



Stock Code: 5289

Innodisk Corporation

2020 Annual Shareholders' General Meeting

Meeting Manual

Meeting Date: May 29, 2020

Place: T1 Building (RF1 meeting room), No. 237, Section 1,
Datong Road, Xizhi District, New Taipei City

Innodisk Corporation
Meeting Manual for the 2020 Annual Shareholders'
General Meeting
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Innodisk Corporation

Meeting Agenda for the 2020 Annual Shareholders' General Meeting

Time: 9:00 am, May 29, 2020 (Friday)

Place: T1 Building (RF1 meeting room), No. 237, Section 1, Datong Road,
Xizhi District, New Taipei City

Agenda:

- I. Call the meeting to order (announce the total number of shares represented by the attending shareholders)
- II. Chairperson's speech
- III. Report items
 - (1) 2019 business report.
 - (2) Audit committee report.
 - (3) 2019 distribution of employees' bonuses and directors' remuneration
 - (4). Amendments to the "Board Meeting Rules of Procedures."
 - (5). Amendment to the "Procedures for Ethical Operations Management and Guidelines for Conduct."
- IV. Ratification topics
 - (1) 2019 business report and financial statements.
 - (2) 2019 earnings distribution.
- V. Discussion topics
 - (1) Company's 2019 capitalization of profits to issue new stock shares.
 - (2) Amendment to the Articles of Incorporation.
 - (3). Amendment to the "Board Meeting Rules of Procedures."
 - (4) Lift restrictions on the non-compete clause of the Company's board of directors.
- VII. Motions
- VIII. End of meeting

Reports

1 (Proposed by the board of directors)

Summary: Please review the 2019 business report.

Description: Please refer to Attachment I (page 8 to 15) of the meeting manual for the Company's 2019 business report.

2 (Proposed by the board of directors)

Summary: Please review the audit committee report.

Description: Please refer to Attachment II, page 16 of the meeting manual, for the audit committee report.

3 (Proposed by the board of directors)

Summary: Please review the distribution of 2019 employees' bonuses and directors' remuneration.

Description: I. The current year earnings before taxes before subtracting the distribution of employees' and directors' remuneration from the amount is NT\$1,358,058,716. According to the provisions of the Articles of Incorporation, employees' bonuses at NT\$72,268,000 and directors' remuneration at NT\$13,000,000 will be distributed, all of which will be paid in cash.

II. The abovementioned amount is not different from the amount estimated in 2019.

4 (Proposed by the board of directors)

Summary: Please review the amendment to the "Board Meeting Rules of Procedures."

Description: Proposal to amend terms of the Company's "Board Meeting Rules of Procedures" in accordance with amendment to the law. Please refer to Attachment III, page 18 of the meeting manual, for a detailed comparison of terms before and after amendment.

5 (Proposed by the board of directors)

Summary: Please review the amendment to the "Procedures for Ethical Operations Management and Guidelines for Conduct."

Description: Proposal to amend terms of the Company's "Procedures for Ethical Operations Management and Guidelines for Conduct" in accordance with amendment to the law. Please refer to Attachment IV, page 20 to 24 of the meeting manual, for a detailed comparison of terms before and after amendment.

Ratification Topics

1 (Proposed by the board of directors)

Summary: Please ratify the 2019 business report and financial statements.

Description: I. The Company's 2019 business report and standalone and consolidate financial statements have been approved by the board resolution, audited by accountants, Jenny Yeh and Ryan Huang, of PricewaterhouseCoopers Taiwan and submitted to the Company's audit committee for audit, and the audited reports are now available.

II. Please refer to Attachment I and Attachment V, page 8 to 15 and 25 to 56, respectively, of the meeting manual for the various reports and statements.

III. The documents submitted require ratification.

Resolution

2 (Proposed by the board of directors)

Summary: Please ratify the 2019 earnings distribution.

Description: I. In accordance with the Company's Articles of Incorporation, the distribution of the Company's 2019 earnings is shown in the table as follows:

Innodisk Corporation
2019 Profit Distribution Table

Unit: NTD

Item	Amount	Remarks
Beginning undistributed earnings	1,179,013,907	
Add Net income after taxes for the year	1,014,252,990	
Less: 10% as legal reserve	101,425,299	
Less: Special reserve	4,079,788	
Earnings available for distribution	2,087,761,810	
Distributions:		
Stock dividends	15,945,890	0.02 share per share
Cash dividends	597,970,882	NT\$7.5 per share
Undistributed earnings at the end of the period	1,473,845,038	

Chairman:

Manager:

Head of Accounting:

- II. Cash dividends at NT\$7.5 per share have been proposed (to be distributed to the nearest ones) and fractional balances less than NT\$1 after the decimal point are recognized by the Company as other income. The resolution of the shareholders' general meeting this year will authorize the board to set the ex-dividend and payment dates.
- III. Stock dividends of 20 shares per 1,000 shares. After the proposal is approved by the shareholders' general meeting and becomes effective upon the approval by the securities authority, the board will be authorized to set an ex-dividends date.
- IV. In the event that regulatory changes, adjustment by the authority or other factors affecting the changes of shares cause changes to the number of

outstanding shares and stock or cash dividends to shareholders, the shareholders meeting will authorize the chairman to adjust the cash or stock dividends in accordance with the total amount of earnings distributed and ex-dividends dates of stock or cash dividends determined by the proposal.

V. The documents submitted require ratification.

Resolution:

Discussion Topics

1 (Proposed by the board of directors)

Summary: Please review the company's 2019 capitalization of profits to issue new stock shares.

Description: I. Considering the needs of future business development, the Company intends to allocate NT\$15,945,890 from the distributable earnings as shareholders' dividends to capitalize that to issue 1,594,589 new shares. After the proposal is passed by the shareholders' general meeting and approved by the authority, the board will be authorized to set an ex-dividends date and issue 20 shares of stock dividends per 1,000 shares to those who are on the shareholders' register. Shareholders who have fractional shares may add them together and register them with the Company's shareholder service agent within 5 days after the stock stop-transfer date. Those who do not register will be issued cash (rounded to the nearest NT\$1), and the fractional shares will be purchased at face value in cash by persons specified by the chairman.

II. The capitalization of profits will issue a total of 1,594,589 shares, at a face value of NT\$10 only and the rights and obligations of the shares are the same as those of the original shares.

- III. In the event that regulatory changes, adjustment by the authority or other factors affecting the changes of shares cause changes to the number of outstanding shares and the stock dividends to shareholders, the shareholders meeting will authorize the chairman to adjust the stock dividends.
- IV. The proposal is submitted for discussion.

Resolution:

2 (Proposed by the board of directors)

Summary: Please discuss the amendment to the Company's Articles of Incorporation.

- Description: I. Proposal to amend terms of the Articles of Incorporation in accordance with the Company's actual needs. Please refer to Attachment VI, page 57 to 58 of the meeting manual, for a detailed comparison of terms before and after amendment.
- II. The proposal is submitted for discussion.

Resolution:

3 (Proposed by the board of directors)

Summary: Please discuss the amendment to the "Shareholders Meeting Rules of Procedures."

- Description: I. Proposal to amend terms of the Company's "Shareholders Meeting Rules of Procedures" in accordance with amendment to the law. Please refer to Attachment VII, page 59 to 61 of the meeting manual, for a detailed comparison of terms before and after amendment.
- II. The proposal is submitted for discussion.

Resolution:

4 (Proposed by the board of directors)

Summary: Lifting of restrictions on the non-compete clause of the Company's board of directors requires discussion.

Description: I. In accordance with Article 209 of the Company Act, a director who acts for himself or on behalf of another person within the Company's scope of business shall explain to shareholders the essential content of the act and obtain their permission.

II. It is proposed to request for a shareholder ratification on lifting restrictions on the non-compete clause of directors who may have invested or operated other companies with the same or similar scopes of business as the Company and taken the positions of directors or managers.

III. Directors who hold concurrent positions:

Title	Name	Positions Held
Independent Director	Jow, En-Min	Jochenlee Molds and Machine Mfg., Inc. -- Representative of a corporate director Taiwan Chenya Metal Co., Ltd. - Representative of a corporate director Castona Investment Limited -- Director
Independent Director	Lin, Tsung-Te	Zimtech Co., Ltd. -- Representative of a corporate director/Chairman Zimtech Co., Ltd. -- Representative of a corporate director/Chairman Yatec Engineering Corporation -- Representative of a corporate director
Independent Director	Li, Kuang-Pin	Hanke Education Co., Ltd. -- Representative of a corporate director flyingV -- Director Shuguang Equity Crowdfunding Securities Co., Ltd. -- Representative of a corporate director

IV. The proposal is submitted for discussion.

Resolution:

Motions

Meeting Adjourned

[Attachment I]

Business Report

2019 was a year full of challenges, while the US-China trade war starting from the end of 2018 has continued for more than a year and is still ongoing. Since the imbalance between supply and demand has caused price decline in both raw materials and end markets, Innodisk Corporation has quickly responded with its years of experience in the field of embedded market. Although the annual revenue slightly declined, profits grew steadily. Looking forward to the future, the Company will continue to invest in research and development of products and technologies, explore the vertical market and improve production capacity and quality. In 2020, the Company will continue to work on becoming an international enterprise of excellence.

The Company's results for 2019 and outlook for 2020 are described as follows:

- I. Implementation results, budgeting, financial results, and achievements of research and development in the business plan for the previous year:

Innodisk Corporation's operating strategy has evolved from "Integration of software and hardware, starting from applications" three years ago, to " Integration of software and hardware, software bundles hardware" the year before last, followed by " Integration of software and hardware, solution thinking to sell modules" last year and continued to create value to meet customer demand by providing services. As artificial intelligence (AI) and the Internet of Things (IoT) applications

continue to emerge, Innodisk Corporation integrates industrial computer peripherals, technology and smart applications and incorporates AIoT deep learning, edge computing, data acceleration, transmission and storage and other industrial intelligence technologies into the industrial applications in various vertical markets from the cloud to the edge. With the development and deployment of AI and 5G networks, we are fully committed to promoting the development of AIoT business and value-added services in hardware, firmware and software in order to become a solution-ready supplier who can help clients to quickly enter the AIoT market and provide a variety of best solutions for the AIoT applications market. In terms of sales channels, the Company has reinforced the coverage of channels to reach more vertical markets and clients in various regions, while strengthening the engagement with world-class manufacturers to provide better services. With respect to marketing, Innodisk has actively promoted the idea of "absolutely integration" to continue to innovate and enhance the Company's value. The brand, Innodisk, has remained in the top 35 of Taiwan's international brands by Interbrand last year. We have continued to improve the technological and production capacity of our R&D and production center in Yilan Science Park to meet customer demand in technology, capacity and quality to ensure that we can offer the best production environment and the most rigorous quality control.

Last year, the Company's revenue reached NT\$7,361,665 (thousands), a decrease of 6% over the previous year and the first decline since the establishment of the Company. The net

profit attributable to the parent company was NT\$1,014,254 (thousands), and the earnings per share was NT\$12.72, which was still an increase over the previous year and showed signs of maintaining stable profitability. The year-end balance of accounts receivable decreased slightly by NT\$49,866 (thousands) from the end of the previous year and the ending inventory increased slightly by NT\$43,390 (thousands), compared with the previous year. As a result of the initial adoption of the IFRS 16, the right-of-use assets increased by NT\$132,783 (thousands). The main reason was that the accounts payable decreased, which reduced the total debt by NT\$101,176 (thousands) over the previous year, and the debt ratio decreased by 4% over the previous year to 20%, showing that the financial structure was rather stable and the revenue and expenses were normal. Overall, the revenue might have been lower than expected, the budget was in line with the Company's original goals.

As a leading company in the industrial embedded storage technology and market, Innodisk developed InnoAGE SSD (solid-state drive) last year, which was the world's first SSD product primarily designed for the AIoT architecture. The hardware structure includes a built-in Microsoft Azure Sphere which is adjusted by firmware to activate the edge and cloud communication, so that the SSD can receive commands from users, equipping InnoAGE SSD with powerful security and management performance. Furthermore, we were optimistic about the market demand for 3D NAND SSD and PCIe M.2 Gen. 3x2 and we used our strong internal firmware research and

development capacity to develop a variety of data backup measures to prevent system data loss potentially caused by sudden power outage or damage. In addition, the ultra-high fire-resistant Fire Shield SSD has obtained patents in the US and Taiwan. The product can withstand high temperatures above 800 degrees and retain 100% of the data. The Company has continued to launch a full range of anti-sulfuration DRAM modules, high-end 2666 DDR4 industrial memory series products and extended wide-temperature VLP RDIMM, most suitable for edge computing applications, in various technical specifications. The products incorporate industrial-grade wide-temperature measures, anti-sulfuration specs, conformal coating and heat spreader technologies, so they can maintain stable operation even in harsh environments that have unstable supply of power, sulfur-containing environment or extreme weather. In order to break through the limitations on AIoT system upgrades, the integrity and expandability of industrial expansion peripheral modules have become very important. Innodisk's embedded peripheral module series offers the most comprehensive specifications in the industry. In response to the rising demand for industrial graphics cards, the Company introduced the world's first M.2 graphics cards and 4K high-resolution industrial grade graphics cards.

- II. This year's business operation strategies, expected sales quantities and key production and sales policies:

After three years of integration of software and hardware which has laid the foundation for AIoT development, Innodisk

Corporation intends to instill "Creating service value; promote smart operations" into its operating policies. The continuing emergence of AI and 5G will facilitate the vigorous development of AIoT. Innodisk uses its current advantages in technology and channel to plan for various industrial computer peripheral modules. Covering data generation, collection, transmission, storage, computation and application, the Company provides products and technologies from the cloud to the edge for industrial applications and complete solutions which can meet the demand of edge computing. The Company also has cultivated the smart surveillance, factories, medical and in-vehicle fields. In terms of marketing strategy, Innodisk will continue to enhance the brand value of Innodisk and actively boost its digital marketing (Martech) efforts to increase the Company's online voice and visibility. In response to the great changes brought about by the AIoT era, Innodisk will continue to promote integration of software and hardware. In the field of industrial storage, the Company has already incorporated the idea of AI and made links to each industry smarter. In the future, the Company will actively establish an AIoT ecosystem in the field of industrial computer and its peripherals and more comprehensive AIoT products and technologies to provide clients with solutions which can accelerate their AIoT implementation to jointly create long-term value.

As a leading brand in the field of industrial embedded storage, the Company's biggest focus this year in terms of product and technology is undoubtedly the InnoAGE SSD specifically designed for an AIoT architecture. InnoAGE SSD

provides computation and programmable execution and reinforce data protection mechanisms. It can perform smart data analysis and update, improve data security, achieve remote control and offer a variety of functions through cloud computing. It defines the standards for smart edge equipment and promote data security and out-of-band management to become the industry standards and greatly reduce doubts about the operation and maintenance of AIoT systems. In response to the development of 5G, Innodisk has introduced its large-capacity 32GB memory module series which incorporates high-speed 2666MHz/s specifications and is available in UDIMM, SODIMM, ECC-SODIMM and other form factors. The series supports industrial-grade wide temperature range, coating, side fill, heat sink and anti-sulfuration technologies to help clients achieve the best performance even under the most demanding environment. AI acceleration modules introduced as industrial computer peripheral products use Intel Movidius VPU artificial neural network computing to greatly enhance image computing programs. The performance of applications such as facial recognition, license plate recognition and machine vision can be enhanced by up to 30 times.

In response to industry transformation and the digital era, the Company not only fully commits itself to develop AIoT-related technologies and products, but also internally improves management capabilities and promotes smart operations. From delivery forecast, order receiving process, scheduling of manufacturing process to technical services, the Company is able to improve the smart process of management system,

efficiency and response speed. At the same time, we have continued to improve the technological and production capacity of our R&D and production center in Yilan Science Park and will expand the leasing area of land to prepare for long-term growth. In terms of sales channels, we will expand our manpower in sales to more countries to serve clients in different regions and further understand the demand of each vertical market. We will also reinforce our engagement with world-class manufacturers and the collaboration with key accounts in terms of the depth and breadth to become their best strategic partner. With the continuous development of the industry and introduction of new applications, it is expected that the Company's sales volume will continue to grow steadily this year.

- III. Company's future development strategy and the impact from competitive environment, regulatory environment and overall operating environment:

Although the global economy has been threatened by the novel coronavirus since the beginning of this year, Innodisk Corporation will continue to focus on industrial application and cloud services industries. The Company will adopt strategies to innovate to maintain its technological leadership and improve customer satisfaction with services to create more value. In recent years, environmental and labor issues have been highly valued by governments and businesses around the world. We not only pursue growth in business performance and profits, but also pay attention to sustainability, practice of corporate

social responsibility, environmental protection and compliance with green supply chain standards. In addition, we are concerned with employees' occupational safety and health and equal opportunity and have obtained the ISO 45001 certification notarized by third-party. We are actively committed to social participation and have established the Innodisk Education Foundation which focuses on the education of underprivileged students and encourages and helps them to complete their education and set up learning goals. The Company will continue to pay attention to dynamic competitive environment and comply with various regulatory changes. We are always on high alert for potential changes in the future and ready to formulate countermeasures to grow and maintain the Company's long-term competitive advantages. We will adhere to our business philosophy of "Innovation. Discipline. Sharing." and continue to make progress toward our long-term goal of becoming a world-class company.

Chairman:

Manager:

Head of Accounting:

[Attachment II]

Innodisk Corporation Audit Committee Report

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements and proposals for allocation of profits, of which the Financial Statements have been audited by the CPAs of PricewaterhouseCoopers Taiwan, and issued Auditors' Reports.

The Audit Committee is responsible for the supervision of the Company's financial reporting process. The certified public accountants have verified the 2019 Financial Statements and communicated with the Audit Committee on the following matters:

1. The certified public accountants have not found any significant deficiencies within the planned scope and timing of the audit.
2. The certified public accountants have provided the Audit Committee with a statement regarding the independence of personnel who are in compliance with the Codes of Ethics for Professional Accountants, and we have not found relationships and other matters that may be considered to affect the independence of the accountants.
3. The certified public accountants have communicated with the Audit Committee on key audit matters before deciding matters to be communicated and disclosed on the audit report.

The Business Report, Financial Statements, and proposals for allocation of profits have been reviewed and determined to be correct and accurate by the Audit Committee members. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Please kindly find the attached report for your reference.

Yours,

Innodisk Corporation 2020 Annual Shareholders' General Meeting

Convener of the Audit Committee:
Jow, En-Min

Audit Committee Member: Lin,
Tsung-Te

Audit Committee Member: Li, Kuang-
Pin

February 21, 2020

[Attachment III]

Innodisk Corporation

Comparison of Amendments to Board Meeting Rules of Procedures

Amended Articles	Original Articles	Description
<p>Article 7: If the meeting of the board of directors is convened by the chairman, the meeting will be chaired <u>by the chairman</u>. However, in the first meeting of each term of board of directors, the chairperson shall be the <u>convener</u> who receive the most voting rights in the shareholders meeting. If there are two or more conveners entitled to convene the meeting, one person shall be elected to chair the meeting.</p> <p><u>In accordance with Paragraph 4 of Article 203 or Paragraph 3 of Article 203-1 of the Company Act, if the board meeting is convened by directors who receive a majority votes at the shareholders meeting, the directors shall elect one person to be the chairperson of the board meeting.</u></p> <p>The vice-chairman is to chair the meeting on behalf of the chairman if the chairman takes the day off or for any reason cannot exercise the power. The chairman is to appoint a managing director on behalf of the vice-chairman if there is no vice-chairman or if the vice-chairman cannot attend the meeting due to the aforementioned reasons. A director is assigned as the chairperson if there are no managing directors. In the event the chairman does not appoint anyone, the managing directors or the directors are to recommend one person.</p>	<p>Article 7: The chairman shall convene the board meeting and be the chairperson. However, in the first meeting of each term of board of directors, the chairperson shall be the convener who receive the most voting rights in the shareholders meeting. If there are two or more conveners entitled to convene the meeting, one person shall be elected to chair the meeting.</p> <p>The vice-chairman is to chair the meeting on behalf of the chairman if the chairman takes the day off or for any reason cannot exercise the power. The chairman is to appoint a managing director on behalf of the vice-chairman if there is no vice-chairman or if the vice-chairman cannot attend the meeting due to the aforementioned reasons. A director is assigned as the chairperson if there are no managing directors. In the event the chairman does not appoint anyone, the managing directors or the directors are to recommend one person.</p>	<p>In accordance with Jin-Guan-Zheng-Fa-Zi No. 1080361934 dated January 15, 2020.</p>
<p>Article15: If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may state his/her opinions and answer questions and may not participate in discussion or</p>	<p>Article15: If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may state his/her opinions and answer questions and may not participate in discussion or</p>	<p>In accordance with Jin-Guan-Zheng-Fa-Zi No. 1080361934 dated January 15, 2020.</p>

<p>voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. If the director's spouse or blood relatives within the second-degree or the companies with which the director has a controlling or affiliation relationship are considered interested parties with the issues to be discussed at the board meeting, the director is also considered to be interested.</p> <p>The provisions of Paragraph <u>2</u> of Article 180 of the Company Act, as applied mutatis mutandis under Paragraph <u>4</u> of Article 206 of that Act, apply to resolutions of board of directors' meetings when a director is prohibited by the preceding two paragraphs from exercising voting rights.</p>	<p>voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. The provisions of Paragraph 2 of Article 180 of the Company Act, as applied mutatis mutandis under Paragraph <u>2</u> of Article 206 of that Act, apply to resolutions of board of directors' meetings when a director is prohibited by the preceding paragraph from exercising voting rights.</p>	
<p>Article 20: These Rules were established on April 15, 2011. 1st revision was made on April 14, <u>2012</u>. 2nd revision was made on October 29, <u>2012</u>. 3rd revision was made on March 27, 2013. 4th revision was made on January 30, 2018. 5th revision was made on February 21, 2020.</p>	<p>Article 20: These Rules were established on April 15, <u>2011</u>. 1st revision was made on April 14, <u>2012</u>. 2nd revision was made on October 29, <u>2012</u>. 3rd revision was made on March 27, 2013. 4th revision was made on January 30, 2018.</p>	<p>Add revision dates and make text revisions as appropriate.</p>

Innodisk Corporation
 Comparison of Amendments to Procedures for Ethical Operations
 Management and Guidelines for Conduct

Amended Articles	Original Articles	Description
<p>Article 5 (Responsible Unit) The Company designates the Administrative Office (referred to as the Company's responsible unit) as the responsible unit under the board of directors, <u>and allocates sufficient resources and competent personnel responsible for establishing and supervising the implementation of the ethical operations management policies and prevention programs.</u> The responsible unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis <u>(at least once a year)</u>:</p> <p>I. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</p> <p>II. <u>Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope,</u> adopting accordingly programs to prevent unethical conduct, <u>and</u> setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.</p> <p>III. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p>	<p>Article 5 (Responsible Unit) The Company designate the Administrative Office (hereinafter referred to as the "responsible unit") as the responsible unit under the board of directors in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines and the recording and filing of reports; and the Audit Office for monitoring of audit. The responsible units shall be in charge of the following matters and also submit regular reports to the board of directors:</p> <p>I. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</p> <p>II. Develop programs to prevent unethical conduct, and set out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.</p> <p>III. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.</p>	<p>In accordance with Jin-Guan-Zheng-Fa-Zi No. 1080307434 dated May 16, 2019.</p>

<p>IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.</p> <p>V. Developing a whistle-blowing system and ensuring its operating effectiveness.</p> <p>VI. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</p>	<p>V. Developing a whistle-blowing system and ensuring its operating effectiveness.</p> <p>VI. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</p>	
<p>Article 21 (Handling of unethical conduct by personnel of the Company) The Company encourages internal and external personnel to file grievances against unethical or inappropriate behaviors. The Company grants a reward of not more than NT\$3,000 depending on the severity of the circumstances concerned. In the event where the internal personnel file false reports or malicious allegations, they are imposed a disciplinary punishment, and may be dismissed from their jobs if the circumstances concerned is material.</p> <p>The Company establishes and announces an independent mailbox or hotline on the Company's website and Intranet, or commissions other independent external institutions to provide mailboxes and hotlines for grievances filing to allow internal and external personnel of the Company to submit reports. The whistleblowers shall provide specific facts available for investigation, <u>and anonymous reporting is allowed.</u></p> <p>Company personnel handling whistle-blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. The Company also undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing. The responsible unit of the Company</p>	<p>Article 21 (Handling of unethical conduct by personnel of the Company) The Company encourages internal and external personnel to file grievances against unethical or inappropriate behaviors. The Company grants a reward of not more than NT\$3,000 depending on the severity of the circumstances concerned. In the event where the internal personnel file false reports or malicious allegations, they are imposed a disciplinary punishment, and may be dismissed from their jobs if the circumstances concerned is material.</p> <p>The Company establishes and announces an independent mailbox or hotline on the Company's website and Intranet, or commissions other independent external institutions to provide mailboxes and hotlines for grievances filing to allow internal and external personnel of the Company to submit reports. The whistleblower shall at least furnish the following information:</p> <p>I. The name, address, telephone number and e-mail address of the whistleblower.</p> <p>II. The reported person's name or other information sufficient to distinguish the identifying features.</p> <p>III. Specific facts available for investigation.</p> <p>Company personnel handling whistle-</p>	<p>In accordance with Jin-Guan-Zheng-Fa-Zi No. 1080307434 dated May 16, 2019.</p>

<p>shall observe the following procedure:</p> <p>I. Information shall be reported to the department head if it involves the rank and file and to an independent director if it involves a director or a senior executive.</p> <p>II. The responsible unit of the Company and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the facts and, where necessary, with the assistance of the legal compliance or other concerned departments.</p> <p>III. If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the Company's policy and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.</p> <p>IV. The handling of the report, investigation process and results shall be recorded in written documents which are kept for five years, and the preservation can be done in electronic format. In the event where lawsuits related to the content of the reports occur before the expiration date of the safekeeping of documents, the related information shall be kept and preserved until the end of the lawsuits.</p> <p>V. With respect to the confirmed information, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures, proposing corrective measures and, if necessary, reporting to the authority or referring the case to the judicial authority to prevent recurrence.</p> <p>VI. The responsible unit of the Company shall report the case, actions taken,</p>	<p>blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. The Company also undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing. The responsible unit of the Company shall observe the following procedure:</p> <p>I. Information shall be reported to the department head if it involves the rank and file and to an independent director if it involves a director or a senior executive.</p> <p>II. The responsible unit of the Company and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the facts and, where necessary, with the assistance of the legal compliance or other concerned departments.</p> <p>III. If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the Company's policy and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.</p> <p>IV. The handling of the report, investigation process and results shall be recorded in written documents which are kept for five years, and the preservation can be done in electronic format. In the event where lawsuits related to the content of the reports occur before the expiration date of the safekeeping of documents, the related information shall be kept and preserved until the end of the lawsuits.</p> <p>V. With respect to the confirmed information, the Company shall charge relevant units with the task of reviewing the internal control</p>	
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<p>and subsequent reviews and corrective measures taken to the board of directors.</p>	<p>system and relevant procedures and proposing corrective measures to prevent recurrence.</p> <p>VI. The responsible unit of the Company shall report the case, actions taken, and subsequent reviews and corrective measures taken to the board of directors.</p>	
<p>Article 24 (Accounting and internal control) The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-table accounts or keep secret accounts, and conduct reviews regularly to ensure that the design and enforcement of the systems are showing results. The internal audit unit of the Company shall, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans including auditees, audit scope, audit items, audit frequency, etc. and examine accordingly the compliance with the prevention programs. The internal audit unit may engage a certified public accountant to carry out the audit, and may commission professionals for assistance if necessary. The results of examination in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the board of directors.</p>		<p>1. Added in this revision. 2. In accordance with Jin-Guan-Zheng-Fa-Zi No. 1080307434 dated May 16, 2019.</p>
<p>Article 25 (Implementation) These Procedures and Guidelines shall be implemented after the resolution of the board of directors, and shall be reported at the shareholders meeting, and likewise for revisions. When these procedures and guidelines are submitted to the board of directors for discussion, the board of directors shall take into full consideration each independent director's opinions. Any objections or reservations of any independent director shall be recorded in the minutes of the board of directors</p>	<p>Article 24 (Implementation) These Procedures and Guidelines shall be implemented after the resolution of the board of directors, and shall be reported at the shareholders meeting, and likewise for revisions. When these procedures and guidelines are submitted to the board of directors for discussion, the board of directors shall take into full consideration each independent director's opinions. Any objections or reservations of any independent director shall be recorded in the minutes of the board of directors</p>	<p>Change of article number</p>

<p>meeting. An independent director that cannot attend the board meeting in person to express objections or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.</p>	<p>meeting. An independent director that cannot attend the board meeting in person to express objections or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.</p>	
<p>Article 26 (Establishment and amendment) The Procedures for Ethical Operations Management and Guidelines for Conduct was first established on October 29, 2012. 1st revision was made on March 27, 2013. 2nd revision was made on March 18, 2015. 3rd revision was made on February 21, 2020.</p>	<p>Article 25 (Establishment and amendment) The Procedures for Ethical Operations Management and Guidelines for Conduct was first established on October 29, 2012. 1st revision was made on March 27, 2013. 2nd revision was made on March 18, 2015.</p>	<ol style="list-style-type: none"> 1. Change of article number 2. Added revision dates.

[Attachment V]

Independent Auditor's Report Translated from Chinese

To the Board of Directors and Shareholders of Innodisk Corporation:

Opinion

We have audited the accompanying standalone balance sheets of Innodisk Corporation (the “Company”) as at December 31, 2019 and 2018 and the standalone statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as at December 31, 2019 and 2018, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for Opinions

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditors'

Responsibilities for the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit **matters** are those **matters** that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Innodisk Corporation’s standalone financial statements for the year ended December 31, 2019 are stated as follows:

Key audit matter – Inventory Evaluation

Description

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

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

How our audit addressed the matter

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

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

statements.

2. Obtained net realisable value report for inventory items and verified that a consistent systematic logic was applied to the calculation. First, tested the assumptions such as: sources of sales data and relevant supporting estimation documents. Second, recalculated net realisable value item by item, then applied the lower of cost or net realizable value method for valuation and whether reasonable allowance was recognised.
3. Obtained an inventory aging report to conduct inventory aging test. Random sampling of inventory and compare inventory transaction records to confirm the classification of aging intervals.
4. Compared current and previous year's allowance for valuation of inventory loss and reviewed the reasonableness of allowance recognised.

Key audit matter –Existence of Sales Income

Description

For the accounting policy of income recognition, please refer to Note 4 (31) of the standalone financial statements. For the description on accounting entries of sales income, please refer to Note 6 (20).

Innodisk Corporation is mainly engaged in the research, development, manufacturing and sales of industrial storage devices

and memory modules. Due to that product diversification and innovation affect changes to top ten customers' sales and the large transactions with top ten customers require much resources in audit, we have listed the existence of sales revenue of the top ten customers as one of the important items for audit.

How our audit addressed the matter

The scope of our audit responded to the risk_{as} follows:

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

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and for such internal control as management determines is necessary to enable the preparation of standalone financial statements that are free from material misstatements, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free

from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also conduct the following tasks:

1. Identify and assess the risks of material misstatements of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within

the Company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision and performance of the audit for the individual audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of the most significance in the audit of the Company's standalone financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yeh, Tsui Miao

Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

February 21, 2020

Innodisk Corporation
Standalone Balance Sheet
December 31, 2019 and 2018

Unit: Thousand NTD

Asset	Note	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6 (1)	\$ 1,677,093	31	\$ 1,473,893	29
1136	Current financial assets at amortised cost	6 (2)	150,000	3	-	-
1150	Notes receivable, net	6 (3)	1,366	-	2,368	-
1170	Accounts receivable, net	6 (3)	621,789	11	645,078	13
1180	Accounts receivable related parties	6 (3) and 7 (2)	364,141	6	486,447	10
1200	Other receivables		1,361	-	1,324	-
1210	Other receivables - related parties	7 (2)	1,016	-	1,157	-
1220	Current income tax assets	6 (26)	420	-	507	-
130X	Inventories, net	6 (4)	698,367	13	648,950	13
1410	Prepayments	6 (5) and 7 (2)	62,624	1	52,592	1
11XX	Current Assets		<u>3,578,177</u>	<u>65</u>	<u>3,312,316</u>	<u>66</u>
Non-current assets						
1550	Investments accounted for under equity method	6 (5)	302,086	5	255,044	5
1600	Property, plant and equipment	6 (6)	1,253,975	23	1,240,244	24
1755	Right-of-use assets	6 (7)	106,892	2	-	-
1760	Investment property - net	6 (9)	140,494	3	142,521	3
1780	Intangible assets		11,427	-	12,593	-
1840	Deferred income tax assets	6 (26)	36,749	1	48,668	1
1900	Other non-current assets	6 (10) and 8	38,977	1	44,936	1
15XX	Non-current assets		<u>1,890,600</u>	<u>35</u>	<u>1,744,006</u>	<u>34</u>
1XXX	Total Assets		<u>\$ 5,468,777</u>	<u>100</u>	<u>\$ 5,056,322</u>	<u>100</u>

(Continued)

Innodisk Corporation
Standalone Balance Sheet
December 31, 2019 and 2018

Unit: Thousand NTD
December 31, 2018

Liabilities and Stockholders' Equity	Note	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
Current liabilities						
2130	Current contract liabilities	6 (20)	\$ 6,068	-	\$ 4,030	-
2170	Accounts payable		402,887	7	552,405	11
2180	Accounts payable related parties	7 (2)	1,145	-	10,434	-
2200	Other payables	6 (21)	276,921	5	277,126	6
2220	Other payables - related parties	7 (2)	6,024	-	2,581	-
2230	Current income tax liabilities	6 (26)	143,407	3	162,230	3
2250	Current provisions for liabilities	6 (16)	58,770	1	45,010	1
2280	Current lease liabilities		4,157	-	-	-
2320	Long-term liabilities -- Current portion	6 (13)	-	-	7,692	-
2399	Other current liabilities, Others		3,415	-	1,735	-
21XX	Current Liabilities		<u>902,794</u>	<u>16</u>	<u>1,063,243</u>	<u>21</u>
Non-current liabilities						
2540	Long-term borrowings	6 (13)	-	-	92,308	2
2580	Non-current lease liabilities		103,305	2	-	-
2600	Other non-current liabilities	7 (2)	1,207	-	1,331	-
25XX	Non-current Liabilities		<u>104,512</u>	<u>2</u>	<u>93,639</u>	<u>2</u>
2XXX	Total liabilities		<u>1,007,306</u>	<u>18</u>	<u>1,156,882</u>	<u>23</u>
Equity attributable to owners of parent						
Shares						
3110	Share capital - common stock	6 (17)	797,294	15	781,661	16
Capital surplus						
3200	Capital surplus	6 (18)	1,058,681	19	1,037,330	20
Retained earnings						
3310	Legal reserve	6 (19)	416,308	8	332,000	7
3320	Special reserve		-	-	6,193	-
3350	Unappropriated retained earnings		2,193,268	40	1,741,759	34
Other equity interests						
3400	Other equity interests		(4,080)	-	497	-
3XXX	Total equity		<u>4,461,471</u>	<u>82</u>	<u>3,899,440</u>	<u>77</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total Liabilities and Equity		<u>\$ 5,468,777</u>	<u>100</u>	<u>\$ 5,056,322</u>	<u>100</u>

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

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Liao, Shu-Nu

Innodisk Corporation
Standalone Statement of Comprehensive Income
December 31, 2019 and 2018

Unit: Thousand NTD
(Except for earnings per share)

Item	Note	2019		2018	
		Amount	%	Amount	%
4000 Operating revenue	6 (20) and 7 (2)	\$ 6,696,506	100	\$ 7,173,369	100
5000 Operating costs	6 (4) (24) and 7 (2)	(4,756,393)	(71)	(5,528,725)	(77)
5900 Gross profit before unrealized gross profit on sales to subsidiaries		1,940,113	29	1,644,644	23
5910 Unrealized gross profit on sales to subsidiaries		(13,602)	-	(17,156)	-
5920 Realized gross profit on sales to subsidiaries		17,156	-	35,994	-
5950 Gross profit		1,943,667	29	1,663,482	23
Operating expenses	6 (24) and 7 (2)				
6100 Marketing expenses		(299,534)	(4)	(273,256)	(4)
6200 General and administrative expenses		(246,847)	(4)	(211,104)	(3)
6300 Research and development expenses		(136,565)	(2)	(109,408)	(1)
6450 Expected gain on credit impairment	12 (2)	992	-	291	-
6000 Total operating expenses		(681,954)	(10)	(593,477)	(8)
6900 Operating profit		1,261,713	19	1,070,005	15
Non-operating income and expenses					
7010 Other income	6 (21) and 7 (2)	26,577	-	18,844	-
7020 Other gains and losses	6 (22)	(31,299)	-	45,688	1
7050 Finance cost	6 (23)	(1,624)	-	(1,860)	-
7070 Share of profit/(loss) of associates accounted for under equity method	6 (5)	17,425	-	(59,775)	(1)
7000 Total non-operating income and expenses		11,079	-	2,897	-
7900 Profit before income tax		1,272,792	19	1,072,902	15
7950 Income tax expense	6 (26)	(258,538)	(4)	(229,818)	(3)
8200 Net income for the year		\$ 1,014,254	15	\$ 843,084	12
Other comprehensive income for the year (net)					
Items that will be reclassified to profit or loss					
8361 Exchange differences arising on translation of foreign operations		(\$ 4,957)	-	\$ 2,948	-
8380 Profit and loss of subsidiaries, associates and joint ventures recognized by using equity method - Items that may be reclassified to profit or loss		380	-	3,742	-
8360 Total of Items that may be reclassified to profit or loss		(4,577)	-	6,690	-
8500 Total comprehensive income for the year		\$ 1,009,677	15	\$ 849,774	12
Basic earnings per share					
9750 Total basic earnings per share	6 (27)	\$	12.72	\$	10.66
Diluted earnings per share					
9850 Total diluted earnings per share	6 (27)	\$	12.53	\$	10.55

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

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Liao, Shu-Nu

Innodisk Corporation
Standalone Statement of Changes in Equity
December 31, 2019 and 2018

Unit: Thousand NTD

Note	Capital surplus						Retained earnings			Other equity interests	Total equity	
	Share capital - common stock	Total capital surplus, additional paid-in capital	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Capital Surplus, changes in ownership interests in subsidiaries	Change in net equity of associates accounted for under equity method	Employee stock options	Stock options	Legal reserve	Special reserve	Unappropriated retained earnings		Exchange differences arising on translation of foreign operations
2018												
	\$ 738,791	\$ 917,147	\$ 802	\$ 23,012	\$ -	\$ 2,071	\$ 5,978	\$ 255,212	\$ -	\$ 1,428,596	(\$ 6,193)	\$ 3,365,416
	-	-	-	-	-	-	-	-	-	843,084	-	843,084
	-	-	-	-	-	-	-	-	-	-	6,690	6,690
	-	-	-	-	-	-	-	-	-	843,084	6,690	849,774
6 (19)												
	-	-	-	-	-	-	-	76,788	-	(76,788)	-	-
	-	-	-	-	-	-	-	-	6,193	(6,193)	-	-
	22,347	-	-	-	-	-	-	-	-	(22,347)	-	-
	-	-	-	-	-	-	-	-	-	(424,593)	-	(424,593)
6 (12)	18,853	144,261	-	-	-	(5,978)	-	-	-	-	-	157,136
6 (15)	1,670	6,179	-	-	-	-	-	-	-	-	-	7,849
	-	2,071	-	-	-	(2,071)	-	-	-	-	-	-
6 (5)												
	-	-	-	-	(56,142)	-	-	-	-	-	-	(56,142)
	\$ 781,661	\$ 1,069,658	\$ 802	\$ 23,012	(\$ 56,142)	\$ -	\$ -	\$ 332,000	\$ 6,193	\$ 1,741,759	\$ 497	\$ 3,899,440
2019												
	\$ 781,661	\$ 1,069,658	\$ 802	\$ 23,012	(\$ 56,142)	\$ -	\$ -	\$ 332,000	\$ 6,193	\$ 1,741,759	\$ 497	\$ 3,899,440
	-	-	-	-	-	-	-	-	-	1,014,254	-	1,014,254
	-	-	-	-	-	-	-	-	-	-	(4,577)	(4,577)
	-	-	-	-	-	-	-	-	-	1,014,254	(4,577)	1,009,677
6 (19)												
	-	-	-	-	-	-	-	84,308	-	(84,308)	-	-
	-	-	-	-	-	-	-	-	(6,193)	6,193	-	-
	15,633	-	-	-	-	-	-	-	-	(15,633)	-	-
	-	-	-	-	-	-	-	-	-	(468,997)	-	(468,997)
6 (15)												
	-	-	-	-	-	21,081	-	-	-	-	-	21,081
	-	-	-	270	-	-	-	-	-	-	-	270
	\$ 797,294	\$ 1,069,658	\$ 802	\$ 23,282	(\$ 56,142)	\$ 21,081	\$ -	\$ 416,308	\$ -	\$ 2,193,268	(\$ 4,080)	\$ 4,461,471

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

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Liao, Shu-Nu

Innodisk Corporation
Standalone Cash Flow Statement
December 31, 2019 and 2018

Unit: Thousand NTD
January 1, 2018
to December 31,
2018

	Note	January 1, 2019 to December 31, 2019	January 1, 2018 to December 31, 2018
<u>Cash flow from operating activities</u>			
Profit before income tax for the year		\$ 1,272,792	\$ 1,072,902
Adjustments for:			
Income and expenses having no effect on cash flows			
Depreciation charges on property, plant and equipment	6 (24)	47,443	38,219
Depreciation charges on right-of-use assets	6 (24)	4,275	-
Amortization charges on the intangible assets and deferred assets.	6 (24)	26,484	22,307
Depreciation charges on investment property	6 (22)	2,027	2,028
Expected gain on credit impairment	12 (2)	(992)	(291)
(Gain from reversal of) loss on decline in market value of inventories	6 (4)	(65,759)	11,275
Loss on scrapping of inventory	6 (4)	10,127	15,918
Net loss (gain) on financial assets at fair value through profit and loss	6 (22)	-	49
Profit and loss of subsidiaries, associates and joint ventures recognized by using equity method	6 (5)	(17,425)	59,775
Gain on disposal of property, plant and equipment	6 (22)	-	(919)
Gain on lease modifications		(4)	-
Interest expenses	6 (23)	1,624	1,860
Interest income	6 (21)	(6,321)	(3,073)
Share-based compensation costs	6 (15)	21,081	-
Unrealized gain on sales		13,602	17,156
Realized gain on sales		(17,156)	(35,994)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		1,002	604
Accounts receivable		24,281	(68,136)
Accounts receivable -- related parties		122,306	74,880
Other receivables		109	(528)
Other receivable -- related parties		141	(976)
Inventories		6,215	287,895
Prepayments		(27,502)	25,543
Changes in operating liabilities			
Current contract liabilities		2,038	(6,031)
Notes payable		-	(1,317)
Accounts payable		(149,518)	(93,238)
Accounts payable -- related parties		(9,289)	6,477
Other payable		13,906	40,636
Other payable -- related parties		3,443	(1,972)
Current provisions for liabilities		13,760	9,944
Other current liabilities, Others		1,680	420
Cash flow from operating activities		1,294,370	1,475,413
Interest received		6,175	3,086
Income tax paid		(265,355)	(208,013)
Net cash generated by operating activities		1,035,190	1,270,486

(Continued)

Innodisk Corporation
Standalone Cash Flow Statement
December 31, 2019 and 2018

Unit: Thousand NTD
January 1, 2018
to December 31,
2018

	<u>Note</u>	<u>January 1, 2019 to December 31, 2019</u>	<u>January 1, 2018 to December 31, 2018</u>
<u>Cash Flow from Investing Activities</u>			
Increase in financial assets at amortized cost	6 (2)	(\$ 150,000)	\$ -
Acquisition of investments accounted for under the equity method	6 (5)	(12,900)	(140,834)
Increase in prepayments for investments	6 (5)	-	(17,470)
Acquisition of property, plant and equipment	6 (29)	(75,359)	(186,555)
Disposal of property, plant and equipment		-	920
Acquisition of intangible assets		(4,768)	(11,362)
Increase in prepayments for equipment		(2,919)	(25,731)
Increase in refundable deposits	6 (10)	(305)	-
Decrease in refundable deposits	6 (10)	106	2,841
Decrease in pledged time deposits	6 (10)	-	3,180
Increase in other non-current assets		(11,383)	(36,273)
Net cash used in investing activities		(257,528)	(411,284)
<u>Cash Flow from Financing Activities</u>			
Repayment of bonds		-	(100)
Increase in long-term borrowings	6 (30)	-	100,000
Repayment of long-term borrowings	6 (30)	(100,000)	-
Increase in guarantee deposit received	6 (30)	-	177
Decrease in guarantee deposit	6 (30)	(124)	-
Cash dividends paid	6 (30)	(468,997)	(424,593)
Exercise of employee share options	6 (15)	-	7,849
Interest paid		(1,640)	(727)
Repayment of principal of lease liabilities	6 (30)	(3,701)	-
Net cash used in financing activities		(574,462)	(317,394)
Increase in cash and cash equivalents		203,200	541,808
Beginning of year cash and cash equivalents		1,473,893	932,085
End of year cash and cash equivalents		\$ 1,677,093	\$ 1,473,893

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

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Liao, Shu-Nu

Independent Auditor's Report Translated from Chinese

To the Board of Directors and Shareholders of Innodisk Corporation:

Opinion

We have audited the accompanying consolidated balance sheets of Innodisk Corporation and subsidiaries (the “Group”) as at December 31, 2019 and 2018 and the consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for Opinions

We conducted our audits in accordance with the “Regulations Governing Auditing” and generally accepted auditing standards in

the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Key audit matter –Inventory Evaluation

Description

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

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

How our audit addressed the matter

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

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

verified that a consistent systematic logic was applied to the calculation. First, tested the assumptions such as: sources of sales data and relevant supporting estimation documents. Second, recalculated net realisable value item by item, then applied the lower of cost or net realizable value method for valuation and whether reasonable allowance was recognised.

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

Key audit matter – Existence of Sales Income

Description

For the accounting policy of income recognition, please refer to Note 4 (32) of the consolidated financial statements. For the description on accounting entries of sales income, please refer to Note 6 (20).

Innodisk Group is mainly engaged in the research, development, manufacturing and sales of industrial storage devices and memory modules. Due to that product diversification and innovation affect changes to top ten customers sales and the large transactions with top ten customers require much resources in audit, we have listed

the existence of sales revenue of the top ten customers as one of the important items for audit.

How our audit addressed the matter

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

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

Other Matters -- Standalone Financial Report

We have audited and expressed an unmodified opinion on the

standalone financial statements of Innodisk Corporation as at and for the years ended December 31, 2019 and 2018.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also conduct the following tasks:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the

financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yeh, Tsui Miao

Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

February 21, 2020

Innodisk Corporation and Subsidiaries
Consolidated Balance Sheet
December 31, 2019 and 2018

Unit: Thousand NTD

Asset	Note	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6 (1)	\$ 1,904,628	34	\$ 1,672,550	32
1136	Current financial assets at amortised cost	6 (2)	150,000	3	-	-
1150	Notes receivable, net	6 (3)	1,366	-	2,368	-
1170	Accounts receivable, net	6 (3)	964,038	17	1,013,904	20
1180	Accounts receivable - related parties	6 (3) and 7 (2)	76	-	16	-
1200	Other receivables		4,595	-	3,411	-
1210	Other receivables - related parties	7 (2)	162	-	365	-
1220	Current income tax assets	6 (26)	419	-	7,700	-
130X	Inventories, net	6 (4)	773,066	14	729,676	14
1410	Prepayments	7 (2)	75,371	1	56,291	1
11XX	Current Assets		<u>3,873,721</u>	<u>69</u>	<u>3,486,281</u>	<u>67</u>
Non-current assets						
1550	Investments accounted for under equity method	6 (5)	28,956	1	73,549	1
1600	Property, plant and equipment	6 (6)	1,373,991	24	1,379,804	27
1755	Right-of-use assets	6 (7)	132,783	2	-	-
1760	Investment property - net	6 (9)	115,926	2	103,263	2
1780	Intangible assets	6 (10)	24,367	-	25,067	1
1840	Deferred income tax assets	6 (26)	40,787	1	52,880	1
1900	Other non-current assets	8	56,918	1	49,213	1
15XX	Non-current Assets		<u>1,773,728</u>	<u>31</u>	<u>1,683,776</u>	<u>33</u>
1XXX	Total Assets		<u>\$ 5,647,449</u>	<u>100</u>	<u>\$ 5,170,057</u>	<u>100</u>

(Continued)

Innodisk Corporation and Subsidiaries
Consolidated Balance Sheet
December 31, 2019 and 2018

Unit: Thousand NTD

Liabilities and Stockholders' Equity	Note	December 31, 2019		December 31, 2018		
		A m o u n t	%	Amount	%	
Current liabilities						
2130	Current contract liabilities	6 (20)	\$ 17,986	-	\$ 25,225	1
2170	Accounts payable		429,449	8	571,556	11
2180	Accounts payable -- related parties	7 (2)	-	-	109	-
2200	Other payable	6 (21)	323,116	6	317,572	6
2230	Current income tax liabilities	6 (26)	161,319	3	171,706	3
2250	Current provisions for liabilities	6 (16)	59,094	1	45,010	1
2280	Current lease liabilities		17,793	-	-	-
2320	Long-term liabilities -- Current portion	6 (13)	2,351	-	9,451	-
2399	Other current liabilities -- Others		4,768	-	3,673	-
21XX	Current Liabilities		<u>1,015,876</u>	<u>18</u>	<u>1,144,302</u>	<u>22</u>
Non-current liabilities						
2540	Long-term borrowings	6 (13)	19,482	-	108,139	2
2580	Non-current lease liabilities		115,732	2	-	-
2600	Other non-current liabilities	7 (2)	1,339	-	1,164	-
25XX	Non-current Liabilities		<u>136,553</u>	<u>2</u>	<u>109,303</u>	<u>2</u>
2XXX	Total liabilities		<u>1,152,429</u>	<u>20</u>	<u>1,253,605</u>	<u>24</u>
Equity attributable to shareholders of the parent company						
Shares						
3110	Capital stock	6 (17)	797,294	14	781,661	15
Capital surplus						
3200	Capital surplus	6 (18)	1,058,681	19	1,037,330	21
Retained earnings						
3310	Legal reserve	6 (19)	416,308	7	332,000	6
3320	Special reserve		-	-	6,193	-
3350	Unappropriated retained earnings		2,193,268	39	1,741,759	34
Other equity interests						
3400	Other equity interests		(4,080)	-	497	-
31XX	Total equity attributable to shareholders of the parent company		<u>4,461,471</u>	<u>79</u>	<u>3,899,440</u>	<u>76</u>
36XX	Non-controlling interests		<u>33,549</u>	<u>1</u>	<u>17,012</u>	<u>-</u>
3XXX	Total stockholders' equity		<u>4,495,020</u>	<u>80</u>	<u>3,916,452</u>	<u>76</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total Liabilities and Equity		<u>\$ 5,647,449</u>	<u>100</u>	<u>\$ 5,170,057</u>	<u>100</u>

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
December 31, 2019 and 2018

Unit: Thousand NTD
(Except for earnings per share)

Item	Note	2019		2018	
		Amount	%	Amount	%
4000 Operating revenue	6 (20) and 7 (2)	\$ 7,361,665	100	\$ 7,866,250	100
5000 Operating costs	6 (4) and 7 (2)	(5,043,889)	(68)	(5,925,784)	(75)
5950 Gross profit		<u>2,317,776</u>	<u>32</u>	<u>1,940,466</u>	<u>25</u>
Operating expenses	6 (24) and 7 (2)				
6100 Marketing expenses		(412,484)	(6)	(376,529)	(5)
6200 General and administrative expenses		(370,868)	(5)	(337,200)	(4)
6300 Research and development expenses		(148,031)	(2)	(117,868)	(2)
6450 Expected gain on credit impairment	12 (2)	2,494	-	386	-
6000 Total operating expenses		<u>(928,889)</u>	<u>(13)</u>	<u>(831,211)</u>	<u>(11)</u>
6900 Operating profit		<u>1,388,887</u>	<u>19</u>	<u>1,109,255</u>	<u>14</u>
Non-operating income and expenses					
7010 Other income	6 (21) and 7 (2)	21,400	-	16,306	-
7020 Other gains and losses	6 (22)	(35,497)	-	46,385	1
7050 Finance cost	6 (23)	(2,282)	-	(2,044)	-
7060 Shares of losses of the associated companies and joint ventures recognized by the adoption of the equity method	6 (5)	(57,873)	(1)	(71,380)	(1)
7000 Total non-operating income and expenses		<u>(74,252)</u>	<u>(1)</u>	<u>(10,733)</u>	<u>-</u>
7900 Profit before income tax		<u>1,314,635</u>	<u>18</u>	<u>1,098,522</u>	<u>14</u>
7950 Income tax expense	6 (26)	(285,436)	(4)	(248,072)	(3)
8200 Net income for the year		<u>\$ 1,029,199</u>	<u>14</u>	<u>\$ 850,450</u>	<u>11</u>
Other comprehensive income for the year (net)					
Items that will be reclassified to profit or loss					
8361 Exchange differences arising on translation of foreign operations		(\$ 4,957)	-	\$ 2,948	-
8370 Profit and loss of associates and joint ventures recognized by using equity method -- Items that may be reclassified to profit or loss		<u>380</u>	<u>-</u>	<u>3,742</u>	<u>-</u>
8360 Total of Items that may be reclassified to profit or loss		<u>(4,577)</u>	<u>-</u>	<u>6,690</u>	<u>-</u>
8300 Other consolidated profit and loss after taxes		<u>(\$ 4,577)</u>	<u>-</u>	<u>\$ 6,690</u>	<u>-</u>
8500 Total comprehensive income for the year		<u>\$ 1,024,622</u>	<u>14</u>	<u>\$ 857,140</u>	<u>11</u>
Net income attributable to:					
8610 Shareholders of the parent company		\$ 1,014,254	14	\$ 843,084	11
8620 Non-controlling interests		<u>14,945</u>	<u>-</u>	<u>7,366</u>	<u>-</u>
Net income for the year		<u>\$ 1,029,199</u>	<u>14</u>	<u>\$ 850,450</u>	<u>11</u>
Total comprehensive income attributable to					
8710 Shareholders of the parent company		\$ 1,009,677	14	\$ 849,774	11
8720 Non-controlling interests		<u>14,945</u>	<u>-</u>	<u>7,366</u>	<u>-</u>
Total comprehensive income for the year		<u>\$ 1,024,622</u>	<u>14</u>	<u>\$ 857,140</u>	<u>11</u>
Basic earnings per share	6 (27)				
9750 Total basic earnings per share		<u>\$</u>	<u>12.72</u>	<u>\$</u>	<u>10.66</u>
Diluted earnings per share	6 (27)				
9850 Total diluted earnings per share		<u>\$</u>	<u>12.53</u>	<u>\$</u>	<u>10.55</u>

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
December 31, 2019 and 2018

Unit: Thousand NTD

Equity attributable to shareholders of the parent company														
Note	Share capital - common stock	Capital surplus				Retained earnings				Other equity interests		Total	Non-controlling interests	Total equity
		Total capital surplus, additional paid-in capital	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Capital Surplus, changes in ownership interests in subsidiaries	Change in net equity of associates accounted for under equity method	Employee stock options	Stock options	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences arising on translation of foreign operations			
2018														
	\$ 738,791	\$ 917,147	\$ 802	\$ 23,012	\$ -	\$ 2,071	\$ 5,978	\$ 255,212	\$ -	\$ 1,428,596	(\$ 6,193)	\$ 3,365,416	\$ 9,646	\$ 3,375,062
	-	-	-	-	-	-	-	-	-	843,084	-	843,084	7,366	850,450
	-	-	-	-	-	-	-	-	-	-	6,690	6,690	-	6,690
	-	-	-	-	-	-	-	-	-	843,084	6,690	849,774	7,366	857,140
Appropriation and distribution of 2017 earnings	6 (19)													
Legal reserve	-	-	-	-	-	-	-	76,788	-	(76,788)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	6,193	(6,193)	-	-	-	-
Stock dividends	22,347	-	-	-	-	-	-	-	-	(22,347)	-	-	-	-
cash dividends	-	-	-	-	-	-	-	-	-	(424,593)	-	(424,593)	-	(424,593)
Corporate bond conversion	6 (12)	18,853	144,261	-	-	-	(5,978)	-	-	-	-	157,136	-	157,136
Employees exercised options	6 (15)	1,670	6,179	-	-	-	-	-	-	-	-	7,849	-	7,849
Lapsed options		-	2,071	-	-	(2,071)	-	-	-	-	-	-	-	-
Changes in net value of equities of associated companies recognized by using the equity method	6 (5)	-	-	-	(56,142)	-	-	-	-	-	-	(56,142)	-	(56,142)
Balance December 31, 2018	\$ 781,661	\$ 1,069,658	\$ 802	\$ 23,012	(\$ 56,142)	\$ -	\$ -	\$ 332,000	\$ 6,193	\$ 1,741,759	\$ 497	\$ 3,899,440	\$ 17,012	\$ 3,916,452
2019														
	\$ 781,661	\$ 1,069,658	\$ 802	\$ 23,012	(\$ 56,142)	\$ -	\$ -	\$ 332,000	\$ 6,193	\$ 1,741,759	\$ 497	\$ 3,899,440	\$ 17,012	\$ 3,916,452
	-	-	-	-	-	-	-	-	-	1,014,254	-	1,014,254	14,945	1,029,199
	-	-	-	-	-	-	-	-	-	-	(4,577)	(4,577)	-	(4,577)
	-	-	-	-	-	-	-	-	-	1,014,254	(4,577)	1,009,677	14,945	1,024,622
Appropriation and distribution of 2018 earnings	6 (19)													
Legal reserve	-	-	-	-	-	-	-	84,308	-	(84,308)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(6,193)	6,193	-	-	-	-
Stock dividends	15,633	-	-	-	-	-	-	-	-	(15,633)	-	-	-	-
cash dividends	-	-	-	-	-	-	-	-	-	(468,997)	-	(468,997)	-	(468,997)
Share-based payment	6 (15)	-	-	-	-	21,081	-	-	-	-	-	21,081	-	21,081
Changes in shareholders' equity in subsidiaries not recognised		-	-	270	-	-	-	-	-	-	-	270	1,592	1,862
Balance December 31, 2019	\$ 797,294	\$ 1,069,658	\$ 802	\$ 23,282	(\$ 56,142)	\$ 21,081	\$ -	\$ 416,308	\$ -	\$ 2,193,268	(\$ 4,080)	\$ 4,461,471	\$ 33,549	\$ 4,495,020

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 Cash Flow Statement
December 31, 2019 and 2018

Unit: Thousand NTD

	Note	January 1, 2019 to December 31, 2019	January 1, 2018 to December 31, 2018
<u>Cash flow from operating activities</u>			
Profit before income tax for the year		\$ 1,314,635	\$ 1,098,522
Adjustments for:			
Income and expenses having no effect on cash flows			
Depreciation charges on property, plant and equipment	6 (24)	52,730	43,424
Depreciation charges on right-of-use assets	6 (24)	21,857	-
Amortization charges on the intangible assets and deferred assets.	6 (24)	28,025	22,776
Depreciation charges on investment property	6 (22)	1,642	1,295
Expected gain on credit impairment	12 (2)	(2,494)	(386)
(Gain from reversal of) loss on decline in market value of inventories	6 (4)	(65,892)	15,887
Loss on scrapping of inventory	6 (4)	12,441	17,295
Net loss (gain) on financial assets and liabilities at fair value through profit and loss	6 (22)	-	49
Gain on lease modifications		(4)	-
Interest expenses	6 (23)	2,282	2,044
Interest income	6 (21)	(7,615)	(3,521)
Share-based compensation costs	6 (15)	21,081	-
Shares of losses of the associated companies and joint ventures recognized by the adoption of the equity method	6 (5)	57,873	71,380
Loss on disposal of property, plant and equipment	6 (22)	300	(885)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		1,002	604
Accounts receivable		52,355	(32,953)
Accounts receivable -- related parties		(60)	25
Other receivables		(1,038)	(1,111)
Other receivable -- related parties		203	(344)
Inventories		10,061	347,468
Prepayments		(19,080)	15,556
Changes in operating liabilities			
Current contract liabilities		(7,239)	13,946
Notes payable		-	(1,317)
Accounts payable		(142,107)	(97,729)
Accounts payable -- related parties		(109)	109
Other payable		19,682	45,032
Current provisions for liabilities		14,084	9,944
Other current liabilities -- Others		1,095	1,612
Cash flow from operating activities		1,365,710	1,568,722
Interest received		7,469	3,534
Income taxes collected		4,610	-
Income taxes paid		(280,935)	(224,045)
Net cash generated by operating activities		1,096,854	1,348,211

(Continued)

Innodisk Corporation and Subsidiaries
Consolidated Cash Flow Statement
December 31, 2019 and 2018

Unit: Thousand NTD

	<u>Note</u>	<u>January 1, 2019 to December 31, 2019</u>	<u>January 1, 2018 to December 31, 2018</u>
<u>Cash Flow from Investing Activities</u>			
Increase in financial assets at amortized cost		(\$ 150,000)	\$ -
Acquisition of investments accounted for under the equity method	6 (5)	(12,900)	(140,834)
Acquisition of property, plant and equipment	6 (29)	(77,739)	(226,706)
Disposal of property, plant and equipment		105	920
Increase in refundable deposits		(418)	(1,288)
Decrease in refundable deposits		886	4,148
Decrease in pledged time deposits		-	3,180
Acquisition of intangible assets	6 (10)	(5,613)	(11,363)
Acquisition of investment property	6 (9)	(1,114)	-
Increase in other non-current assets		(30,040)	(64,980)
Net cash used in investing activities		(276,833)	(436,923)
<u>Cash Flow from Financing Activities</u>			
Repayment of short-term borrowings	6 (30)	-	(5,000)
Repayment of bonds		-	(100)
Increase in long-term borrowings	6 (30)	6,718	117,590
Repayment of long-term borrowings	6 (30)	(101,680)	-
Increase in guarantee deposit received	6 (30)	175	176
Cash dividends paid	6 (30)	(468,997)	(424,593)
Exercise of employee share options	6 (15)	-	7,849
Interest paid		(2,325)	(890)
Repayment of principal of lease liabilities	6 (30)	(22,064)	-
Net cash used in financing activities		(588,173)	(304,968)
Impact from exchange rate		230	343
Increase in cash and cash equivalents		232,078	606,663
Beginning of year cash and cash equivalents		1,672,550	1,065,887
End of year cash and cash equivalents		\$ 1,904,628	\$ 1,672,550

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

Comparison of Amendments to Articles of Incorporation

Amended Articles	Original Articles	Description
Article 6: The share certificates of the Company are all name-bearing, numbered and signed or stamp-sealed by directors representing the Company, and are issued upon the authentication by the bank permitted by law to serve as the registrar for issuance of stocks . Shares of the Company is exempted from actual printing but shall be registered with the Taiwan Depository and Clearing Corporation.	Article 6: The share certificates of the Company shall be name-bearing and signed or stamp-sealed by at least three directors and are issued upon the authentication by the government authority. Shares of the Company is exempted from actual printing but shall be registered with the Taiwan Depository and Clearing Corporation.	Amended in accordance with Article 162 of the Company Act.
Article 8-2: Shareholder meeting resolutions shall be compiled into detailed minutes, and signed or sealed by the chairperson, and disseminated to each shareholder by no later than 20 days after the meeting. The production and the distribution of the resolution record can be made electronically or by public notice .	Article 8-2: Shareholder meeting resolutions shall be compiled into detailed minutes, and signed or sealed by the chairperson, and disseminated to each shareholder by no later than 20 days after the meeting. The production and the distribution of the resolution record can be made electronically. After the Company's public offering, they can be made by way of public notice.	Revised according to the actual needs of the Company.
Article 13: The Company shall have seven to eleven directors, who are elected using the nomination of candidates approach in accordance with Article 192-1 of the Company Act. They are elected during shareholder general meeting from the candidate list to serve a term of three years. The term of service may be renewed if they are re-elected in the next election. In the election of the Company's directors held during the shareholders meeting, every share shall have the same voting power as the elected directors. Votes may be pooled to elect one person or distributed to vote multiple person. Those who obtain more votes are elected as directors. Among the abovementioned directors, there should be at least three independent directors, accounting no less than 1/5 of the board seats. The professional qualifications, shareholding, part-time restrictions, nominations and other	Article 13: The Company shall have five to nine directors, who are elected using the nomination of candidates approach in accordance with Article 192-1 of the Company Act. They are elected during shareholder general meeting from the candidate list to serve a term of three years. The term of service may be renewed if they are re-elected in the next election. In the election of the Company's directors held during the shareholders meeting, every share shall have the same voting power as the elected directors. Votes may be pooled to elect one person or distributed to vote multiple person. Those who obtain more votes are elected as directors. Among the abovementioned directors, there should be at least three independent directors, accounting no less than 1/5 of the board seats. The professional qualifications, shareholding, part-time restrictions, nominations and other rules to be	Revised according to the actual needs of the Company.

<p>rules to be followed shall be handled in accordance with laws and regulations of the securities authority.</p> <p>The Company has established an audit committee in accordance with Article 14-4 of the Securities and Exchange Act to be responsible for performing the functions of supervisors specified in the Company Act, the Securities and Exchange Act and other regulations. The audit committee shall consist of all independent directors, and the organizational procedures shall be determined by the board of directors.</p>	<p>followed shall be handled in accordance with laws and regulations of the securities authority.</p> <p>The Company has established an audit committee in accordance with Article 14-4 of the Securities and Exchange Act to be responsible for performing the functions of supervisors specified in the Company Act, the Securities and Exchange Act and other regulations. The audit committee shall consist of all independent directors, and the organizational procedures shall be determined by the board of directors.</p>	
<p>Article 22: The Articles of Incorporation was established on February 16, 2005.</p> <p>1st revision was made on March 28, 2006.</p> <p>2nd revision was made on May 29, 2008.</p> <p>3rd revision was made on June 8, 2010.</p> <p>4th revision was made on April 19, 2011.</p> <p>5th revision was made on June 15, 2011.</p> <p>6th revision was made on May 25, 2012.</p> <p>7th revision was made on June 21, 2013.</p> <p>8th revision was made on June 9, 2015.</p> <p>9th revision was made on June 8, 2016.</p> <p>10th revision was made on June 7, 2017.</p> <p>10th revision was made on May 29, 2020.</p>	<p>Article 22: The Articles of Incorporation was established on February 16, 2005.</p> <p>1st revision was made on March 28, 2006.</p> <p>2nd revision was made on May 29, 2008.</p> <p>3rd revision was made on June 8, 2010.</p> <p>4th revision was made on April 19, 2011.</p> <p>5th revision was made on June 15, 2011.</p> <p>6th revision was made on May 25, 2012.</p> <p>7th revision was made on June 21, 2013.</p> <p>8th revision was made on June 9, 2015.</p> <p>9th revision was made on June 8, 2016.</p> <p>10th revision was made on June 7, 2017.</p>	<p>Added revision dates.</p>

[Attachment VII]

Innodisk Corporation
Comparison of Amendments to Shareholders Meeting Rules of
Procedures

Amended Articles	Original Articles	Description
<p>Article 3 Paragraph 1, 2 and 3 are omitted. Election or dismissal of directors, changes in the article of incorporation, capital reduction, application for deregistration of equity shares, director non-competition agreement, capitalization of profits, capitalization of surplus, company dissolution, merger, split or the clauses in Paragraph 1, Article 185 of the Company Act should be listed in the purposes for convening the meeting, not proposed as an extraordinary motion. The content may be posted on websites designated by the securities authority or the Company, and the address should be clearly stated in the notification. The notification for the convening of shareholder meeting has announced the re-election of directors and inauguration date. After the re-election at the shareholder meeting, the inauguration date shall not be changed by extraordinary motion or other means in the same meeting. Shareholders who hold over 1% of the total issued shares may propose issues in the Company's shareholder general meeting. Each shareholder is limited to one issue, and additional issues will not be included in the proposal discussion. Furthermore, if the issue raised by shareholders involves items in Paragraph 4, Article 172-1 of the Company Act, the board of directors can omit the proposal. The Company shall announce, before the book closure date for the annual general meeting, the acceptance of shareholders' proposals, the procedures in accepting proposals either in writing or electronic version and the place and time of acceptance.</p>	<p>Article 3 Paragraph 1, 2 and 3 are omitted. Election/dismissal of directors, changes in the article of association, dissolution/merging/splitting of the company, or items pertaining to Article 185-1 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, and Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed in the meeting proposals, and shall not be raised in provisional motions. Shareholders who hold over 1% of total issued shares can use written methods to propose issues in this company's regular shareholder's meeting.—Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. Furthermore, if the issue raised by shareholders involves items in Paragraph 4, Article 172-1 of the Company Act, the board of directors can omit the proposal. The Company shall announce, before the book closure date of the annual general meeting, the conditions, places and time within which shareholders' proposals are accepted. The timing of acceptance must not be less than 10 days. Shareholders shall limit their proposed motions to 300 words only; proposals that exceed 300 words will not be accepted for discussion. Shareholders</p>	<p>In accordance with Jin-Guan-Zheng-Fa-Zi No. 1080339900 dated December 31, 2019.</p>

<p>The period of acceptance shall not be less than 10 days.</p> <p>Shareholders shall limit their proposed motions to 300 words only; proposals that exceed 300 words will not be accepted for discussion. Shareholders who have successfully proposed their motions shall attend the annual general meeting in person or through proxy attendance and participate in the discussion.</p> <p>Prior to the date for issuance of notice of a shareholders meeting, this Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. During the shareholders meeting, the board of directors shall explain the reasons why certain proposed motions are excluded from the discussion.</p>	<p>who have successfully proposed their motions shall attend the annual general meeting in person or through proxy attendance and participate in the discussion.</p> <p>Prior to the date for issuance of notice of a shareholders meeting, this Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. During the shareholders meeting, the board of directors shall explain the reasons why certain proposed motions are excluded from the discussion.</p>	
<p>Article 10</p> <p>The board should set the agenda for the meetings that it convenes. Relevant motions (including extraordinary motions and amendments to the original motions) shall be decided on a case-by-case basis. The meeting should be carried out based on the agenda, and should be not changed without the resolution of the shareholders.</p> <p>Paragraph 2 and 3 are omitted.</p> <p>The chairman shall give proposals and shareholder proposed revisions or provisional motions sufficient time for clarification and discussion. Once the chairman perceives that voting can proceed, the chairman shall stop the discussion and initiate the voting.</p>	<p>Article 10</p> <p>The board should set the agenda for the meetings that it convenes. The meeting should be carried out based on the agenda, and should be not changed without the resolution of the shareholders.</p> <p>Paragraph 2 and 3 are omitted.</p> <p>The chairman shall give proposals and shareholder proposed revisions or provisional motions sufficient time for clarification and discussion. Once the chairman perceives that voting can proceed, the chairman shall stop the discussion and initiate the voting.</p>	<p>In accordance with Jin-Guan-Zheng-Fa-Zi No. 1080339900 dated December 31, 2019.</p>
<p>Article 13</p> <p>Paragraph 1 is omitted.</p> <p>Shareholders may exercise their voting power by electronic transmission <u>or</u> in correspondence in shareholder meetings, and the exercise method shall be specified in the notice of shareholders meetings.</p> <p>Shareholders exercising voting rights by correspondence or electronic means will be deemed to have attended the</p>	<p>Article 13</p> <p>Paragraph 1 is omitted.</p> <p>Voting rights can be exercised in writing or using the electronic method (according to Paragraph 1, Article 177-1 of The Company Act); the Company allows shareholders to exercise voting rights in writing or through the electronic method during shareholder meetings). Instructions for exercising voting rights in writing or through the</p>	<p>In accordance with Jin-Guan-Zheng-Fa-Zi No. 1080339900 dated December 31, 2019.</p>

<p>meeting in person. However, this is also considered to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. It is therefore recommended that the Company avoids the submission of extraordinary motions and amendments to original proposals.</p> <p>Omitted below.</p>	<p>electronic method must be stated clearly in writing on the advice of the meeting. Shareholders exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person. However, this is also considered to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. It is therefore recommended that the Company avoids the submission of extraordinary motions and amendments to original proposals.</p> <p>Omitted below.</p>	
<p>Article 15 Paragraph 1, 2 are omitted. The resolution proceedings should correctly record the year, month, day, venue, name of the chair, voting method, the essentials of the proceedings and the voting results (including the statistical weights). If there is an election of directors, the votes received by each nominee shall also be disclosed. These records are to be kept permanently during the Company's existence.</p>	<p>Article 15 Paragraph 1, 2 are omitted. The resolution proceedings should correctly record the year, month, date, location, name of the chair, voting method, the essentials and the results of the meeting and should be kept permanently during the existence of the company.</p>	<p>In accordance with Jin-Guan-Zheng-Fa-Zi No. 1080339900 dated December 31, 2019.</p>
<p>Article 20: These Rules were established on April 15, 2011. 1st revision was made on May 25, 2012. 2nd revision was made on December 17, 2012. 3rd revision was made on June 21, 2013. 4th revision was made on June 9, 2015. 5th revision was made on May 29, 2020.</p>	<p>Article 20: These Rules were established on April 15, 2011. 1st revision was made on May 25, 2012. 2nd revision was made on December 17, 2012. 3rd revision was made on June 21, 2013. 4th revision was made on June 9, 2015.</p>	<p>Added revision dates.</p>

[Appendix I]

Innodisk Corporation

Board Meeting Rules of Procedures (Before Amendment)

- Article 1 These Rules have been established in accordance with Article 2 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies in order to build a strong board governance system and robust supervisory capabilities and reinforce management capabilities for the Company.
- Article 2 With respect to the board of directors' meetings (hereinafter referred to as "board meetings") of the Company, the main agenda items, working procedures, required content of meeting minutes, public notices, and other compliance requirements shall be handled in accordance with the provisions of these Rules.
- Article 3 The Company's board meetings are convened once a quarter. A notice of the reasons for convening a board meeting shall be given to each director at least 7 days before the meeting is convened. In the event of an emergency, however, a board meeting may be called on short notice.
- All matters set forth under Paragraph 1, Article 12 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion except in the case of an emergency or for other legitimate reasons.
- Directors may be notified of the convening of a board meeting in writing, e-mail or fax based on their prior consent to the method of notification.
- Article 4 Shareholder service departments shall be the designated unit responsible for handling board meetings of the Company. The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting.
- A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.
- Article 5 When a board meeting is held, an attendance book shall be provided for signing-in by attending directors, which shall be made available for future reference.
- Directors shall attend board meetings in person. A director unable to attend in person may appoint another director to attend the meeting in

his or her place in accordance with the Company's Articles of Incorporation. Attendance by teleconferencing will be deemed attendance in person.

A director who appoints another director to attend a board meeting shall in each instance issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting.

The proxy referred to in the abovementioned two paragraphs may be the appointed proxy of only one person.

A board meeting shall be held at the premises and during the business hours of the Company, or at a place and time convenient for all directors to attend and suitable for holding board meetings.

Article 7 The chairman shall convene the board meeting and be the chairperson. However, in the first meeting of each term of board of directors, the chairperson shall be the convener who receive the most voting rights in the shareholders meeting. If there are two or more conveners entitled to convene the meeting, one person shall be elected to chair the meeting.

The vice-chairman is to chair the meeting on behalf of the chairman if the chairman takes the day off or for any reason cannot exercise the power. The chairman is to appoint a managing director on behalf of the vice-chairman if there is no vice-chairman or if the vice-chairman cannot attend the meeting due to the aforementioned reasons. A director is assigned as the chairperson if there are no managing directors. In the event the chairman does not appoint anyone, the managing directors or the directors are to recommend one person.

Article 8 When a board meeting is held, the management (or the designated unit responsible for the board meetings) shall furnish the attending directors with relevant materials for ready reference.

As merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting as non-voting participants. When necessary, certified public accountants, attorneys, or other professionals retained by the Company may also be invited to attend the meeting as non-voting participants and to make explanatory statements. However, they shall leave the meeting when deliberation or voting takes place.

The chair shall call the board meeting to order at the appointed meeting time and when more than one-half of all the directors are in attendance. If half of all the directors are not in attendance at the appointed meeting time, the chair may postpone the meeting, provided that no more than two such postponements may be made. If the quorum is still not met after two postponements, the chair shall reconvene the

meeting in accordance with the procedures in Paragraph 2 of Article 3. The number of "all directors," as used in the preceding paragraph and in Sub-paragraph 2, Paragraph 2 of Article 16, shall be counted as the number of directors then actually in office.

Article 9 Proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.

If any litigation arises with respect to a resolution of a board meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.

Where a board meeting is held by teleconferencing, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be retained for the duration of the existence of the Company.

Article 10 Agenda items for regular board meetings of the Company shall include at least the following:

I. Matters to be reported:

- (1) Minutes of the last meeting and action taken.
- (2) Important financial and business matters.
- (3) Internal audit activities.
- (4) Other important matters to be reported.

II. Matters for discussion:

- (1) Items for continued discussion from the last meeting.
- (2) Items for discussion at this meeting.

III. Extraordinary motions.

Article 11 A board meeting shall follow the agenda given in the meeting notice. However, the agenda may be changed with the approval of a majority of directors in attendance at the board meeting.

The chair may not declare the meeting closed without the approval of a majority of the directors in attendance at the meeting.

At any time during the course of a board meeting, if the number of directors sitting at the meeting does not constitute a majority of the attending directors, then upon the motion by a director sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Paragraph 3 of Article 8 shall apply.

Article 12 The following matters shall be discussed in the Company's board meetings:

I. The Company's business plan.

II. Annual financial reports.

III. The internal control system established or amended in accordance

with Article 14-1 of the Securities and Exchange Act, and the evaluation of the effectiveness of the internal control system.

- IV. The procedures established or amended in accordance with Article 36-1 of the Securities and Exchange Act for material financial or business transactions such as acquisition or disposal of assets, derivatives trading, lending of funds to others, endorsements or guarantees.
- V. The offering, issuance, or private placement of equity-type securities.
- VI. The appointment or dismissal of financial, accounting, or internal audit officers.
- VII. A donation to a related party, or a major donation to a non-related party. However, public interest donations for the emergency relief of major natural disasters may be ratified in the next board meeting.
- VIII. Matters to be resolved by shareholders' meetings or board meetings or material matters specified by the authority in accordance with Article 14-3 of the Securities and Exchange Act, other laws and regulations or the Articles of Incorporation.

The term "related party" in Sub-paragraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.

The "one-year" timeframe mentioned in the preceding paragraph dates back one year from the date of the board meeting. Transactions that have already been passed by the board resolution can be excluded.

In the event where shares of foreign companies have no par value or a par value other than NT\$10, the calculation of transaction amounts of 5% of paid-in capital will be substituted by 2.5% of shareholders' equity.

At least one independent director shall attend the meeting in person. With respect to the matters which must be approved by the board resolution as provided in the first paragraph, all independent directors shall attend the meeting. If an independent director is unable to attend the meeting, that independent director shall appoint another independent director to attend the meeting as proxy. An independent director who cannot attend the board meeting in person to express objections or reservations shall provide a written opinion before the

board meeting, unless there are some legitimate reasons to do otherwise. The opinion shall be specified in the minutes of the board of directors meeting.

Article 13 The chair is to stop discussions and announce for a vote for the motion that is close to the level to be decided by votes.

When a proposal comes to a vote at a board meeting, if no attending director voices an objection following an inquiry by the chair, the proposal will be deemed approved.

If there is an objection following an inquiry by the chair, the proposal shall be brought to a vote. One voting method for proposals at a board meeting shall be selected by the chair from among those below, provided that when an attending director has an objection, the chair shall seek the opinion of the majority to make a decision:

I. A show of hands or a vote by voting machine.

II. A roll call vote.

III. A vote by ballot.

IV. A vote by a method selected at the Company's discretion.

Attending directors, as used in the preceding two paragraphs, does not include directors that may not exercise voting rights pursuant to Paragraph 1 of Article 15.

Article 14 Unless otherwise specified by the Company Act, board meetings shall have the attendance of more than half of directors and the resolutions shall be represented by more than half of the attending directors.

For the amendment or substitute of the same motion, the chair is to combine it with the original motion to determine the vote order. If one of the proposals has been passed, the other proposals are viewed as denied and no more voting will be conducted.

If a vote on a proposal requires monitoring and counting personnel, the chair shall appoint such personnel, providing that all monitoring personnel shall be directors.

Voting results shall be made known on-site immediately and recorded in writing.

Article 15 If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may state his/her opinions and answer questions and may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to

exercise voting rights on that matter.

The provisions of Paragraph 2 of Article 180 of the Company Act, as applied mutatis mutandis under Paragraph 2 of Article 206 of that Act, apply to resolutions of board of directors' meetings when a director is prohibited by the preceding paragraph from exercising voting rights.

Article 16 Discussions at a board meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:

- I. The meeting session (or year) and the time and place of the meeting.
- II. The name of the chairperson.
- III. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent.
- IV. The names and titles of those attending the meeting as non-voting participants.
- V. The name of the minute taker.
- VI. The matters reported at the meeting.
- VII. Agenda items: The method of resolution and the result for each proposal; a summary of the comments made by directors, experts or other persons; the name of any director that is an interested party as referred to in Paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Paragraph 5 of Article 12.
- VIII. Extraordinary motions: The name of the mover, the method of resolution and the result, a summary of the comments of any director, Expert, or other person; the name of any director that is an interested party as referred to in Paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and their objections or

reservations and any recorded or written statements.

IX. Other matters required to be recorded.

The occurrence of any of the following circumstances, with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, within 2 days from the date of the meeting:

- I. Any objection or expression of reservations by an independent director expresses of which there is a record or written statement.
- II. A resolution is adopted with the approval of two-thirds or more of all directors, without having been passed by the audit committee of the Company.

The attendance book constitutes part of the minutes for each board meeting and shall be retained for the duration of the existence of the Company.

The minutes of a board meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each director within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of the Company.

The meeting minutes of Paragraph 1 may be produced and distributed electronically.

Article 17 In addition to matters discussed in the Company's board meetings under Paragraph 1 of Article 12, the board authorizes the chairman to exercise the powers of the board in accordance with laws or the Company's regulations, and the powers being authorized cover the following aspects:

- I. Approval of all important contracts.
- II. Approval of real estate mortgage loans and other loans.
- III. Approval of the Company's purchase and disposal of general property and real estate.
- IV. Appointment of directors and supervisors of reinvestment companies.
- V. Approval of base dates of capital increase or decrease and ex-dividend date of cash dividends.

Article 18 If the Articles of Incorporation establishes the positions of managing directors in the future, the rules of procedures for managing directors meeting will comply with the provisions of Article 2, Paragraph 2 of

Article 3, Articles 4 to 6, Articles 8 to 11, and Articles 13 to 16. However, when meetings of the board of managing directors are held at regular intervals of 7 days or less, notices of such meetings may be given to each managing director 2 days before the meeting.

Article 19 The establishment and amendment of these Rules of Procedures shall be approved by the Company's board and shall be reported to the shareholders meeting.

Article 20 These Rules were established on April 15, 2011.

1st revision was made on April 14, 2012.

2nd revision was made on October 29, 2012.

3rd revision was made on March 27, 2013.

4th revision was made on January 30, 2018.

Innodisk Corporation

Procedures for Ethical Operations Management and Guidelines for Conduct (Before Amendment)

Article 1 (Purpose of Establishment and Scope of Application)

The Company engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct, these Procedures for Ethical Management and Guidelines for Conduct are adopted pursuant to the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the applicable laws and regulations of the places where the Company and its business groups and organizations operate, with a view to providing all personnel of the Company with clear directions for the performance of their duties.

The scope of these procedures applies to the Company and the subsidiaries, foundations and legal entities which directly or indirectly receive more than 50% of the contribution funds from the Company and the subsidiaries and other institutions or legal persons and business groups and organizations in which the Company and the subsidiaries have substantial control.

Article 2 (Applicable Subjects)

For the purposes of these Procedures and Guidelines, the term "personnel of the Company" refers to any director, managerial officer, employee, mandatary or person having substantial control, of the Company or its group enterprises and organizations.

Any provision, promise, request, or acceptance of improper benefits by any personnel of the Company through a third party will be presumed to be an act by the personnel of the Company.

Article 3 (Unethical Conduct)

For the purposes of these Procedures and Guidelines, "unethical conduct" means that any personnel of the Company, in the course of their duties, directly or indirectly provides, promises, requests, or accepts improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.

Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers

or other stakeholders.

Article 4 (Types of Benefits)

For the purposes of these Procedures and Guidelines, the term "benefits" means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.

Article 5 (Responsible Unit)

The Company designate the Administrative Office (hereinafter referred to as the "responsible unit") as the responsible unit under the board of directors in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines and the recording and filing of reports; and the Audit Office for monitoring of audit. The responsible units shall be in charge of the following matters and also submit regular reports to the board of directors:

- I. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
- II. Developing programs to prevent unethical conduct, and set out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.
- III. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
- IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.
- V. Developing a whistle-blowing system and ensuring its operating effectiveness.
- VI. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Article 6 (Prohibition Against Providing or Accepting Improper Benefits)

Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the conduct of the given personnel of the Company shall comply with the Ethical Corporate Management Best

Practice Principles for TWSE/GTSM Listed Companies and the provisions of these Procedures and Guidelines, and the relevant procedures shall have been carried out:

- I. The conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination.
- II. The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or developing relationships.
- III. Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.
- IV. Attendance at folk festivals that are open to and invite the attendance of the general public.
- V. Rewards, emergency assistance, condolence payments, or honorariums from the management.
- VI. Money, property or other benefits unrelated to the Company's business operation offered to or accepted from relatives or friends with close ties.
- VII. Property with a market value of NT\$20,000 or less received due to engagement, marriage, maternity, relocation, assumption of a position, promotion or transfer, retirement, resignation or severance or the injury, illness or death of the recipient or the recipient's spouse or lineal relative.
- VIII. Other conduct that complies with the rules of the Company.

Article 7 (Procedures for Handling the Acceptance of Improper Benefits)

Except under any of the circumstances set forth in the preceding article, when any personnel of the Company are provided with or are promised, either directly or indirectly, any benefits as specified in Article 4 by a third party, the matter shall be handled in accordance with the following procedures:

- I. If there is no relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall report to their immediate supervisor within 3 days from the acceptance of the benefit, and the responsible unit shall be notified if necessary.
- II. If a relationship of interest does exist between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the responsible

unit. When the benefit cannot be returned, then within 3 days from the acceptance of the benefit, the personnel shall refer the matter to the responsible unit.

"A relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel," as referred to in the preceding paragraph, refers to one of the following circumstances:

- I. When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.
- II. When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
- III. Other circumstances in which a decision regarding the Company's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The responsible unit of the Company shall make a proposal, based on the nature and value of the benefit under Paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after being reported to and approved by the board.

Article 8 (Prohibition of and Handling Procedure for Facilitating Payments)

The Company shall neither provide nor promise any facilitating payment. If any personnel of the Company provides or promises a facilitating payment under threat or intimidation, they shall submit a report to their immediate supervisor stating the facts and shall notify the responsible unit.

Upon receipt of the report under the preceding paragraph, the responsible unit shall take immediate action and undertake a review of relevant matters in order to minimize the risk of recurrence. In a case involving alleged illegality, the responsible unit shall also immediately report to the relevant judicial agency.

Article 9 (Procedures for Handling Political Contributions)

Political contributions by the Company shall be made in accordance with the following provisions, reported to the chairman for approval, and a notification given to the responsible unit, and when the amount of a contribution is NT\$200,000 or more, it shall be made only after being reported to and approved by the board of directors:

- I. It shall be ascertained that the political contribution is in compliance with the laws and regulations governing political contributions in the country in which the recipient is located, including the maximum amount and the form in which a contribution may be made.
- II. A written record of the decision-making process shall be kept.
- III. Account entries shall be made for all political contributions in

accordance with applicable laws and regulations and relevant procedures for accounting treatment.

- IV. In making political contributions, commercial dealings, applications for permits, or carrying out other matters involving the interests of the Company with the related government agencies shall be avoided.

Article 10 (Procedures for Handling Charitable Donations or Sponsorships)

Charitable donations or sponsorships by the Company shall be provided in accordance with the following provisions and reported to the chairman for approval and a notification shall be given to the responsible unit. If the amount exceeds NT\$1 million, the donation or sponsorship shall be provided only after it has been submitted for adoption by the board of directors:

- I. It shall be ascertained that the donation or sponsorship is in compliance with the laws and regulations of the country where this Corporation is doing business.
- II. A written record of the decision-making process shall be kept.
- III. A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.
- IV. The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of the Company's commercial dealings or a party with which any personnel of the Company has a relationship of interest.
- V. After a charitable donation or sponsorship has been given, it shall be ascertained that the destination to which the money flows is consistent with the purpose of the contribution.

Article 11 (Recusal)

When a proposal at a given board of directors' meeting concerns the personal interest of or the interest of the juristic person represented by, any of the directors, managers and other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the Company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.

If in the course of conducting company business, any personnel of the Company discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent or that they or their spouse, parents, children, or a person with whom they have a

relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.

No personnel of the Company may use company resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.

Article 12 (Special Unit in Charge of Confidentiality Regime and Its Responsibilities)

The Company shall set up a special unit charged with formulating and implementing procedures for managing, preserving, and maintaining the confidentiality of the Company's trade secrets, trademarks, patents, works and other intellectual properties and it shall also conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.

All personnel of the Company shall faithfully follow the operational directions pertaining to intellectual properties as mentioned in the preceding paragraph and may not disclose to any other party any trade secrets, trademarks, patents, works, and other intellectual properties of the Company of which they have learned, nor may they inquire about or collect any trade secrets, trademarks, patents, and other intellectual properties of the Company unrelated to their individual duties.

Article 13 (Standards for Engaging in Business Activities)

The Company shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article 14 (Prevent Products or Services from Causing Harm to Stakeholders)

The Company shall collect and understand the applicable laws and regulations and international standards governing its products and services which it shall observe and gather and publish all guidelines to cause personnel of the Company to ensure the transparency of information about, and safety of, the products and services in the course of their research and development, procurement, manufacture, provision, or sale of products and services.

The Company shall adopt and publish on its website a policy on the protection of the rights and interests of consumers or other stakeholders to prevent its products and services from directly or indirectly damaging the rights and interests, health and safety of consumers or other stakeholders.

Where there are media reports or sufficient facts to determine, that the Company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the Company shall, within 30 days, recall those products or suspend the services, verify the facts and present a review and improvement plan.

The responsible unit of the Company shall report the event as in the preceding paragraph, actions taken, and subsequent reviews and corrective measures taken to the board of directors.

Article 15 (Confidentiality Agreement)

All Company personnel shall adhere to the provisions of the Securities and Exchange Act and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other parties from using such information to engage in insider trading.

Any organization or person outside of the Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by the Company shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of the Company acquired as a result, and that they may not use such information without the prior consent of the Company.

Article 16 (Announcement of Ethical Management Policies to the Public)

The Company shall disclose its policy of ethical management in its internal rules, annual reports, on the company's websites and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as product launches and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.

Article 17 (Evaluation of Ethical Management Prior to Development of Commercial Relationships)

Before developing a commercial relationship with another party, such as an agent, supplier, customer or other counterparty in commercial dealings, the Company shall evaluate the legality and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer or take bribes.

When the Company carries out the evaluation under the preceding paragraph, it may adopt appropriate audit procedures for a review of

the counterparty with which it will have commercial dealings with respect to the following matters, in order to gain a comprehensive knowledge of its ethical management:

- I. The enterprise's nationality, location of business operations, organizational structure, and management policy, and place where it will make payment.
- II. Whether the enterprise has adopted an ethical management policy, and the status of its implementation.
- III. Whether enterprise's business operations are located in a country with a high risk of corruption.
- IV. Whether the business operated by the enterprise is in an industry with a high risk of bribery.
- V. The long-term business condition and degree of goodwill of the enterprise.
- VI. Consultation with the enterprise's business partners on their opinion of the enterprise.
- VII. Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

Article 18 (Statement of Ethical Management Policy to Counterparties in Commercial Dealings)

Any personnel of the Company, when engaging in commercial activities, shall make a statement to the trading counterparty about the Company's ethical management policy and related rules and shall clearly refuse to provide, promise, request or accept, directly or indirectly, any improper benefit in whatever form or name.

Article 19 (Avoidance of Commercial Dealings with Unethical Operators)

All personnel of the Company shall avoid business transactions with an agent, supplier, customer, or other counterparty in commercial interactions that is involved in unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease dealing with the counterparty and blacklist it for any further business interaction in order to effectively implement the Company's ethical management policy.

Article 20 (Stipulation of Terms of Ethical Management in Contracts)

Before entering into a contract with another party, the Company shall gain a thorough knowledge of the status of the other party's ethical management and shall make observance of the ethical management policy of the Company part of the terms and conditions of the contract, stipulating at the least the following matters:

- I. When one party learns that the staff members violate the terms regarding commission, kickback or other interests, it shall

immediately notify the other party of the identity, offer, promise, request or acceptance of the staff, and provide relevant evidence for investigation. If one party experiences losses, it may claim damage, 5% of the contract price, from the other party and deduct the amount from the contract payable.

- II. Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.
- III. Specific and reasonable payment terms, including the place and method of payment and the requirements for compliance with related tax laws and regulations.

Article 21 (Handling of Unethical Conduct by Personnel of the Company)

The Company encourages internal and external personnel to file grievances against unethical or inappropriate behaviors. The Company grants a reward of not more than NT\$3,000 depending on the severity of the circumstances concerned. In the event where the internal personnel file false reports or malicious allegations, they are imposed a disciplinary punishment, and may be dismissed from their jobs if the circumstances concerned is material.

The Company establishes and announces an independent mailbox or hotline on the Company's website and Intranet, or commissions other independent external institutions to provide mailboxes and hotlines for grievances filing to allow internal and external personnel of the Company to submit reports. The whistleblower shall at least furnish the following information:

- I. The name, address, telephone number and e-mail address of the whistleblower.
- II. The reported person's name or other information sufficient to distinguish the identifying features.
- III. Specific facts available for investigation.

Company personnel handling whistle-blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. The Company also undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing. The responsible unit of the Company shall observe the following procedure:

- I. Information shall be reported to the department head if it involves the rank and file and to an independent director if it involves a director or a senior executive.
- II. The responsible unit of the Company and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the facts and, where necessary, with the

assistance of the legal compliance or other concerned departments.

- III. If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the Company's policy and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.
- IV. The handling of the report, investigation process and results shall be recorded in written documents which are kept for five years, and the preservation can be done in electronic format. In the event where lawsuits related to the content of the reports occur before the expiration date of the safekeeping of documents, the related information shall be kept and preserved until the end of the lawsuits.
- V. With respect to the confirmed information, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence.
- VI. The responsible unit of the Company shall report the case, actions taken, and subsequent reviews and corrective measures taken to the board of directors.

Article 22 (Actions Upon Events of Unethical Conduct by Others Toward the Company)

If any personnel of the Company discover that another party has engaged in unethical conduct toward the Company, and such unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or public official is involved, the Company shall also notify the governmental anti-corruption agency.

Article 23 (Establishment of Rewards, Penalties, Complaints and Other Disciplinary Measures)

The responsible unit of the Company shall organize one awareness sessions each year and arrange for the chairman, general manager or senior management to communicate the importance of ethics to its directors, employees and mandataries.

The Company shall incorporate the ethical operations management best practice into its employee performance appraisal system and human resource policies to establish a clear and effective reward-penalty and grievance system.

If any personnel of the Company seriously violate ethical conduct, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws

and regulations or the personnel policy and procedures of the Company. The Company shall disclose on its intranet information the position title and name of the violator, the date and details of the violation, and the actions taken in response.

Article 24 (Implementation)

These Procedures and Guidelines shall be implemented after the resolution of the board of directors, and shall be reported at the shareholders meeting, and likewise for revisions.

When these procedures and guidelines are submitted to the board of directors for discussion, the board of directors shall take into full consideration each independent director's opinions. Any objections or reservations of any independent director shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objections or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.

Article 25 (Establishment and Amendment)

The Procedures for Ethical Operations Management and Guidelines for Conduct was first established on October 29, 2012.

1st revision was made on March 27, 2013.

2nd revision was made on March 18, 2015.

[Appendix III]

Innodisk Corporation Articles of Incorporation (Before Amendment)

Chapter One General Principles

- Article 1 The Company is organized in accordance with the provisions of the Company Act and is named 宜鼎國際股份有限公司 (Innodisk Corporation in English)
- Article 2 The Company is engaged in the following business activities:
- I. F113050 Wholesale of computing and business machinery equipment
 - II. F113070 Wholesale of telecom instruments
 - III. F119010 Electronic materials wholesale.
 - IV. F213030 Retail sale of computing and business machinery equipment
 - V. F213060 Retail sale of telecom instruments
 - VI. F219010 Retail sale of electronic materials.
 - VII. F401010 International trade
 - VIII. I301010 Software design services.
 - IX. I501010 Product designing.
 - X. CC01080 Electronic parts and components manufacturing.
 - XI. All businesses that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3 The head office of the Company is located in New Taipei City. If necessary, branch offices both at home or abroad may be established by the resolution of the board of directors.
- Article 4 The Company may provide guarantees to external parties or engage in re-investment in other businesses as needed. The total amount of the Company's re-investment is not subject to the 40% limit of the paid-in capital.

Chapter Two Ownership

- Article 5 The Company has an authorized capital of One Billion New Taiwan Dollars in one hundred million shares. Each share has a face value of Ten New Taiwan Dollars. The shares include ten million shares of employee stock options for a total of NT\$100 million. The board is authorized to issue shares on an installment basis in accordance with the Company Act and the relevant regulations.
- Article 6 The share certificates of the Company shall be name-bearing and signed or stamp-sealed by at least three directors and are issued upon the

authentication by the government authority. Shares of the Company is exempted from actual printing but shall be registered with the Taiwan Depository and Clearing Corporation.

Article 6-1 After the Company is publicly listed and intends to withdraw from the public offering, it shall submit the proposal to the shareholders meeting for resolution and undertake procedures in accordance with Article 156 of the Company Act. This article will not be amended during the Company's existence in the Emerging Stock Board and the TWSE or OTC market.

Article 7 Article 7 Changes or transfers of the names of shares cannot be made within 60 days prior to shareholders' regular meetings, 30 days prior to extraordinary general meetings or 5 days before the Company's decision on dividend or bonus distribution or other ex-dates.

Article 7-1 Unless otherwise specified by law or securities regulation, all share administration-related affairs shall proceed according to Regulations Governing the Administration of Shareholder Services of Public Companies.

Chapter Three Shareholder Meetings

Article 8 There are two types of shareholder meetings and they are annual general meetings and extraordinary general meetings. General meetings are held once a year and shall be held within six months after the end of each fiscal year. Extraordinary general meetings, when necessary, are held in accordance with the provisions of the Company Act.

Article 8-1 For meetings which are convened by the board of directors, the chairperson is appointed in accordance with Paragraph 3, Article 208 of the Company Act. For the meeting that is convened by the ones with the convening authority outside of the board, the meeting should be chaired by the convening authority. One person should be selected to chair the meeting if there are more than two present.

Article 8-2 Shareholder meeting resolutions shall be compiled into detailed minutes, and signed or sealed by the chairperson, and disseminated to each shareholder by no later than 20 days after the meeting. The production and the distribution of the resolution record can be made electronically. After the Company's public offering, they can be made by way of public notice.

Article 9 Shareholders unable to attend the meetings may offer to show the power of attorney issued by the Company which specifies the scope of authorization and commission their representatives to attend the meetings. Shareholders who commission their proxy to attend meetings shall comply with the Regulations Governing the Use of Proxies for

Attendance at Shareholders' Meetings of Public Companies promulgated by the securities authority, unless otherwise specified by Article 177 of the Company Act.

- Article 10 The standard of one share, one vote shall apply to every shareholder of the Company, but those in the circumstances specified in Article 179 of the Company Act, or directors' shareholding meeting one of the provisions of Article 197 of the Company Act shall have no voting power.
- Article 11 Except as otherwise regulated by the Company Act or relevant laws, a shareholder meeting resolution is passed when more than 50% of all outstanding shares are represented in the meeting, and voted in favor by more than 50% of all voting rights represented at the meeting.
- Article 12 (Deleted)

Chapter Four Board of Directors

- Article 13 The Company shall have five to nine directors, who are elected using the nomination of candidates' approach in accordance with Article 192-1 of the Company Act. They are elected during a shareholders' general meeting from the candidate list to serve a term of three years. The term of service may be renewed if they are re-elected in the next election. In the election of the Company's directors held during the shareholders meeting, every share shall have the same voting power as the elected directors. Votes may be pooled to elect one person or distributed to vote multiple person. Those who obtain more votes are elected as directors. Among the abovementioned directors, there should be at least three independent directors, accounting no less than 1/5 of the board seats. The professional qualifications, shareholding, part-time restrictions, nominations and other rules to be followed shall be handled in accordance with laws and regulations of the securities authority.

The Company has established an audit committee in accordance with Article 14-4 of the Securities and Exchange Act to be responsible for performing the functions of supervisors specified in the Company Act, the Securities and Exchange Act and other regulations. The audit committee shall consist of all independent directors, and the organizational procedures shall be determined by the board of directors.

- Article 14 A chairman representing the Company is elected in the board meeting where more than two-thirds of directors are in attendance and more than half of the attending directors agree to the vote. A vice-chairman is also appointed to assist the chairman.
- Every director shall be notified at least seven days before the convening of board meetings. Meetings can be called at any time in case of emergency. The notice of the convening of board meeting can be made

in writing, e-mail or fax.

Directors shall attend the board meeting in person. If a director is unable to attend the meeting, he/she may issue a proxy form detailing the scope of delegated authority and appoint another director to attend the meeting. One director may accept only one proxy form.

Article 15 If the chairman asks for leave or fails to exercise rights and responsibilities for any reason, a representative shall be assigned in accordance with the provisions of Article 208 of the Company Act.

Article 16 The remuneration of chairman and directors is authorized at board meetings based on their level of participation in and contribution to the Company's operation. The remuneration follows the standards among the industry peers both at home and abroad.

Article 16-1 The Company may purchase liability insurance for its directors during the term of their services in accordance with the law.

Chapter Five Managers

Article 17 The Company shall establish positions of managers, and the appointment, dismissal and remuneration shall comply with Article 29 of the Company Act.

Chapter Six Accounting

Article 18 The Company's board of directors is responsible for preparing the following statements and reports at the end of each financial year; these statements and reports must be submitted to the audit committee for review at least 30 days before the annual general meeting and presented during the annual general meeting for ratification.

(I) Business report.

(II) Financial statements.

(III) Proposal for the distribution of surplus or make-up for the loss.

Article 19 The Company shall allocate the following amounts as employee bonuses and director remunerations if the income before taxes after the deduction to make up for losses still has a balance:

(1) More than 3% as employee bonuses.

(2) Less than 2% as remunerations for directors.

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

Article 19-1 The surplus income of the Company after the final accounts is

distributed to the following accounts in their respective order:

- (1) Withholding taxes.
- (2) Make up for past losses.
- (3) The profits from annual final accounts shall have 10% allocated for legal reserve, but 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.

The Company considers future needs for business operation, 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.

Chapter Seven Supplementary Provisions

Article 20 (Deleted)

Article 21 Any outstanding issues not specified in the Articles of Incorporation are to be handled in accordance with the Company Act and the relevant regulations.

Article 22 The Articles of Incorporation was established on February 16, 2005.

1st revision was made on March 28, 2006.

2nd revision was made on May 29, 2008.

3rd revision was made on June 8, 2010.

4th revision was made on April 19, 2011.

5th revision was made on June 15, 2011.

6th revision was made on May 25, 2012.

7th revision was made on June 21, 2013.

8th revision was made on June 9, 2015.

9th revision was made on June 8, 2016.

10th revision was made on June 7, 2017.

[Appendix IV]

Innodisk Corporation

Shareholders Meeting Rules of Procedures (Before Amendment)

- Article 1 These Rules have been established in accordance with Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies in order to build a strong board governance system for shareholders' meetings and robust supervisory capabilities and reinforce management capabilities for the Company.
- Article 2 Unless otherwise specified by law or the Articles of Incorporation, shareholders' meetings of the Company shall proceed according to the terms of these Rules.
- Article 3 Unless otherwise specified by law, shareholders' meetings are to be convened by the board of directors.
- The Company shall prepare electronic versions of the shareholders' meeting notice and proxy forms and the origins of and explanatory materials related to all proposals, including proposals for ratification, matters for deliberation or the election or dismissal of directors or supervisors and upload them to the Market Observation Post System (MOPS) at least 30 days before the date of an annual general meeting or 15 days before the date of an extraordinary shareholders' meeting. At least 21 days before an annual general meeting or 15 days before an extraordinary shareholders' meeting, an electronic copy of the shareholders' meeting handbook and supplementary information shall be prepared and posted onto the MOPS. Physical copies of the shareholders' meeting handbook and supplementary information shall be prepared at least 15 days before the meeting, and made accessible to shareholders upon request. These documents must also be placed within the Company's premises and at the stock transfer agent, and distributed on-site during the shareholder meeting.
- The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.
- Election/dismissal of directors, changes in the article of association, dissolution/merging/splitting of the company, or items pertaining to Article 185-1 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, and Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed in the meeting proposals, and shall not be raised in provisional motions.
- Shareholders who hold over 1% of total issued shares can use written methods to propose issues in this company's regular shareholder's

meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. Furthermore, if the issue raised by shareholders involves items in Paragraph 4, Article 172-1 of the Company Act, the board of directors can omit the proposal.

The Company shall announce, before the book closure date of the annual general meeting, the conditions, places and time within which shareholders' proposals are accepted. The timing of acceptance must not be less than 10 days.

Shareholders shall limit their proposed motions to 300 words only; proposals that exceed 300 words will not be accepted for discussion. Shareholders who have successfully proposed their motions shall attend the annual general meeting in person or through proxy attendance and participate in the discussion.

Prior to the date for issuance of notice of a shareholders meeting, this Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. During the shareholders meeting, the board of directors shall explain the reasons why certain proposed motions are excluded from the discussion.

Article 4 Shareholders attending the meeting should show the power of attorney issued by the company that specifies the scope of authorization and the commissioned representative.

Each shareholder may issue one proxy form and delegate one proxy only. All proxy forms must be received by the Company at least 5 days before the shareholders' meeting. In cases where multiple proxy forms are issued, the one that arrives first shall prevail. However, this excludes situations where the shareholder has issued a proper declaration to withdraw from the previous proxy arrangement.

Should the shareholder decide to attend a shareholders' meeting personally or exercise voting rights in writing or using electronic means after a proxy form has been received by the Company, a written notice must be sent to the Company by no later than 2 days before the meeting commences to withdraw the proxy arrangement. If the shareholder fails to withdraw proxy arrangement before the due date, the vote of the proxy attendant shall prevail.

Article 5 Shareholders' meeting should be held at the location of the Company or the place convenient for the shareholders and suitable for the meeting occasion. The meeting should not be earlier than 9am or later than 3pm. Independent directors' opinions on the meeting place and time shall also be fully considered.

Article 6 The meeting advice shall specify details such as meeting time, venue,

and important notes where relevant.

Admission of meeting participants shall begin at least 30 minutes before the meeting commences. The reception area must be clearly labeled and stationed with competent personnel.

Shareholders shall attend shareholders' meetings by presenting valid conference pass, attendance card or other document of similar nature.

The Company may not request shareholders to present additional documentary proof unless specified in advance. Proxy form acquirers are required to bring identity proof for verification.

The Company shall provide an attendance ledger for the attending shareholders to sign in, or have the attending shareholders turn in their attendance cards as to sign in.

Shareholders who attend the meeting shall be given a copy of the meeting manual, annual report, attendance pass, opinion slip, motion ballots and any information relevant to the meeting. Prepare additional ballots if director elections are also being held during the meeting.

Where the shareholder is a government agency or corporate entity, more than one proxy may attend the shareholders meeting. Corporate entities that have been designated as proxy attendants can only appoint one representative to attend a shareholders' meeting.

Article 7

The chairman should chair the meeting convened by the chairman. Vice-chairman is to chair the meeting on behalf of the chairman if the chairman takes the day off or for any reason cannot exercise the power. The chairman is to appoint a managing director on behalf of the vice-chairman if the vice-chairman cannot attend the meeting due to the aforementioned reasons. A director is assigned if there is no managing director. In the event that the chairman does not appoint anyone, the managing director or the directors are to recommend one person.

The chairperson position mentioned above shall be assumed by a managing director or director, who has been on the board for more than six months and possesses adequate understanding of the Company's financial and business performance. The same applies if the chairperson is a representative of a corporate director.

The shareholders' meeting convened by the board of directors shall be personally hosted by the chairman of the board. More than half of the directors and at least one representing member of various functional committees shall attend the meeting, and the attendance shall be recorded in the meeting minutes.

For the meeting that is convened by the ones with the convening authority outside of the board, the meeting should be chaired by convening authority. One person should be selected to chair the

meeting if there are more than two present.

The Company may summon its lawyers, certified public accountants or any relevant personnel to be present at shareholder meetings.

Article 8 The Company shall make an uninterrupted audio and video recording of the entire meeting.

These recordings must be retained for at least one year. However, if a shareholder raises a litigious claim against the Company according to Article 189 of The Company Act, the abovementioned documents must be retained until the end of the litigation.

Article 9 Attendance at a shareholders' meeting shall be calculated based on shares. The number of shares in attendance is counted based on the attendance book or the submitted attendance card, together with the shares with the written or electronic voting rights.

The chair is to call the meeting to order at the designated meeting time, but is to announce a postponement if the attending shareholders represent less than half of the total issued shares. The number of postponement is limited to two times, totaling no more than 1 hour. The chair is to announce the meeting adjourned if still less than 1/3 of the total issued shares presented at the meeting after the postponement twice.

If the quorum is not met after two postponements but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Paragraph 1, Article 175 of the Company Act. All shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within 1 month.

If the attending shareholders representing more than half of the total issued shares before the end of the meeting, the chair is to make a tentative resolution and re-submit it for a shareholder's vote in accordance with Article 174 of the Company Act.

Article 10 The board should set the agenda for the meetings that it convenes. The meeting should be carried out based on the agenda, and should be not changed without the resolution of the shareholders.

For the meeting that is convened by the ones with the convening authority outside of the board, the aforementioned rule still applies.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory

procedures, by agreement of a majority of the votes represented by the attending shareholders and then continue the meeting.

The chairman shall give proposals and shareholder proposed revisions or provisional motions sufficient time for clarification and discussion. Once the chairman perceives that voting can proceed, the chairman shall stop the discussion and initiate the voting.

Article 11 Before speaking, the attending shareholders should first fill out speech notes clearly stating the purpose, account number (or the attendance pass number) or account name and allow the chair to determine the order to give the speech.

The attending shareholders are considered to offer no statement if they only provide speech notes without giving statements. In the event where the content of the statement is inconsistent with the speech note, the content of the statement should prevail.

Each shareholder shall not make more than two statements for the same proposals without the chairman's agreement, and each statement shall not exceed five minutes. If the shareholder's statement violates the rules or exceeds the scope of the issue, the chairman shall halt the statement.

When an attending shareholder is making a statement, other shareholders shall not speak unless given permission by the chairman and the speaking shareholder. Violators shall be halted by the chairman.

The corporate shareholders who assign more than two legal representatives to attend the meeting can only have one person giving speech for a motion.

After an attending shareholder speaks, the chairman shall personally answer or designate a person to answer.

Article 12 Voting at a shareholders meeting shall be calculated based the number of shares.

The shares of the shareholders without voting rights are not counted in the total issued shares for the resolution of the meeting.

A shareholder who has a personal interest with the agenda of the meeting which may result in a conflict of interest with the Company shall not participate in the voting, nor shall he/she act on behalf of other shareholders to exercise the voting rights of other shareholders. The number of shares held by shareholders who are not permitted to vote shall be excluded from total voting rights represented in the meeting.

Other than the trusts or securities agencies approved by the authorities, a person representing more than two shareholders as a proxy cannot have the shares exceeding three percent of the total

voting shares. The exceeded voting rights will not be counted.

Article 13 Every share represents one vote unless it is restricted or deemed non-voting shares under Paragraph 2, Article 179 of the Company Act.

Voting rights can be exercised in writing or using the electronic method (according to Paragraph 1, Article 177-1 of The Company Act: the Company allows shareholders to exercise voting rights in writing or through the electronic method during shareholder meetings). Instructions for exercising voting rights in writing or through the electronic method must be stated clearly in writing on the advice of the meeting. Shareholders exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person. However, this is also considered to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. It is therefore recommended that the Company avoids the submission of extraordinary motions and amendments to original proposals.

Shareholders exercising voting rights by correspondence or electronic means shall deliver their declaration of intent to the Company at least two days before the shareholders meeting. If there is a repetition of the declaration of intent, whichever delivered the first will be served, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. If a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Unless otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. During the voting process, the chair or the designated personnel announce the total number of the eligible voting rights of the attending shareholders case by case and then carry out the voting. On the same day of the meeting, the number of agree, disagree and abstain are entered into the Market Observation Post

System.

For the motion that the chair consults every attending shareholder without any objection, it is considered passed with the same effectiveness as the voting. In case of any objection, voting should be taken in accordance with the paragraph above.

For the amendment or substitute of the same motion, the chair is to combine it with the original motion to determine the vote order. If one of the proposals has been passed, the other proposals are viewed as denied and no more voting will be conducted.

The monitoring and counting personnel for the voting should be assigned by the chair, and the monitoring personnel should have a shareholder status.

Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting and made into record.

Article 14 Shareholders' meetings that involve election of directors shall proceed according to the Company's election policy. Results of the elections, including the list of elected directors and the final tally, must be announced on-site.

All ballots used in the above election shall be sealed and signed by the ballot examiner, and held in proper custody for at least one year. However, if a shareholder raises a litigious claim against the Company according to Article 189 of The Company Act, the abovementioned documents must be retained until the end of the litigation.

Article 15 The voted issues should be made into a resolution record signed or stamped by the chair and then distributed to each shareholder within twenty days after the meeting. The production and the distribution of the resolution record can be made electronically.

The distribution of the aforementioned resolutions can be entered into the Market Observation Post System to be publicly announced.

The resolution proceedings should correctly record the year, month, date, location, name of the chair, voting method, the essentials and the results of the meeting and should be kept permanently during the existence of the company.

Article 16 The number of shares owned by the solicitors and the entrusted proxies is compiled into a chart with a prescribed format on the meeting day and is disclosed clearly at the meeting venue.

The Company must disclose on MOPS in a timely manner any shareholder meeting resolutions that constitute material information as defined by law or the rules of Taiwan Stock Exchange Corporation

(or Taipei Exchange).

Article 17 Staff handling administrative affairs of a shareholders meeting shall wear identification cards or armbands.

The chair may direct proctors or security personnel to help maintain order at the meeting venue. The proctors or security personnel help maintaining order at the meeting place shall wear an identification card or armband bearing the word "Proctor."

For venues that are equipped with broadcasting equipment, the chairman shall halt any shareholder that make statements from equipment not allocated to the Company.

Shareholders in violation of the rules and disobeying correction by the chair to disrupt the meeting are asked to leave the venue and will be escorted out by the proctors or the security personnel.

Article 18 The chair may announce a break time during the meeting at his/her discretion. The chair is to rule a meeting suspension due to force majeure and announce another time to resume the meeting as appropriate.

If the agenda scheduled for the meeting (including motion) are not finished and the venue cannot be used, the shareholders are to find resolutions in finding a place to finish the meeting.

The shareholders may decide to postpone or continue the meeting within five days in accordance with Article 182 of the Company Act.

Article 19 These Rules are to be announced and implemented after being approved by the shareholders' meeting, and likewise for the revision.

Article 20 These Rules were established on April 15, 2011.

1st revision was made on May 25, 2012.

2nd revision was made on December 17, 2012.

3rd revision was made on June 21, 2013.

4th revision was made on June 9, 2015.

[Appendix V]

Innodisk Corporation Directors' Shareholding Position

- I. The Company's paid-in capital is NT\$797,294,510 and the Company has issued a total of 79,729,451 shares.
- II. The Company currently has three seats of independent directors. In accordance with the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the shareholding of independent directors elected by publicly listed companies is not included in the total number. The total number of shares held by all directors other than the independent directors shall be reduce to 80%. The statutory minimum number of shares held by all directors is 6,378,356 shares.
- III. As of the stock stop-transfer date (March 31, 2020) for the shareholders meeting, the shareholding of each and all directors recorded in the shareholder register is listed as follows, which has met the percentage requirements specified in Article 26 of the Securities and Exchange Act.

Title	Name	Stop of Stock-Transfer Date (March 31, 2020) Shareholder Register Number of Shares Held	Ownership
Chairman	Chien, Chuan-Sheng	1,275,242	1.60%
Director	Lee, Chung-Liang	1,850,688	2.32%
Director	Lo, Wen-Chi	455,683	0.57%
Director	Hsu, Shan-Ke	0	0.00%
Director	Jhu, Cing-Jhong	1,578,262	1.98%
Director	Rui Ding Invest Co., Ltd. Representative: Huang, Su-Fen	5,649,429	7.09%
Independent Director	Jow, En-Min	19,000	0.00%
Independent Director	Lin, Tsung-Te	57,133	0.06%
Independent Director	Li, Kuang-Pin	0	0.00%
Overall Directors' Shareholding Position		10,885,437	13.65%

[Appendix VI]

Impact of Stock Dividends on the Company's Operating Performance, Earnings Per Share and Return on Shareholders' Investment

Item		Year	2019 (Estimated)
Opening Paid-In Capital			797,294,510
Stock and Cash Dividends for the Year	Cash dividend per share		7.5 (Note 1)
	Capitalization of profits to issue new stock (share)		0.02 (Note 1)
	Number of shares issued due to capitalization of capital surplus (shares)		—
Business Performance Changes	Operating profit		Not applicable (Note 2)
	Year-on-year % increase (decrease) in operation profits		
	Net income after taxes		
	Year-on-year % increase (decrease) in net income after taxes		
	Earnings per share		
	Year-on-year % increase (decrease) in earnings per share		
Annual average return on investment (reciprocal of annual average P/E ratio) (%)			
Pro forma Earnings per share and P/E ratio	Capitalization of profits to issue cash dividends	Pro forma earnings per share	Not applicable (Note 2)
		Pro forma annual average return on investment (%)	
	Without capitalization of capital surplus	Pro forma earnings per share	
		Pro forma annual average return on investment (%)	
	Without capitalization of capital surplus and the capitalization of profits is distributed in cash dividends	Pro forma earnings per share	
		Pro forma annual average return on investment (%)	

Note 1: To be approved by the 2020 shareholder general meeting.

Note 2: Not applicable as the Company has not yet released the 2020 financial forecast information.