	$ 647,369		$ 719,422	

The dividend payable has not been reflected in the consolidated financial statements as of May 7, 2021, because the proposed distribution of earnings for 2020 has not yet been approved by the shareholders’ meeting.

(XIX) Operating revenue

1. Segmentation of revenue from contracts with customers

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

January 1 to March 31, 2021	Industrial storage devices and memory modules					
	Taiwan	Asia	Americas	Europe	Others	Total
Revenue from contracts with customers	$ 543,262	$ 583,602	$ 346,177	$ 436,843	$ 30,036	$ 1,939,920

January 1 to March 31, 2020	Industrial storage devices and memory modules					
	Taiwan	Asia	Americas	Europe	Others	Total
Revenue from contracts with customers	$ 588,422	$ 631,233	$ 376,834	$ 416,272	$ 19,814	$ 2,032,575

2. Contract liabilities

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

	March 31, 2021	December 31, 2020	March 31, 2020	January 1, 2020
Contract liabilities - Product sales contracts	$ 20,297	$ 41,011	$ 24,559	$ 17,986

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

	January 1 to March 31, 2021	January 1 to March 31, 2020
Product sales contracts	$ 38,819	$ 8,279

(XX) Interest income

	January 1 to March 31, 2021	January 1 to March 31, 2020
Interest on bank deposits	$ 810	$ 1,019
Interest income on financial assets at amortized cost	624	485
Other interest incomes	1	2
	$ 1,435	$ 1,506

(XXI) Other income

	January 1 to March 31, 2021	January 1 to March 31, 2020
Stipends income	$ 14,229	$ 3,901
Rental income	1,552	1,600
Others	1,920	2,395
	$ 17,701	$ 7,896

(XXII) Other gains and losses

	January 1 to March 31, 2021	January 1 to March 31, 2020
Net foreign exchange gains (losses)	($ 4,021)	$ 14,622
Gain (loss) on disposal of property, plant and equipment	441	(2)
Depreciation charges on investment property	(348)	(407)
Others	(31)	(22)
	($ 3,959)	$ 14,191

(XXIII) Finance cost

	January 1 to March 31, 2021	January 1 to March 31, 2020
Interest expense on bank borrowings	$ 63	$ 82
Interest expenses on lease liabilities	644	409
	$ 707	$ 491

(XXIV) Expenses by nature

	January 1 to March 31, 2021	January 1 to March 31, 2020
Employee benefits expense	$ 241,852	$ 246,367
Depreciation charges on property, plant and equipment	$ 16,636	$ 15,329
Depreciation charges on right-of-use assets	$ 6,724	$ 5,592
Amortization charges on the intangible assets and deferred assets.	$ 4,943	$ 6,944

(XXV) Employee benefits expense

	January 1 to March 31, 2021	January 1 to March 31, 2020
Payroll expenses	$ 201,375	$ 204,688
Employee stock options	4,212	5,716
Labor and health insurance fees	16,777	14,691
Pension costs	8,195	8,093
Directors' remuneration	3,372	5,636
Other employee benefit expenses	7,921	7,543
	$ 241,852	$ 246,367

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

2. For the 3 months ended March 31, 2021 and 2020, the estimated amount of employees' remuneration was $16,800 and $21,070, respectively; the estimated amount of directors' and supervisors' remuneration was $2,820 and $5,048, respectively, and the aforementioned amount was recorded as salary expense.

   The employees’ remuneration and directors’ and supervisors’ remuneration were estimated and accrued based on 4.88% and 0.82% of the Company’s profits for the 3 months ended March 31, 2021 and 2020, respectively.

   The remuneration to employees and remuneration to directors and supervisors for 2020 were $66,270 and $12,000, respectively, as approved by the Board of Directors, which were consistent with the amounts recognized in the 2020 financial statements and had not been paid as of March 31, 2021.

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

(XXVI) Income tax

1. Income tax expense

(1) Components of income tax expense:

	January 1 to March 31, 2021	January 1 to March 31, 2020
Current tax:		
Income taxes arising from incomes for the current period	$ 173,350	$ 238,115
Prior year income tax not yet paid	(110,984)	(159,824)
Prior year income tax overestimate	29	(4)
Withholding and provisional tax	856	537
Total current tax	63,251	78,824
Deferred income tax:		
Origination and reversal of temporary differences	5,060	3,715
Others:		
Exchange rate impact	58	20
Income tax expense	$ 68,369	$ 82,559

(2) For !1Q2021 and 1Q2020, the Group had no income tax related to other comprehensive income and direct debits or credits.

2. The Company’s income tax returns through 2019 have been assessed and approved by the tax authority.

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

(XXVII) Earnings per share

	January 1 to March 31, 2021		
	After-tax amount	Weighted average number of shares in circulation (thousands of shares)	Earnings per share (NT$)
Basic earnings per share			
Net profits for the period attributable to shareholders of common stock of parent company	$ 259,563	81,962	3.17
Diluted earnings per share			
Net profits for the period attributable to shareholders of common stock of parent company	$ 259,563		
Assumed conversion of all dilutive potential ordinary shares			
- Employee remuneration	-	350	
- Employee stock options	-	815	
Net profits for the period attributable to shareholders of common stock of parent company plus the effect of potential common stock	$ 259,563	83,127	3.12

	January 1 to March 31, 2020		
	After-tax amount	Weighted average number of shares in circulation (thousands of shares)	Earnings per share (NT$)
Basic earnings per share			
Net profits for the period attributable to shareholders of common stock of parent company	$ 315,711	81,324	3.88
Diluted earnings per share			
Net profits for the period attributable to shareholders of common stock of parent company	$ 315,711		
Assumed conversion of all dilutive potential ordinary shares			
- Employee remuneration	-	343	
- Employee stock options	-	1,313	
Net profits for the period attributable to shareholders of common stock of parent company plus the effect of potential common stock	$ 315,711	82,980	3.80

The abovementioned weighted average number of shares outstanding during 1Q2021 have been retrospectively adjusted in accordance with the ratio of capital increase from earnings for the year ended December 31, 2020.

(XXVIII) Supplemental cash flow information

Investing activities with partial cash payments:

	January 1 to March 31, 2021	January 1 to March 31, 2020
Purchase of property, plant and equipment	$ 2,742	$ 5,603
Add: Opening balance of payable on equipment	-	11,505
Less: Ending balance of payable on equipment	-	-
Cash paid during the year	$ 2,742	$ 17,108

(XXIX) Changes in liabilities from financing activities

	2021		
	Long-term loans (including due within one year)	Lease liabilities (current/non-current)	Deposits received
January 1	$ 20,311	$ 214,879	$ 1,243
Repayment of borrowings	(684)	-	-
Principal repayment of lease liabilities	-	(6,798)	-
Other non-cash changes	-	7,286	-
Effect of exchange rate changes	(878)	-	(13)
March 31	$ 18,749	$ 215,367	$ 1,230

	2020		
	Long-term loans (including due within one year)	Lease liabilities (current/non-current)	Deposits received
January 1	$ 21,833	$ 133,525	$ 1,339
Repayment of borrowings	(664)	-	-
Principal repayment of lease liabilities	-	(5,580)	-
Other non-cash changes	-	5,281	-
Decrease in guarantee deposits received	-	-	(242)
Effect of exchange rate changes	(228)	-	-
March 31	$ 20,941	$ 133,226	$ 1,097

VII. Related-Party Transactions

(I) Related parties' names and relationships

Name of the related parties	Relationship with the Group
Affiliates:	
Millitronic Co., Ltd.	Entities over which the Group has significant influence
Antzer Tech Co., Ltd.	Entities over which the Group has significant influence
Sysinno Technology Inc.	Entities over which the Group has significant influence
AccelStor Inc.	Entities over which the Group has significant influence
AccelStor Ltd.	Entities over which the Group has significant influence
AccelStor Solutions, Inc.	Entities over which the Group has significant influence
Other related party:	
I-MEDIA TECH	The chairman of that company and one of the Company's directors are the same person.
Innodisk International Education Foundation	The amount donated by the Company and the directors is more than one-third of the total fund received by the foundation.
Key management of Aetina Corporation	Subsidiary's key management and governance units
All directors, the general manager and key executives.	The Group's key executives and governance units

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:

	January 1 to March 31, 2021	January 1 to March 31, 2020
Entities over which the Group has significant influence	$ 134	$ 89

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:

	March 31, 2021	December 31, 2020	March 31, 2020
Entities over which the Group has significant influence	$ 111	$ 72	$ 70

2. Purchase transaction

(1) Operating costs

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

	January 1 to March 31, 2021	January 1 to March 31, 2020
Entities over which the Group has significant influence	$ 28	$ -
Entities controlled by key management	55	51
	$ 83	$ 51

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

(2) Accounts payable

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

	March 31, 2021	March 31, 2020
Entities over which the Group has significant influence	$ 29	$ -
Entities controlled by key management	58	53
	$ 87	$ 53

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:

	January 1 to March 31, 2021	January 1 to March 31, 2020
Innodisk International Education Foundation	$ 1,000	$ -

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:

	January 1 to March 31, 2021		January 1 to March 31, 2020	
	Rental income	Other income	Rental income	Other income
Entities over which the Group has significant influence:				
Others	$ 136	$ 349	$ 137	$ 385

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:

	March 31, 2021	December 31, 2020	March 31, 2020
Entities over which the Group has significant influence	$ 220	$ 273	$ 195

(3) Other non-current liabilities

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

	March 31, 2021	December 31, 2020	March 31, 2020
Entities over which the Group has significant influence	$ 95	$ 95	$ 95

5. Prepayments/Intangible assets

The Group's prepayments for the purchases of equipment and intangible assets from related parties are shown as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Entities over which the Group has significant influence			
AccelStor Ltd.	$ -	$ -	$ 23,810

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

Compensation of key management personnel

	January 1 to March 31, 2021	January 1 to March 31, 2020
Short-term employee benefits	$ 8,831	$ 8,809
Post-employment benefits	106	262
Share-based payment	675	1,096
	$ 9,612	$ 10,167

VIII. Pledged assets

Assets pledged by the Group as collateral are as follows:

	Book value			
Assets	March 31, 2021	December 31, 2020	March 31, 2020	Purpose
Other non-current assets - pledge of time deposits	$ 7,706	$ 7,706	$ 2,756	Provide pledge time deposits as lease deposits

IX. Significant contingent liabilities and unrecognized contract commitments

(II) Contingencies

Not applicable.

(III) Commitments

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

X. Losses due to major disasters

Not applicable.

XI. Significant events after the balance sheet date

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 2021 as in 2020. For the 3 months ended March 31, 2021, December 31, 2020 and March 31, 2020, the debt-to-capital ratios were 22%,22% and 21%, respectively.

(II) Financial instruments

1. Types of financial instrument

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets			
Financial assets measured at amortized cost			
Cash and cash equivalents	$ 1,936,762	$ 2,260,204	$ 1,564,975
Financial assets measured at amortized cost	700,000	400,000	400,000
Notes receivable	1,120	258	462
Accounts receivable, net	1,199,057	879,782	1,326,790
Accounts receivable -- related parties	111	72	70
Other receivables	34,680	3,736	40,289
Other receivables - related parties	220	273	195
Other non-current assets -- pledged time deposits and refundable deposits	11,990	11,695	5,251
	$ 3,883,940	$ 3,556,020	$ 3,338,032

	March 31, 2021	December 31, 2020	March 31, 2020
Financial liabilities			
Financial assets measured at amortized cost			
Notes payable	$ 30	$ -	$ 20
Accounts payable	687,411	565,168	508,585
Accounts payable -- related parties	87	-	53
Other payables	305,159	319,597	309,775
Long-term borrowings (including due within one year)	18,749	20,311	20,941
Other non-current liabilities -- guarantee deposit received	1,230	1,243	1,097
	$ 1,012,666	$ 906,319	$ 840,471
Current lease liabilities	$ 21,852	$ 22,098	$ 18,890
Non-current lease liabilities	193,515	192,781	114,336
	$ 215,367	$ 214,879	$ 133,226

2. Risk management policies

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

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

3. Significant financial risks and degrees of financial risks

(1) Market risk

A. 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 Renminbi (RMB)), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values that would be materially affected by exchange rate fluctuations are as follows:

	March 31, 2021		
(Foreign currency: functional currency)	Foreign currencies (thousands of NTD)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD: NTD	49,567	28.5350	$ 1,414,394
RMB : NTD	34,396	4.3440	149,416
JPY : NTD	168,253	0.2577	43,359
EUR : NTD	277	33.4800	9,274
Financial liabilities			
Monetary items			
USD: NTD	18,073	28.5350	515,713
JPY : NTD	12,147	0.2577	3,130
EUR : NTD	148	33.4800	4,955
USD: RMB	3,553	6.5690	101,385

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

(Foreign currency: functional currency)	March 31, 2020 Foreign currencies (thousands of NTD)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD: NTD	52,488	30.2250	$ 1,586,450
RMB : NTD	32,958	4.2550	140,236
JPY : NTD	120,127	0.2788	33,491
EUR : NTD	87	33.2400	2,892
Financial liabilities			
Monetary items			
USD: NTD	12,273	30.2250	370,951
JPY : NTD	20,700	0.2788	5,771
EUR : NTD	115	33.2400	3,823
USD: RMB	6,795	7.1023	205,347

(D) Total exchange gain, including realized and unrealized gains from significant foreign exchange variations on monetary items held by the Group amounted to a loss of ($4,021) and a gain of $14,622 for the 3 moths ended March 31, 2021 and 2020, respectively.

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

	January 1 to March 31, 2021		
	Sensitivity analysis		
	Change range	Impact profit (loss)	Effect on other comprehensive income
Financial assets			
Monetary items			
USD: NTD	1%	$ 14,144	$ -
RMB : NTD	1%	1,494	-
JPY : NTD	1%	434	-
EUR : NTD	1%	93	-
Financial liabilities			
Monetary items			
USD: NTD	1%	(5,157)	-
JPY : NTD	1%	(31)	-
EUR : NTD	1%	(50)	-
USD: RMB	1%	(1,014)	-

	January 1 to March 31, 2020		
	Sensitivity analysis		
	Change range	Impact profit (loss)	Effect on other comprehensive income
Financial assets			
Monetary items			
USD: NTD	1%	$ 15,865	$ -
RMB : NTD	1%	1,402	-
JPY : NTD	1%	335	-
EUR : NTD	1%	29	-
Financial liabilities			
Monetary items			
USD: NTD	1%	(3,710)	-
JPY : NTD	1%	(58)	-
EUR : NTD	1%	(38)	-
USD: RMB	1%	(2,053)	-

B. Price risk

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

C. Cash flow and fair value interest rate risk

(A) The Group’s interest rate risk arises from short-term and long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During 1Q2021 and 1Q2020, the Group's borrowings at variable rate were denominated in EUR.

(B) For the 3 months ended March 31, 2021 and 2020, if interest rates had been 1% higher, while all other variables held constant, the net profit after tax for 1Q2021 and 1Q2020 would have been $47 and $52 lower, respectively, mainly due to the higher interest expense on floating rate borrowings.

(2) Credit risk

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

B. The management of credit risk is established with a 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
March 31, 2021						
Expected loss rate	0.03%~0.08%	0.03%~0.97%	0.03%~13.02%	0.03%~82.01%	100%	
Notes receivable	$ 1,120	$ -	$ -	$ -	$ -	$ 1,120
Accounts receivable	1,170,183	24,990	4,770	339	63	1,200,345
Total book value	$ 1,171,303	$ 24,990	$ 4,770	$ 339	$ 63	$ 1,201,465
Loss allowance	($ 351)	($ 7)	($ 596)	($ 160)	($ 63)	($ 1,177)

	Not past due	Less than 30 days past due	31 to 60 days past due	61 to 180 days past due	More than 181 days past due	Total
December 31, 2020						
Expected loss rate	0.03%~0.08%	0.03%~1.01%	0.03%~13.34%	0.03%~78.73%	100%	
Notes receivable	$ 258	$ -	$ -	$ -	$ -	$ 258
Accounts receivable	826,895	47,911	5,982	222	50	881,060
Total book value	$ 827,153	$ 47,911	$ 5,982	$ 222	$ 50	$ 881,318
Loss allowance	($ 286)	($ 89)	($ 742)	($ 39)	($ 50)	($ 1,206)

	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
March 31, 2020						
Expected loss rate	0.03%	0.03%	20%	30%-70%	100%	
Notes receivable	$ 462	$ -	$ -	$ -	$ -	$ 462
Accounts receivable	1,241,479	69,737	18,079	2,324	213	1,331,832
Total book value	$ 1,241,941	$ 69,737	$ 18,079	$ 2,324	$ 213	$ 1,332,294
Loss allowance	($ 373)	($ 21)	($ 3,616)	($ 749)	($ 213)	($ 4,972)

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

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

	2021	2020
	Accounts receivable	Accounts receivable
January 1	$ 1,206	$ 569
Expected loss (gain) on credit impairment	(30)	4,440
Exchange rate impact	1	(37)
March 31	$ 1,177	$ 4,972

(3) Liquidity risk

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

B. The treasury department of the Group invests the remaining funds in interest-bearing demand deposits and domestic money market funds, as the instruments chosen have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. For the 3 months ended March 31, 2021 and 2020, the position of money market held by the Group is expected to generate immediate cash flow to manage liquidity risk.

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

March 31, 2021	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-derivative financial liabilities:					
Lease liabilities (current/non-current)	$ 24,304	$ 17,385	$ 27,619	$ 188,035	$ 257,343
Long-term borrowings (including due within one year)	2,566	2,537	14,201	-	19,304

December 31, 2020		Less than 1 year		1 to 2 years		2 to 5 years		More than 5 years		Total
Non-derivative financial liabilities:										
Lease liabilities (current/non-current)	$	24,546	$	15,654	$	27,195	$	189,978	$	257,373
Long-term borrowings (including due within one year)		2,691		2,662		15,602		-		20,955

March 31, 2020		Less than 1 year		1 to 2 years		2 to 5 years		More than 5 years		Total
Non-derivative financial liabilities:										
Lease liabilities (current/non-current)	$	20,377	$	11,596	$	7,006	$	127,388	$	166,367
Long-term borrowings (including due within one year)		2,576		2,547		16,619		-		21,742

(III) Fair value information

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

XIII. Additional disclosures

(I) Significant transactions information

1. Loans to others: None.
2. Provision of endorsements and guarantees to others: Please refer to Schedule 1.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
4. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of real estate exceeding $300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate exceeding $300 million or 20% of paid-in capital or more: None.

7. Purchases from or sales to related parties with amounts exceeding $100 million or 20% of paid-in capital or more: Please refer to Schedule 2.

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

9. Engagement in derivative transactions: None.

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

(II) Information on investees

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

(III) Information on investments in China

1. Basic information: Please refer to Schedule 6.

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

(IV) Information on major shareholders

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

XIV. Operating Segments Information

(I) General information

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

(II) Measurement of segment information

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

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

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

(IV) Reconciliation for segment income

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

	January 1 to March 31, 2021	January 1 to March 31, 2020
Reportable segment profits or losses	$ 318,309	$ 380,964
Interest income	1,435	1,506
Other income	17,701	7,896
Other gains and losses	(3,959)	14,191
Finance cost	(707)	(491)
Shares of losses of associates accounted for using equity method	(3,484)	(3,744)
Income before tax from continuing operations	$ 329,295	$ 400,322

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.

Innodisk Corporation and Subsidiaries

Provision of endorsements and guarantees to others

January 1 to March 31, 2021

Schedule 1

Expressed in Thousands of NTD

(Except as Unless otherwise indicated specified)

Number (Note 1)	Endorser / guarantor	Party being endorsed/guaranteed: Company name	Relationship (Note 2)	Limit on endorsements/guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/guarantee amount for the period (Note 4)	Outstanding endorsement/guarantee amount for the period	Actual amount drawn down	Amount of endorsements/guarantees secured with collateral	Percentage of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on the total amount of endorsements/guarantees provided (Note 3)	Provision of endorsements/guarantees by the parent company to the subsidiary	Provision of endorsements/guarantees by the subsidiary to the parent company	Provision of endorsements/guarantees to the party in China	Remarks
0	Innodisk Corporation	Innodisk Europe B.V.	2	$ 1,036,579	$ 24,514	$ 23,436	$ 18,749	$ -	0.45%	$ 2,591,449	Y	N	N	
0	Innodisk Corporation	Innodisk USA Corporation	2	1,036,579	19,975	19,975	-	-	0.39%	2,591,449	Y	N	N	
0	Innodisk Corporation	Aetina Corporation	2	1,036,579	45,000	45,000	-	-	0.87%	2,591,449	Y	N	N	

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

(1) Issuer fills in 0.

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1) A company with which it has business dealings.

(2) The Company directly or indirectly holds more than 50% of the voting shares of the other company.

(3) The other company directly or indirectly holds more than 50% of the voting shares of the Company.

(4) The Company directly or indirectly holds more than 90% of the voting shares of the other company.

(5) Mutual guarantee of the trade or joint proprietor as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Industry peers provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

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

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

Innodisk Corporation and Subsidiaries

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

January 1 to March 31, 2021

Schedule 2

Expressed in Thousands of NTD

(Except as Unless otherwise indicated specified)

			Transaction				Differences in transaction terms compared with third party transactions		Notes/accounts receivable (payable)		
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)	($ $254,873)	14%	Net 60	As agreed by both parties	Normal	$ 213,925	17%	
Innodisk Corporation	Innodisk Shenzhen Corporation	Subsidiary	(Sales)	(170,444)	9%	Net 60	As agreed by both parties	Normal	101,394	8%	
Innodisk USA Corporation	Innodisk Corporation	Parent company	Purchase	254,873	17%	Net 60	As agreed by both parties	Normal	(213,925)	32%	
Innodisk Shenzhen Corporation	Innodisk Corporation	Parent company	Purchase	170,444	11%	Net 60	As agreed by both parties	Normal	(101,394)	15%	

Innodisk Corporation and Subsidiaries

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

January 1 to March 31, 2021

Schedule 3

Expressed in Thousands of NTD

(Except as Unless otherwise indicated specified)

Companies with accounts receivable	Counterparty name	Relationship with the endorser/guarantor	Balance of account receivable from related parties	Turnover rate	Overdue receivables: Amount	Overdue receivables: Action taken	Period of receivables from related parties: Amount recovered subsequently	Period of receivables from related parties: Amount of recognized allowance for bad debts
Innodisk Corporation	Innodisk USA Corporation	Subsidiary	$ 213,925	5.82	$ -	Not applicable	$ 45,916	$ -
Innodisk Corporation	Innodisk Shenzhen Corporation	Subsidiary	101,394	5.53	$ -	Not applicable	60,491	-

Innodisk Corporation and Subsidiaries

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

January 1 to March 31, 2021

Schedule 4

Expressed in Thousands of NTD

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

(Except as Unless otherwise indicated specified)

Number (Note 1)	Relationship	Counterparty	Relationship with the counterparty (Note 2)	Status of transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Innodisk Corporation	Innodisk USA Corporation	(1)	Sales	$ 254,873	Same with other customers	13%
0	Innodisk Corporation	Innodisk Shenzhen Corporation	(1)	Sales	170,444	Same with other customers	9%
0	Innodisk Corporation	Innodisk USA Corporation	(1)	Accounts receivable	213,925	Same with other customers	3%
0	Innodisk Corporation	Innodisk Shenzhen Corporation	(1)	Accounts receivable	101,394	Same with other customers	2%

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

(1) Parent company is 0.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiaries.

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

Innodisk Corporation and Subsidiaries

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

January 1 to March 31, 2021

Schedule 5

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

Name of Investor	Investee	Location	Main business activities	Initial investment amount (Note) The end of the period	Initial investment amount (Note) End of the previous year	Shares held as of the end of period Number of Shares	Shares held as of the end of period Percentage	Shares held as of the end of period Book value	Net profit (loss) of the investee for the current period	Investment income(loss) recognized by the Company for the current period	Remarks
Innodisk Corporation	Innodisk USA Corporation	United States	Industrial embedded storage devices	$ 140,499	$ 140,499	2,046,511	100	$ 60,116	$ 1,851	$ 1,681	
Innodisk Corporation	Innodisk Japan Corporation	Japan	After-sales services and support of industrial embedded storage devices	3,533	3,533	196	100	7,994	652	647	
Innodisk Corporation	Innodisk Europe B.V.	Netherlands	After-sales services and support of industrial embedded storage devices	17,802	17,802	50,000,100	100	34,971	2,120	2,120	
Innodisk Corporation	Innodisk Global-M Corporation	Mauritius	Investment holdings	20,154	20,154	665,000	100	65,979	4,315	4,302	
Innodisk Corporation	Aetina Corporation	Taiwan	Manufacturing and sales of industrial graphics cards	24,091	24,091	10,689,390	75.63	155,479	5,405	4,088	
Innodisk Corporation	AccelStor Inc.	Taiwan	Computers and computing peripheral equipment manufacturing	224,058	224,058	16,652,700	40.37	-	-	-	
Innodisk Corporation	Millitronic Co.,Ltd.	Taiwan	Electronic parts and components manufacturing.	54,157	54,157	5,415,720	33.55	16,400	(5,460)	(1,832)	
Innodisk Corporation	Antzer Tech Co., Ltd.	Taiwan	Electronic parts and components manufacturing.	37,244	37,244	18,622,118	31.89	3,937	(2,552)	(814)	
Innodisk Corporation	Sysinno Technology Inc.	Taiwan	Electronic parts and components manufacturing.	12,900	12,900	645,000	43.00	9,302	(1,949)	(838)	
Innodisk Europe B.V.	Innodisk France SAS	France	After-sales services and support of industrial embedded storage devices	175	-	-	100	249	83	83	

Note: Disclosed at the historical exchange rate.

Innodisk Corporation and Subsidiaries

Information on investments in China - Basic data

January 1 to March 31, 2021

Schedule 6

Expressed in Thousands of NTD

(Except as Unless otherwise indicated specified)

Investee in China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of investment remitted from Taiwan to China at the beginning of the period	Amount remitted from Taiwan to China/Amount remitted back to Taiwan for the year		Accumulated amount of remittance from Taiwan to China	Net profit (loss) of the investee for the current period	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized for the current period (Note 2)	Net profit (loss) of the investee for the year	Accumulated amount of investment income remitted back to Taiwan	Remarks
					Remitted to	Remitted back							
Innodisk Shenzhen Corporation	Industrial embedded storage devices	$18,168 (US$600 thousands) (Note 3)	2. Innodisk Global-M Corporation	$18,168 (US$600 thousands) (Note 3)	$	$	$18,168 (US$600 thousands) (Note 3)	$ 4,315	100	$ 4,315	$ 63,701	$	-

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

(1). Directly invest in a company in China.

(2) Through investing in an existing company in the third area (please specify the company), which then invests in China.

(3) Other method

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

Note 3: Disclosed at the historical exchange rate.

Company name	Accumulated amount of investment remitted from Taiwan to China at the end of the period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in China imposed by the Investment Commission of MOEA (Note 4)
Innodisk Corporation	$18,168 (US$600 thousands) (Note 5)	$18,168 (US$600 thousands) (Note 5)	$ 3,139,824

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

Note 5: Disclosed at the historical exchange rate.

Innodisk Corporation and Subsidiaries

Significant transactions, either directly or indirectly through a third area, with investee companies in China

January 1 to March 31, 2021

Schedule 7

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

Investee in China	Sales (Purchases)		Property transactions		Accounts receivable / payable		Notes endorsement and guarantee or provision of collateral		Financial intermediation				
	Amount	%	Amount	%	Balance	%	Balance at the end of the period	Purpose	Highest balance	Balance at the end of the period	Range of interest rate	Current interest rate	Others
Innodisk Shenzhen Corporation	$ 170,444	9%	$ -	$ -	$ 101,394	2%	$ -	$ -	$ -	$ -	$ -	$ -	-

Innodisk Corporation and Subsidiaries

Information on major shareholders

March 31, 2021

Schedule 8

Names of major shareholders	Shares	
	Number of Shares Held	Shareholding percentage
Rui Ding Invest Co., Ltd.	6,107,037	7.40%

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

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