

The logo for Innodisk, featuring the word "innodisk" in white lowercase letters on a red rectangular background. A small red square is positioned above the right side of the red rectangle.

innodisk

Stock Code:5289

Innodisk Corporation

# **2022 Annual report**

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Annual report information query website:[http : //mops.twse.com.tw/](http://mops.twse.com.tw/)

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V. The name of any exchanges where the Company's securities are listed offshore, and the method by which to access information on the offshore securities: None.

VI. Company website: [http : //www.innodisk.com](http://www.innodisk.com)

63odisk Corporation

Table of contents of the Annual Report

	Page
<b>One. Letter to Shareholders</b> .....	1
I. Implementation results, budgeting, financial results, and achievements of research and development in the business plan for the previous year.....	1
II. This year’s business operation strategies, expected sales quantities, and key production and sales policies.....	2
III. Company’s future development strategy and the impact from a competitive environment, regulatory environment, and overall operating environment.....	3
<b>Two. Company Introduction</b> .....	4
I. Date of establishment.....	4
II. Company history.....	4
<b>Three. Corporate Governance Report</b> .....	8
I. Organization System.....	8
II. Information on directors, supervisors, general managers, vice presidents, assistant general managers, and officers of departments and branches.....	12
III. Remuneration for directors, supervisors, general managers, and vice presidents.....	19
IV. Implementation of corporate governance.....	23
V. Information on the CPA’s audit fees.....	55
VI. Information Related to CPA Change.....	55
VII. Any of The Company’s Chairman, President, or managers involved in financial or accounting affairs being employed by the auditor’s firm or any of its affiliated companies within the recent year.....	55
VIII. Equity transfer and changes in equity pledge of directors, supervisors, managers, and shareholders who have more than 10% shareholdings.....	56
IX. Information on the top ten shareholders who are related to each other or as spouses or relatives within the second degree of kinship.....	57
X. Consolidated shareholding percentage.....	58
<b>Four. Capital raising</b> .....	59
I. Source of capital.....	59
II. Shareholder structure.....	60
III. Equity dispersion profile.....	61
IV. Name of major shareholders.....	61
V. Information on market price, net worth, earnings, dividend per share for the most recent 2 years.....	62
VI. Company dividend policy and implementation.....	62
VII. The effect of the proposed stock dividends of shares at the shareholders’ meeting on the Company’s operating results and earnings per share.....	63
VIII. Remuneration for employees, directors, and supervisors.....	63
IX. Repurchase of the Company’s shares.....	64
X. Disclosure of corporate bonds.....	64
XI. Disclosure of preferred stocks.....	64
XII. Disclosure of overseas depository receipts.....	64
XIII. Disclosure of employee stock options.....	65
XIV. Disclosure of employee restricted stock.....	66

XV. Issuance of new shares in connection with merger and acquisition of shares of other companies.....	66
XVI. Disclosure on use of funds.....	66
<b>Five. Operation Overview.....</b>	<b>67</b>
I. Business content.....	67
II. Market, production, and sales overview.....	73
III. Information on employees for the last 2 years up to the date this annual report was published.....	79
IV. Environmental protection expenditure information.....	79
V. Labor relations.....	80
VI. Information security management.....	84
VII. Important contracts.....	86
<b>Six. Financial Status.....</b>	<b>87</b>
I. Condensed balance sheet and comprehensive income statement for the most recent 5 years.....	87
II. Financial analysis for the last 5 years.....	91
III. Audit Committee review report on the 2022 financial statements.....	95
IV. 2022 financial statements.....	95
V. 2022 consolidated financial statements of parent and subsidiary certified by CPAs.....	95
VI. The Company and the affiliated companies should state the impact of a financial difficulty that occurred in 2022 and up to the publication date of the annual report, if any, on the Company’s financial status.....	95
<b>Seven. Review and analysis of the financial status and financial performance and risks...</b>	<b>96</b>
I. Financial status.....	96
II. Financial performance.....	97
III. Cash flow.....	98
IV. Significant capital expenditures in the most recent year and the impact on finance and business matters.....	98
V. Investment policy for the most recent year, the main reasons for profit or loss, improvement plan, and investment plan for the coming year.....	99
VI. Risk items.....	100
VII. Other important matters.....	102
<b>Eight. Special matters.....</b>	<b>103</b>
I. Affiliated Enterprises Related Information.....	103
II. Private placement of marketable securities in the most recent year and the current year up till the publication date of this annual report.....	106
III. Holding or disposal of the Company’s shares by its subsidiaries in the most recent year and the current year up to the publication date of this annual report.....	106
IV. Other matters that require additional explanation.....	106
V. Any of the situations listed in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholder equity or the price of the Company’s securities, which has occurred during the most recent year or the current year up to the date of publication of the annual report.....	106

## Letter to Shareholders

Dear shareholders:

As we entered the post-COVID-19 era in 2022, global industrial development seemed to stabilize, and recovery and growth are projected. However, we are still experiencing severe market fluctuations due to factors such as the international political and economic situation, global inflation, and COVID-19 statuses overseas. The high degree of change and uncertainty in the market environment have tested the Company's long-term business management and risk control capabilities. The Company has focused on the industrial control market for a long time and has a global business layout with a dense client network. These factors can reduce business risks, minimize industrial impact, and actively create AIoT solutions to promote corporate strategic transformation and drive corporate growth. Although 2022 was a difficult year, the Company managed to maintain growth momentum despite the challenges. In 2023, the Company will deepen its AIoT business strategy, fully invest in product technology research and development and talent cultivation, and collaborate with group subsidiaries and global technology giants to jointly create AIoT solutions, practice global industry intelligent transformation, and lead the Company to expand its competitive industrial advantages. The goal is to move toward international high-quality corporate branding.

The Company's operating results for 2022 and outlook for 2023 are described as follows:

### I. Implementation results plan for the previous year:

#### (I) Last year business plan implementation results

With the industry's growth in recent years, the Company has gradually transformed from the traditional industrial computer and memory module market under the corporate vision of "Building an Intelligent World." In 2022, the group officially launched its "IoT Innovation, AI Evolution" strategy. The goal is to fully invest in the AIoT intelligent application market with the "extreme integration, deep application, and intelligent empowerment" advantages to develop hardware and software integration product solutions.

The Company's global business layout at home and abroad is also deployed in advance under our AIoT development strategy to actively prepare for business growth. The second phase of the Taiwan R&D and Manufacturing Center was officially opened in early 2022. It will expand the production capacity for the Company's smart solutions. It is also expected to become Yilan's largest smart green building landscape corridor. In addition, the Company has continued to expand the scope of global services, deepen the local global market, and adopt marketing automation tools to implement technology and intelligent marketing to increase the marketing and business promotion benefits.

The Company established a sustainable development office and the sustainable director position in 2022 to actively respond to the environmental, social, and corporate sustainability challenges and fulfill the international net zero carbon emission goals. The Company has conducted green production inspections for the material sources and introduced material recognition management (GPM NET) system. By procuring and adopting halogen-free parts, conflict-free minerals, recycled paper packaging materials, and non-harmful substances, we can ensure compliance with green supply chain specifications and implement environmental sustainability. Moreover, we have partnered with the Innodisk International Education Foundation to engage in social welfare and fulfill the principles of environmental protection, education scholarship, and welfare assistance. In terms of corporate governance, we will continue to ensure sustainable and sound corporate development. Our corporate governance evaluation efforts have enabled the Company to reach the top 20%.

#### (II) Budget implementation

The company has not disclosed its financial forecast for 2022, so there is no need to disclose the budget execution situation.

#### (III) Analysis of financial results and profitability

Last year, the Company's operating income was NT\$10,303,229 thousand, which increased by 1% compared to 2 years ago. The parent company's net profit was NT\$1,850,189 thousand, and earnings per share were NT\$21.46, indicating consistent profitability. At the end of last year, the net amount of receivables was NT\$1,418,794 thousand, which decreased by NT\$135,843 thousand compared to 2 years ago. In the second half of last year, the inventory at the end of the year was NT\$1,158,475 thousand to actively control inventory based on economic changes, which substantially decreased by NT\$505,874 thousand compared to 2 years ago. Due to the reduction of current liabilities at the end of last year, the debt ratio decreased by 4% compared to 2 years ago, and the debt ratio was 23%. The financial structure remained stable, and the financial revenue and expenditure were normal.

Overall, revenue and profit have continued to rise despite the turbulent external environment, and budget execution remains on track with the Company's targets. These accomplishments demonstrated that the Company could rapidly respond to environmental changes, capitalize on financial opportunities, and ensure the safety and health of all colleagues during COVID-19.

#### (IV) Research Development Status

In response to the group strategy of "IoT Innovation, AI Evolution", the company has devoted all its efforts to the innovation and development of related products, deepening the advantages of software, hardware and firmware integration. In terms of software applications, a new iVIT software development kit (SDK) With "No-code" feature has been launched to promote AI model training and inference. The goal is to optimize the Company's self-developed iCAP cloud management platform. Regarding hardware, we launched a new FPGA platform, smart camera module, InnoAgent out-of-band management expansion module, industrial control high-quality DDR5 memory module, edge server SSD, etc., for AI smart applications. The goal is to deploy into vertical application markets such as smart city, smart retail, smart factory, and smart medical care to promote global industrial transformation and realize the implementation of AIoT intelligent applications.

## II. Summary of business plan for this year:

### (I) Business policy for the current year

This year, we will deepen the AIoT strategic deployment, promote corporate brand transformation, and strive to be a global leader in AIoT smart applications. The Company will adopt the "module embedding, software connection, and solution implementation" as its core development strategy. We aim to use software services to multiply the added value of hardware product components and jointly promote intelligent solution implementation. Also, in response to the drastic industrial changes brought about by the pandemic, the Company has actively improved operational efficiency and promoted internal intelligence, comprehensively improved the intelligence of the management system, and improved the efficiency and accelerated the response speed from delivery estimation, order receiving process, production scheduling to technical services. The Company's R&D and manufacturing center in Yilan Science Park has begun building on a second factory, enhancing its R&D energy and production capacity. On sales channels, we will continue to increase overseas sales and service bases to expand services to customers in different regions, deepen our operation as a large world-class factory, strengthen the depth and breadth of cooperation with key customers, and become a strategic partner of key customers. The company it will continue to expand ESG investment and strive to improve environmental sustainability, social welfare, and corporate governance performances. With the industry's continuous development and introduction of new applications, it is expected that the Company's sales volume will continue to grow steadily this year.

### (II) Expected sales volume and its basis and important production and sales policies

Based on the previous product lines and sales performance in various regions, the company has considered this year's existing orders, delivery plans and project requirements provided by customers, and compiled the sales forecast for 2023, which has been approved by the board of directors. The company's manufacturing units will then sell according to the aforementioned expectations Target scheduled capacity and production plan.

The Company will continue to grasp the global industrial development trends of 5G, AI, AIoT, and edge computing. We also aim to expand partnerships with the groups to jointly provide a perfect AIoT turn-key solution and establish a leading position in the smart market. Regarding business expansion, the Company has established service bases in Japan, mainland China, Europe, and the United States. It will continue to expand workforce deployment and deepen development in the local and global emerging markets. The goal is to customize services to grasp the industrial transformation opportunities in emerging markets. At the same time, in terms of professional talents such as product research and development, the company will expand the recruitment of AIoT software and hardware industry talents with potential and experience from all over the world to enrich the research and development capacity. Moreover, the Company will continue to strengthen its brand exposure at home and abroad in terms of marketing and establish a brand image as an AIoT smart solution provider. We will also enhance the marketing and business unit collaborations, expand the use of digital tools, jointly cultivate potential clients, and drive the global business and market development results.

## III. The company's future development strategy:

While the global COVID-19 outbreak is subsiding, geopolitical and inflationary concerns threaten the international economic order. Innodisk will continue to focus on industrial control and AIoT intelligent application, and continue to invest in R&D resources with an innovative entrepreneurial spirit to maintain its leading position in technology. At the same time, it will also continuously improve the service satisfaction of global customers, so as to create the ultimate service value, deepen global customer relationships, and use highly customized professional know-how to grasp the development trend of diverse and innovative AI applications. And expand the technical exchange and product development cooperation between the group's subsidiaries and global technology giants, and implement the global industrial intelligent transformation with innovative AIoT solutions, leading the company to expand its industrial competitive advantages and continue to move towards an international high-quality corporate brand.

IV. The impact from competitive environment, regulatory environment and overall operating environment:

The Company In addition to business and profit growth, prioritizes corporate sustainability by implementing ESG operations, paying close attention to environmental issues, fulfilling social responsibilities, and strengthening corporate governance. The Company has obtained ISO9001 quality certification, IECQ: QC080000 HSF certification, ISO45001 occupational safety and health workplace certification, ISO27001 information security certification, and ISO14064-1 greenhouse gas inventory certification from third parties. In addition, the Company has actively participated in social participation. Since 2016 when the Innodisk Education Foundation was established, it has been paying attention to the education problems of disadvantaged students, and encouraging and assisting students to stabilize their schooling and establish their learning direction. In terms of corporate governance, the Company has actively promoted and implemented the corporate governance 3.0 blueprint proposed by the competent authority. We also continued to pay attention to industry competition and regulatory changes. The Company aims to maintain a high degree of concern and flexibility for possible future industrial changes in addition to strictly abiding by the law. The goal is to timely formulate countermeasures to cultivate and maintain the Company's long-term and stable competitive advantage. 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

## Two. Company Profile

I. Date of establishment: March 16, 2005

II. Company history:

Year	Month	Important events
2005	March	<ul style="list-style-type: none"> <li>• Innodisk Corporation was established with a paid-in capital of NT\$53 million.</li> </ul>
	August	<ul style="list-style-type: none"> <li>• Increased capital by cash of \$27 million, resulting in a paid-in capital of \$80 million.</li> </ul>
2006	April	<ul style="list-style-type: none"> <li>• Increased capital by cash of \$30 million, resulting in a paid-in capital of \$2021 million.</li> </ul>
	May	<ul style="list-style-type: none"> <li>• Relocated to Nangang and expanded operations.</li> </ul>
	September	<ul style="list-style-type: none"> <li>• Implemented ERP systems</li> </ul>
2007	June	<ul style="list-style-type: none"> <li>• Acquired Jing Mao Technology Co., Ltd. and issued new shares of \$4 million for the merger, resulting in a paid-in capital of \$114 million after the capital increase.</li> </ul>
	August	<ul style="list-style-type: none"> <li>• Increased capital by cash of \$20 million, resulting in a paid-in capital of \$134 million.</li> </ul>
2008	July	<ul style="list-style-type: none"> <li>• Increased capital by cash of \$26 million, resulting in a paid-in capital of \$160 million.</li> </ul>
	October	<ul style="list-style-type: none"> <li>• Established the U.S. subsidiary.</li> </ul>
	October	<ul style="list-style-type: none"> <li>• Obtained ISO 9001.</li> </ul>
	November	<ul style="list-style-type: none"> <li>• Constructed SMT line to expand production capacity.</li> </ul>
2009	March	<ul style="list-style-type: none"> <li>• nanoUSB won the Taiwan Excellence Award.</li> </ul>
	June	<ul style="list-style-type: none"> <li>• SATA DOM won Computex Best Choice.</li> </ul>
	November	<ul style="list-style-type: none"> <li>• Relocated to Xizhi Oriental Science Park.</li> </ul>
	December	<ul style="list-style-type: none"> <li>• Converted stock options of \$10 million, resulting in a paid-in capital of \$170 million after conversion.</li> </ul>
2010	February	<ul style="list-style-type: none"> <li>• Established the Japanese subsidiary.</li> </ul>
	August	<ul style="list-style-type: none"> <li>• Converted \$45.86 million in shares from 2009 earnings and employee bonuses, resulting in paid-in capital of \$215.86 million after conversion.</li> </ul>
	October	<ul style="list-style-type: none"> <li>• Increased capital and converted stock options of \$40 million, resulting in a paid-in capital of \$255.86 million.</li> </ul>
	December	<ul style="list-style-type: none"> <li>• EverGreen Series SSD won the 19th Taiwan Excellence Award.</li> <li>• nanoUSB Dual won the 19th Taiwan Excellence Award.</li> </ul>
2011	January	<ul style="list-style-type: none"> <li>• Established the Mainland subsidiary, Innodisk Shenzhen Corporation</li> </ul>
	April	<ul style="list-style-type: none"> <li>• Acquired Actica Inc.</li> </ul>
	May	<ul style="list-style-type: none"> <li>• Increased capital by cash of \$36 million, resulting in a paid-in capital of \$291.86 million.</li> </ul>
	May	<ul style="list-style-type: none"> <li>• PCIeDOM II won Computex Best Choice.</li> </ul>
	August	<ul style="list-style-type: none"> <li>• Converted \$86.72 million in shares from 2010 earnings and employee bonuses, resulting in paid-in capital of \$378.58 million after conversion.</li> </ul>
2012	January	<ul style="list-style-type: none"> <li>• Converted stock options of \$15 million, resulting in a paid-in capital of \$393.58 million after conversion.</li> </ul>
	April	<ul style="list-style-type: none"> <li>• Established the Netherlands preparatory office.</li> </ul>
	June	<ul style="list-style-type: none"> <li>• Converted \$66.04 million in shares from 2011 earnings and employee bonuses as well as NT\$15 million in shares from employee stock option certificates, resulting in paid-in capital of \$474.62 million after conversion.</li> </ul>

Year	Month	Important events
2012	August	<ul style="list-style-type: none"> <li>Public offering of stock</li> </ul>
	October	<ul style="list-style-type: none"> <li>Stock registered on the Emerging Stock Market.</li> </ul>
2013	August	<ul style="list-style-type: none"> <li>Increased capital in 2012 from earnings of \$23.73 million, resulting in a paid-in capital of \$498.35 million.</li> </ul>
	November	<ul style="list-style-type: none"> <li>Stock listed on the TPEx and increased capital in cash by \$49.69 million, resulting in a paid-in capital of \$548.04 million.</li> </ul>
	August	<ul style="list-style-type: none"> <li>Increased capital in 2012 from earnings of \$23.73 million, resulting in a paid-in capital of \$498.35 million.</li> </ul>
	November	<ul style="list-style-type: none"> <li>Stock listed on the TPEx and increased capital in cash by \$49.69 million, resulting in a paid-in capital of \$548.04 million.</li> </ul>
2014	May	<ul style="list-style-type: none"> <li>Relocated to Xizhi Taiwan Science Park.</li> </ul>
	September	<ul style="list-style-type: none"> <li>Increased capital in 2013 from earnings of \$43.84 million, resulting in a paid-in capital of \$591.88 million.</li> </ul>
2015	January	<ul style="list-style-type: none"> <li>The Netherlands preparatory office was changed to the Netherlands subsidiary.</li> <li>ServerDOM™ won Taiwan Excellence Award</li> </ul>
	August	<ul style="list-style-type: none"> <li>Increased capital in 2014 from earnings of \$29.59 million, resulting in a paid-in capital of \$621.47 million.</li> </ul>
2016	May	<ul style="list-style-type: none"> <li>Carried out the 1st employee stock options of 2013 with the issuance of 397,000 new shares for capital increase, resulting in a paid-in capital of \$625.44 million after the capital increase.</li> </ul>
	August	<ul style="list-style-type: none"> <li>Carried out the 1st employee stock options of 2013 with the issuance of 52,000 new shares for capital increase, resulting in a paid-in capital of \$625.96 million after the capital increase.</li> </ul>
	September	<ul style="list-style-type: none"> <li>Increased capital in 2015 from earnings of \$31.07 million, resulting in a paid-in capital of \$657.03 million.</li> </ul>
	November	<ul style="list-style-type: none"> <li>Carried out the 1st employee stock options of 2013 with the issuance of 126,500 new shares for capital increase, resulting in a paid-in capital of \$658.3 million after the capital increase.</li> </ul>
2017	February	<ul style="list-style-type: none"> <li>Carried out the 1st employee stock options of 2013 with the issuance of 110,500 new shares for capital increase, resulting in a paid-in capital of \$659.4 million after the capital increase.</li> <li>Industrial Solid State Drive SATADOM 3ME4 Received 2017 Taiwan Excellence Award</li> </ul>
	May	<ul style="list-style-type: none"> <li>Carried out the 1st employee stock options of 2013 with the issuance of 453,500 new shares for capital increase, resulting in a paid-in capital of \$663.94 million after the capital increase.</li> </ul>
	August	<ul style="list-style-type: none"> <li>Carried out the 1st employee stock options of 2013 with the issuance of 126,000 new shares for capital increase, resulting in a paid-in capital of \$665.2 million after the capital increase.</li> </ul>
	September	<ul style="list-style-type: none"> <li>Increased capital in 2017 from earnings of \$32.97 million, resulting in a paid-in capital of \$698.17 million.</li> </ul>
	November	<ul style="list-style-type: none"> <li>Carried out the 1st employee stock options and 1st domestic unsecured convertible bonds of 2013 with the issuance of 2,189,798 new shares for capital increase, resulting in a paid-in capital of \$720.07 million after the capital increase.</li> </ul>
2018	February	<ul style="list-style-type: none"> <li>Carried out the 1st employee stock options and 1st domestic unsecured convertible bonds of 2013 with the issuance of 1,871,770 new shares for capital increase, resulting in a paid-in capital of \$738.79 million after the capital increase.</li> </ul>
	May	<ul style="list-style-type: none"> <li>Carried out the 1st employee stock options and 1st domestic unsecured convertible bonds of 2013 with the issuance of 1,102,045 new shares for capital increase, resulting in a paid-in capital of \$749.81 million after the capital increase.</li> <li>The construction of Yilan R&amp;D and manufacturing center was</li> </ul>

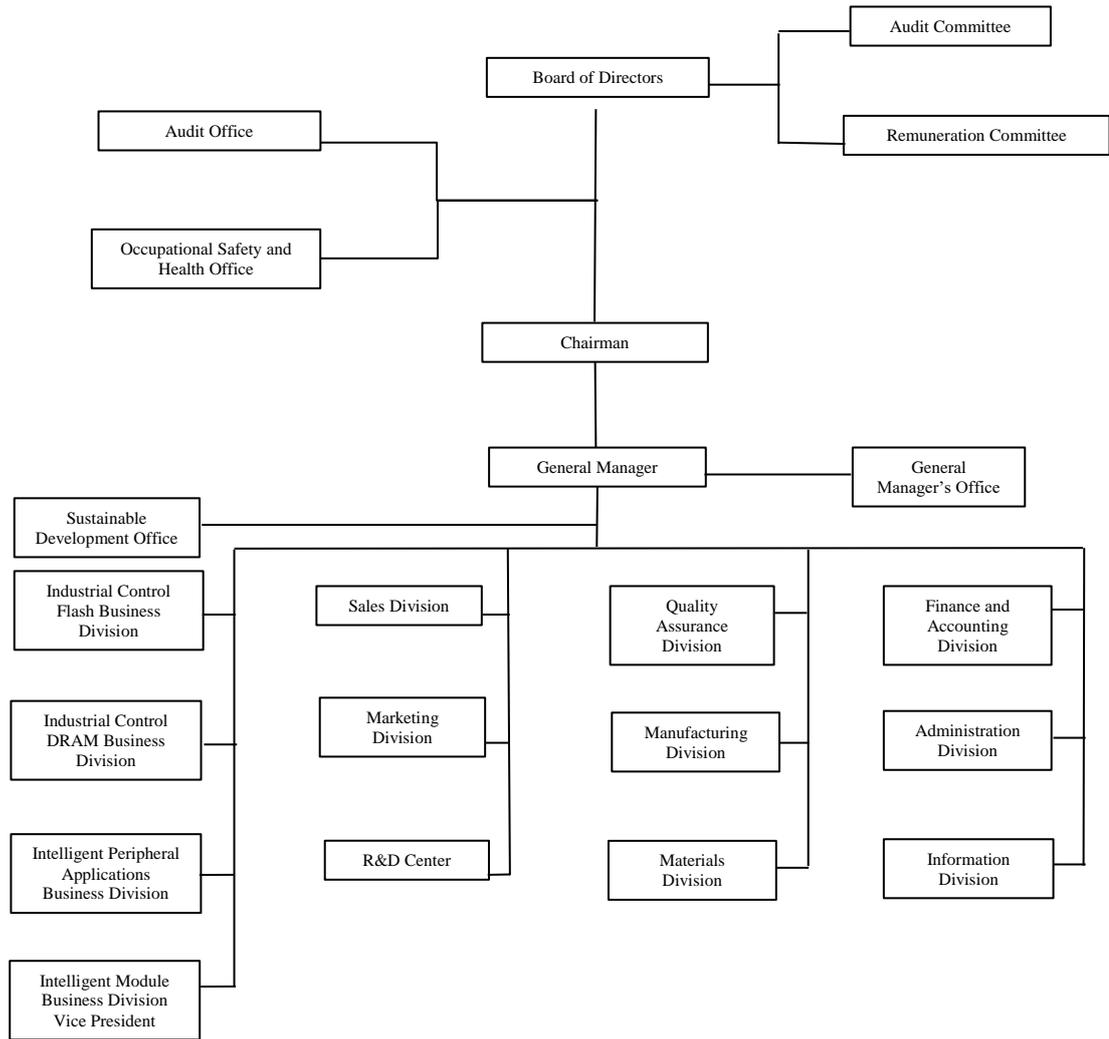
Year	Month	Important events
2018	August	<ul style="list-style-type: none"> <li>completed.</li> <li>Carried out the 1st domestic unsecured convertible bonds with the issuance of 559,610 new shares for capital increase, resulting in a paid-in capital of \$755.41 million after the capital increase.</li> </ul>
	September	<ul style="list-style-type: none"> <li>Increased capital in 2018 from earnings of \$22.34 million, resulting in a paid-in capital of \$777.75 million.</li> </ul>
	November	<ul style="list-style-type: none"> <li>Carried out the 1st domestic unsecured convertible bonds with the issuance of 311,134 new shares for capital increase, resulting in a paid-in capital of \$780.87 million after the capital increase.</li> <li>Won the Best International Brands in Taiwan.</li> </ul>
2019	February	<ul style="list-style-type: none"> <li>Carried out the 1st domestic unsecured convertible bonds with the issuance of 79,543 new shares for capital increase, resulting in a paid-in capital of \$781.66 million after the capital increase.</li> </ul>
	August	<ul style="list-style-type: none"> <li>Increased capital in 2019 from earnings of \$15.63 million, resulting in a paid-in capital of \$797.29 million.</li> </ul>
	December	<ul style="list-style-type: none"> <li>Won the Best International Brands in Taiwan.</li> </ul>
2020	February	<ul style="list-style-type: none"> <li>Flame-Resistant Solid State Drive 3.5" Fire Shield SSD Received the 2020 Taiwan Excellence Award</li> </ul>
	August	<ul style="list-style-type: none"> <li>Increased capital in 2020 from earnings of \$15.95 million, resulting in a paid-in capital of \$813.24 million.</li> </ul>
	November	<ul style="list-style-type: none"> <li>Won the Best International Brands in Taiwan.</li> </ul>
2021	February	<ul style="list-style-type: none"> <li>InnoAGE 2.5" SATA SSD/InnoAGE Received the 2021 Taiwan Excellence Award</li> </ul>
	May	<ul style="list-style-type: none"> <li>Carried out the 1st employee stock options of 2018 with the issuance of 1,135,000 new shares for capital increase, resulting in a paid-in capital of \$824.59 million after the capital increase.</li> <li>Selected by Gartner as the Industrial-Grade SSD Supplier with the highest market share worldwide</li> </ul>
	July	<ul style="list-style-type: none"> <li>InnoAGE SSD won Computex: Best Choice Award Gold</li> </ul>
	August	<ul style="list-style-type: none"> <li>Carried out the 1st employee stock options of 2018 with the issuance of 57,000 new shares for capital increase, resulting in a paid-in capital of \$825.16 million after the capital increase.</li> </ul>
	September	<ul style="list-style-type: none"> <li>Selected by TrendForce as the top-10 DRAM Suppliers worldwide</li> </ul>
	November	<ul style="list-style-type: none"> <li>Carried out the 1st employee stock options of 2018 with the issuance of 112,000 new shares for capital increase, resulting in a paid-in capital of \$826.28 million after the capital increase.</li> </ul>
	December	<ul style="list-style-type: none"> <li>Won the Best International Brands in Taiwan.</li> </ul>
2022	February	<ul style="list-style-type: none"> <li>Carried out the 1st employee stock options of 2018 with the issuance of 40,000 new shares for capital increase, resulting in a paid-in capital of \$826.68 million after the capital increase.</li> </ul>
	May	<ul style="list-style-type: none"> <li>Carried out the 1st employee stock options of 2018 with the issuance of 1,054,500 new shares for a capital increase, resulting in a paid-in capital of NT\$837.23 million after the capital increase.</li> </ul>
	June	<ul style="list-style-type: none"> <li>Selected by Gartner as the Industrial-Grade SSD Supplier with the highest market share worldwide.</li> </ul>
	July	<ul style="list-style-type: none"> <li>Carried out the 1st employee stock options of 2018 with the issuance of 172,500 new shares for a capital increase, resulting in a paid-in capital of NT\$838.95 million after the capital increase.</li> </ul>
	August	<ul style="list-style-type: none"> <li>Increased capital in 2022 from earnings of NT\$24.8 million, resulting in a paid-in capital of NT\$863.75 million.</li> <li>Selected by TrendForce as one of the top-10 DRAM Suppliers worldwide.</li> </ul>
	November	<ul style="list-style-type: none"> <li>Carried out the 1st employee stock options of 2018 with the issuance of 95,500 new shares for a capital increase, resulting in a paid-in capital of NT\$864.71 million after the capital increase.</li> </ul>

Year	Month	Important events
		<ul style="list-style-type: none"> <li>• Won the Best International Brands in Taiwan.</li> </ul>
2023	January	<ul style="list-style-type: none"> <li>• Held the Innodisk Impact Event   i Earth I +1 event, and launched the 3-year sustainable influence plan</li> <li>• Carried out the 1st employee stock options of 2018 with the issuance of 82,500 new shares for a capital increase, resulting in a paid-in capital of \$865.53 million after the capital increase.</li> </ul>

# Three. Corporate Governance Report

## I. Organizational system

### (I) Organizational structure of the Company.



(II) Businesses of each major department:

Unit	Responsibility
Audit Office	<ul style="list-style-type: none"> <li>A. The establishment, amendment, and execution of the internal audit enforcement rules of the Company and the subsidiaries;</li> <li>B. The formulation, execution, and follow-up of annual audit or project audit plans;</li> <li>C. The formulation, follow-up, inspection, composition, and reporting of the internal control system and self-inspection operation plan of the Company and the subsidiaries;</li> <li>D. The follow-up, inspection, and suggested improvements for nonconformities;</li> </ul>
Occupational Safety and Health Office	<ul style="list-style-type: none"> <li>A. Draft up an occupational disaster prevention plan and instruct the relevant departments to have it executed.</li> <li>B. Plan and supervise each department to conduct safety and health audits and management.</li> <li>C. Plan and supervise the checking points and inspection of the safety and health facilities.</li> <li>D. Plan and implement the operating environment monitoring plan, monitor the results, and take corrective actions.</li> <li>E. Plan and supervise the relevant personnel in performing inspections, regular inspections, key inspections, and hazard communication.</li> <li>F. Plan and implement occupational safety and health education and training.</li> <li>G. Plan labor health checkups and implement health management.</li> <li>H. Plan and supervise the investigation, processing, and statistical analysis of occupational disasters, such as labor diseases, injuries, disability, and death.</li> <li>I. Implement safety and health performance management and assessment; also, provide occupational safety and health consulting services.</li> <li>J. Provide information and advice on occupational safety and health management.</li> </ul>
Sustainable Development Office	<ul style="list-style-type: none"> <li>A. Identify sustainable issues and formulate response action plans</li> <li>B. Integrate and implement cross-departmental sustainability issues</li> <li>C. Track the practice of sustainable issues from all aspects and create a continuous improvement plan</li> <li>D. Greenhouse gas inventory integration and report production</li> <li>E. Sustainability report production</li> <li>F. Identification and communication of organizational stakeholders</li> <li>G. Application for Sustainable Enterprise Evaluation</li> </ul>
Industrial Control Flash Business Division Industrial Control DRAM Business Division Intelligent Peripheral Applications Business Division Intelligent Module Business Division Vice President	<ul style="list-style-type: none"> <li>A. Collection of market information and analysis of market competition;</li> <li>B. The formulation and execution of new product development plans, and the product life cycle management;</li> <li>C. Professional education and training of the Company's internal technology and products;</li> <li>D. Price policy development;</li> </ul>
Sales Division	<ul style="list-style-type: none"> <li>A. Investigate and collect business information from market peers, market size and supply/demand situation.</li> <li>B. Analysis of relevant product marketing and sales forecasts, preparation and execution of business plans and budgets;</li> <li>C. Development, investigation, and contact of relevant customers;</li> <li>D. Channel policy development;</li> <li>E. Organize, compile and collect customer information;</li> <li>F. Survey and communicate with customers about their product needs.</li> </ul>
Quality Assurance Division	<ul style="list-style-type: none"> <li>A. Product compatibility test and verification;</li> <li>B. Substantiate the management systems (QMS/EMS/HSPM/OHSAS/...), achieve the Company's quality/HSF/environmental goals, quality/HSF/environmental policies, and satisfy customers' requirements.</li> <li>C. Promote various quality/HSF/environmental improvement work to prevent quality/HSF/environmental nonconformities and customer complaints from occurring.</li> <li>D. Convene quality/HSF/environmental meetings regularly to track relevant situations and performance of countermeasures.</li> <li>E. Perform sampling inspection on raw materials, substances, and finished products to prevent nonconforming materials from flowing into the factory and shipping.</li> <li>F. Process customer's complaints about nonconforming quality jointly.</li> <li>G. Repair and maintenance plans for equipment and instrument, calibration plans for test instruments, and the execution of the plans;</li> </ul>

Unit	Responsibility
Marketing Division	<ul style="list-style-type: none"> <li>A. Plan for new product launch and draft up marketing strategies.</li> <li>B. Execute product packaging design, and execute marketing and advertising plan.</li> <li>C. Arrange product exhibition operation.</li> <li>D. Maintenance of marketing content on the Company website.</li> </ul>
R&D Center	<ul style="list-style-type: none"> <li>A. Planning, analysis, and evaluation of new product launches, as well as the development and evaluation of product renewal plans;</li> <li>B. Collect, organize, and analyze information on product plans of competing companies;</li> <li>C. Analysis, judgment and correction of market acceptability;</li> <li>D. Research, analysis and development of domestic and international technical data and related product content information;</li> <li>E. Collect and organize information and reports on HSF/environmental requirements of materials/products;</li> <li>F. Confirm feasibility of commercialization and production;</li> <li>G. Research and analysis reports on customer issues;</li> <li>H. Failure product analysis and customer product analysis report response.</li> <li>I. Handling customer complaints;</li> <li>J. Respond to customer and business technical questions.</li> <li>K. Provide customer with technical service reports.</li> </ul>
Manufacturing Division	<ul style="list-style-type: none"> <li>A. Plant planning, design and process development;</li> <li>B. Evaluation, planning and analysis of peripheral equipment for production equipment.</li> <li>C. Technical guidance and data collection from manufacturers of production equipment;</li> <li>D. Production planning execution and production data compilation, analysis and reporting;</li> <li>E. Inventory management of materials, work-in-progress, semi-finished products, and finished products, accounting entries, preparation of inventory reports, and their analysis;</li> <li>F. Relevant procedures and transportation handling of semi-finished products and finished products;</li> <li>G. Perform sampling inspection on raw materials, substances, and finished products to prevent nonconforming materials from flowing into the factory and shipping.</li> <li>H. Quality management of suppliers and outsourcing quality;</li> </ul>
Materials Division	<ul style="list-style-type: none"> <li>A. Outsource vendor development, evaluation and management of third-party vendors and supervision of delivery.</li> <li>B. Preparation, execution and control of annual procurement plan;</li> <li>C. Ensure that supplies from material suppliers or outsource vendors meet our HSF (Green) management standards.</li> <li>D. The execution of the requisition and purchase and the review of the payment process.</li> <li>E. Handling of defective products and slow moving products.</li> </ul>
Information Division	<ul style="list-style-type: none"> <li>A. Responsible for information operation planning, promotion, and management and maintenance of computer software, hardware and network;</li> <li>B. Information security mechanism planning and implementation;</li> <li>C. Major information technology introduction and professional technical services.</li> </ul>
Administration Division	<ul style="list-style-type: none"> <li>A. Plan and formulate various operating measures;</li> <li>B. Document receiving and sending management;</li> <li>C. The preparation and implementation of the general affairs plan and the preparation and execution of the general affairs budget;</li> <li>D. Construction contracting, procurement of common service equipment and payment requests;</li> <li>E. Asset management;</li> <li>F. Examination and processing of personnel selection, appointment, arrival, attendance, appraisal, reward and punishment, promotion, welfare, resignation, retirement and other matters.</li> <li>G. Preparation and execution of salary and other personnel expense budgets;</li> <li>H. Announcement of personnel arrangements and compiling of personnel related records.</li> <li>I. Employee insurance matters and the explanation of questions regarding labor and health insurance.</li> <li>J. Legal advisor window and contract management;</li> </ul>
Finance and Accounting Division	<ul style="list-style-type: none"> <li>A. Preparation and implementation of accounting system, preparation of financial statements and financial budgets;</li> <li>B. Planning, analysis, and scheduling of mid-term and short-term financial capital operations;</li> <li>C. Contact and process the deposit, fund appropriation, fund withdrawal, loan, and other related procedures of financial institutions, and handle cash, bills, and other cashier business.</li> </ul>

Unit	Responsibility
	D. Review and approve related receipt and payment documents and the collection and payment operations. E. Prepare and report various accounting and final statements. F. Prepare general vouchers and compile related supporting documents. G. Business tax, income tax, and other tax return filing; H. Plan and implement cost accounting system. I. Review of subsidiaries' accounting statements and preparation of consolidated statements. J. Stock affairs related operation;

II. Information on directors, supervisors, general managers, vice presidents, assistant general managers, and officers of departments and branches:

(I) Information on directors and supervisors

1. Directors and supervisors

April 20, 2023

Title	Nationality or place of registration	Name	Gender Age	Election (appointment) Date	Term of office	Date first elected or appointed	Shareholding when elected or appointed		Shareholding now		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in the Company and other companies now	Spouse or relatives within the second degree of kinship who are officers, directors or supervisors of the Company			Remarks
							Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor	
Chairman	ROC	Chien, Chuan-Sheng	Male 51-60	2021.07.08	3 years	2010.06.08	1,365,746	1.66%	1,473,022	1.70%	-	-	-	-	Department of Mechanical Engineering, Tamkang University Master of Mechanical Engineering, National Central University Entrepreneur Class, National Chengchi University General Manager of Innodisk Corporation	General Manager of Innodisk Corporation Chairman of Innodisk Shenzhen Corporation Director of Innodisk USA Corporation Representative and Director of Innodisk Japan Corporation Director of Innodisk Europe B.V. Director of Innodisk France SAS Chairman of Mauritius Innodisk Global-M Representative of a corporate director/Chairman of Aetina Corporation Representative of a corporate director of Millitronic Co., Ltd. Representative of a corporate director of SysInno Technology Inc. Independent Director of ANPEC ELECTRONICS CORPORATION	-	-	-	Note 1
Director	ROC	Lee, Chung-Liang	Male 61-70	2021.07.08	3 years	2005.03.16	1,887,701	2.29%	1,943,480	2.24%	706,295	0.81%	-	-	Department of Management Science, National Chiao Tung University Graduate School of Management Research, Tamkang University General manager of Power Quotient International	Chairman of Rui Ding Investment Co., Ltd. Director of I-MEDIA TECH CO., LTD.	-	-	-	-
Director	ROC	Hsu, Shan-Ke	Male 61-70	2021.07.08	3 years	2012.12.17	0	0.00%	0	0.00%	-	-	-	-	Department of Management Science, National Chiao Tung University MBA, National Chengchi University Deputy Chief Executive Officer of the General Management Office of Yulon Group Chairman of Xinyang Management Consulting (Stock) Company	Chairman of 3R LIFE SCIENCES TAIWAN LTD Independent Director of NUVOTON TECHNOLOGY CORPORATION Director of PARPRO CORPORATION Representative of Corporate Director of Acme Electronics Corporation Independent Director of Winbond Electronics Corp.	-	-	-	-
Director	ROC	Jhu, Cing-Jhong	Male 51-60	2021.07.08	3 years	2012.12.17	1,609,827	1.95%	1,657,395	1.91%	13,759	0.02%	-	-	Department of Management Science, National Chiao Tung University Master of Management Science, National Chiao Tung University General Manager of Kobayashi Optical Co., Ltd.	Associate Professor of the Department of Management Science, National Yang-Ming Chiao Tung University	-	-	-	-
Corporate director	ROC	Rui Ding Investment Co., Ltd.	-	2021.07.08	3 years	2010.06.08	6,107,037	7.41%	6,687,728	7.72%	-	-	-	-	-	-	-	-	-	-
	ROC	Wu, Hsi-Hsi	Male 51-60	2021.07.08	3 years	2021.07.08	349,387	0.42%	362,000	0.41%	-	-	-	-	Department of Information Engineering, Fu Jen University Engineer of Power Quotient International Engineer of Jizhi Technology	Vice President of industrial control flash business division Innodisk Corporation	-	-	-	-
Independent Director	ROC	Wang, Yin-Tien	Male 61-70	2021.07.08	3 years	2021.07.08	0	0.00%	0	0.00%	-	-	-	-	PhD in Mechanical Engineering, University of Pennsylvania, USA Associate Professor of the Department of Mechanical and Mechatronic Engineering, Tamkang University	Dean of the Department of Artificial Intelligence, Tamkang University Independent Director of Chant Sincere Co. Ltd.	-	-	-	-
Independent Director	ROC	Lin, Wei-Li	Male 51-60	2021.07.08	3 years	2021.07.08	0	0.00%	0	0.00%	-	-	-	-	PhD, Graduate School of Information Management, National Chiao Tung University Chief Technology Officer of TAILYN TECHNOLOGIES, INC. Vice President of GOOD WAY TECHNOLOGY CO., LTD. Chief Technical Officer of R&D General Management Office of New Jinpo Group Vice President of Business and Chief Assistant to General Manager of Unizyx Holding Corp./MitraStar Technology Corp. Vice President/Executive Vice President of Greater China of Groundhog Senior Manager of Asia Pacific Telecom	General Counsel of Lane 55 Slow Workshop Corporate supervisor representative of NUWA ROBOTICS CEO of The Cayman Islands NUWA Robotics Corp. Hong Kong Subsidiary – Taiwan Branch	-	-	-	-

Title	Nationality or place of registration	Name	Gender Age	Election (appointment) Date	Term of office	Date first elected or appointed	Shareholding when elected or appointed		Shareholding now		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in the Company and other companies now	Spouse or relatives within the second degree of kinship who are officers, directors or supervisors of the Company			Remarks
							Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor	
Independent Director	ROC	Young, Kai-Charn	Female 61-70	2021.07.08	3 years	2021.07.08	0	0.00%	0	0.00%	-	-	-	-	Department of Business Administration, National Chengchi University MBA, Kansas State University, USA Entrepreneur Class, National Chengchi University Senior Vice President and Head of Entrepreneurship and Industrial Investment Department of CDIB Capital Group. General Manager of CDIB CAPITAL MANAGEMENT CORPORATION General Manager of CDIB Venture Capital Corporation Vice President and Department Head of the Direct Investment Department of China Development Industrial Bank	Independent Director of Sinopower Semiconductor Inc. Independent Director of WPG Holdings Director of Young Shine Electric Co., Ltd.	-	-	-	-
Independent Director	ROC	Lo, Su-Shun	Male 61-70	2021.07.08	3 years	2021.07.08	0	0.00%	0	0.00%	-	-	-	-	Department of Medicine, National Yang-Ming University Professor of Surgery, National Yang-Ming University Attending Physician of General Surgery of Taipei Veterans General Hospital Associate Dean of Yang-Ming University Hospital Dean of Yang-Ming University Hospital	Appointment Physician of National Yang-Ming Chiao Tung University Hospital Director of Taiwan Peritoneal Oncological Association	-	-	-	-

Note 1: There is one person to serve as the Chairman and General Manager of the Company due to the needs of the business operation; therefore, there are four independent directors appointed to serve; also, a majority of the directors is not a managerial office or an employee of the Company that helps the Board of Directors maintain objectivity and keep supervisory power intact.

## 2. Major shareholders of corporate shareholders

April 20, 2023

Names of corporate shareholders	Major shareholders of corporate shareholders
Rui Ding Investment Co., Ltd.	Lee, Chung-Liang(28.69%), Huang, Su-Fen(22.81%), Li, Li-Hsuan(14.54%), Li, Tai-Ju(14.54%), and Li, Cheng-Jui(14.54%)

## 3. Information on directors and supervisors

### (1) Information on directors and supervisors

Criteria Name	Professional qualification and experience	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Chien, Chuan-Sheng	<ol style="list-style-type: none"> <li>1. Possess leadership (Chairman) and experience that needs by the Board of Directors and more than five years of experience in business operation. (See P12 ~13 Director Profile)</li> <li>2. Possess the ability and professional experience in business judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market perspective, leadership, and decision-making.</li> <li>3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.</li> </ol>	<ol style="list-style-type: none"> <li>1. Spouse or relatives within the second degree of kinship are not directors or employees of the Company or the Company's affiliates.</li> <li>2. The principal, spouse, or a relative within the second degree of kinship who is not providing auditing service to the Company or affiliated enterprises, or a professional individual who provides business, legal, finance, accounting service or consultation, proprietorship, partnership, shareholders of a company or institution, partner, director (executive), supervisor, managerial officers and their spouses who received less than NT\$500,000 remuneration accumulatively in the last 2 years.</li> </ol>	1
Lee, Chung-Liang	<ol style="list-style-type: none"> <li>1. Possess leadership (Chairman) and experience that needs by the Board of Directors and more than five years of experience in business operation. (See P12 ~13 Director Profile)</li> <li>2. Possess the ability and professional experience in business judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market perspective, leadership, and decision-making.</li> <li>3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.</li> </ol>	<ol style="list-style-type: none"> <li>3. Not a director (executive), supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (however, if the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company; also, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company, the parent or subsidiary company, or a subsidiary of the same parent, this restriction does not apply).</li> </ol>	0
Hsu, Shan-Ke	<ol style="list-style-type: none"> <li>1. Have over 5 years of leadership experience as a member of the board of directors (chairman) or leadership experience required by the Company's operations (See P12 ~13 Director Profile)</li> <li>2. Possess the ability and professional experience in business judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market perspective, leadership, and decision-making.</li> <li>3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.</li> </ol>	<ol style="list-style-type: none"> <li>4. The shareholding and shareholding ratio of the principal, spouse, and relatives within the second degree of kinship see P12 ~13 Director Profile</li> </ol>	2
Jhu, Cing-Jhong	<ol style="list-style-type: none"> <li>1. Possess leadership and experience that needs by the Board of Directors and more than five years of experience in business operation. (See P12 ~13 Director Profile)</li> <li>2. Possess the ability and professional experience in business judgment, accounting and financial analysis, business management, crisis management, international market perspective, leadership, and decision-making.</li> <li>3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.</li> </ol>		0
Rui Ding Investment Co., Ltd. Representative: Wu, Hsi-Hsi	<ol style="list-style-type: none"> <li>1. Possess leadership and experience in business operation for more than 5 years. (See P12 ~13 Director Profile)</li> <li>2. Possess the ability and professional experience in business judgment, business management, crisis</li> </ol>		0

Criteria Name	Professional qualification and experience	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
	management, industry knowledge, international market perspective, leadership, and decision-making. 3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.		
Wang, Yin-Tien	1. Possess leadership and experience that needs by the Board of Directors/remuneration committee/audit committee and more than five years of experience in business operation. (See P12 ~13 Director Profile) 2. Possess the ability and professional experience in business judgment, business management, crisis management, industry knowledge, international market perspective, leadership, and decision-making. 3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.		1
Lin, Wei-Li	1. Possess over five 5 years of leadership and experience in business operations (See P12 ~13 Director Profile) 2. Possess the ability and professional experience in business judgment, business management, crisis management, industry knowledge, international market perspective, leadership, and decision-making. 3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.		0
Young, Kai-Charn	1. Possess leadership and experience that needs by the Board of Directors and more than five years of experience in business operation. (See P.12 ~13 Director Profile) 2. Possess the ability and professional experience in business judgment, accounting and financial analysis, business management, crisis management, international market perspective, leadership, and decision-making. 3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.		2
Lo, Su-Shun	1. Possess leadership and experience in business operation for more than 5 years. (See P12 ~13 Director Profile) 2. Possess the ability and professional experience in business judgment, business management, crisis management, international market perspective, leadership, and decision-making. 3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.		0

(2) Diversity and Independence of the Board of Directors:

A. Diversity of the Board of Directors: According to the “Procedure for Election of Directors” that is formulated in accordance with Article 20 of the Company’s “Corporate Governance Best Practice Principle,” the composition of the Board of Directors should be with the factor of diversity taking into consideration. The number of directors who also serve as managerial officers of the Company shall not be more than one-third of the Board of Directors; also, an appropriate diversification policy should be formed by referring to the Company’s business operation, operation pattern, and development needs, which should include but not limited to the following two aspects:

(A) Basic requirements and values: Gender, age, nationality, culture, etc.

(B) Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing, and/or technology), professional skills, industry experience, etc.

The members of the Board of Directors should generally have the necessary knowledge,

skill, and experience to perform their duties; in order to achieve the desired objectives of corporate governance, it is desirable that the Board of Directors as a whole have the following competencies:

- (A) The ability to make judgments about operation;
- (B) Accounting and financial analysis ability;
- (C) Business management ability;
- (D) Crisis management ability;
- (E) Industry knowledge;
- (F) An international market perspective;
- (G) Leadership;
- (I) Decision-making ability.

Substantiation: The Company's independent directors account for 44% of the 7th Board of Directors; directors who are also an employee of the Company account for 22%, and female directors account for 11%; therefore, the Company has achieved the goal of having at least one female director. There are five directors in the age group of 61–70 years old (accounting for 56%) and 4 directors in the age group of 51–60 years old (accounting for 44%).

Core items of diversity Director's name	Nationality	Gender	An employee of the Company	Age			Seniority of being an independent director			The ability to make judgments about operations	Accounting and financial analysis ability.	Business management ability.	Crisis management ability.	Industry Knowledge	An international market perspective.	Leadership ability	Decision-making ability
				41~50	51 to 60	51~60	Under 3 years	3~9 years	More than 9 years								
Chien, Chuan-Sheng	ROC	Male	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lee, Chung-Liang	ROC	Male	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rui Ding Investment Co., Ltd. Representative: Wu, Hsi-Hsi	ROC	Male	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jhu, Cing-Jhong	ROC	Male	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hsu, Shan-Ke	ROC	Male	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wang, Yin-Tien	ROC	Male	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lin, Wei-Li	ROC	Male	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Young, Kai-Charn	ROC	Female	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lo, Su-Shun	ROC	Male	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. Independence of the Board of Directors: There are 9 directors in the 7th Board of Directors of the Company (including 4 independent directors). The Company has 4 independent directors out of the 9 directors elected. The requirements as specified in Article 26-3, Paragraph 3 and Paragraph 4 of the Security and Exchange Act are not found between the directors. Please refer to “(1) Information disclosure of directors and supervisors.”

## (II) Information on general managers, vice presidents, assistant general managers, and officers of departments and branches

April 20, 2023; Unit: Share

Title	Nationality	Name	Gender	Date elected or appointed	Shareholding		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in other companies now	Managerial officers with spouses or relatives with second degree of kinship			Remarks
					Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor	
General Manager	ROC	Chien, Chuan-Sheng	Male	2010.06.23	1,473,022	1.70%	-	-	-	-	Department of Mechanical Engineering, Tamkang University Master of Mechanical Engineering, National Central University Entrepreneur Class, National Chengchi University General Manager of Innodisk Corporation	General Manager of Innodisk Corporation Chairman of Innodisk Shenzhen Corporation Director of Innodisk USA Corporation Representative and Director of Innodisk Japan Corporation Director of Innodisk Europe B.V. Director of Innodisk France SAS Chairman of Mauritius Innodisk Global-M Representative of a corporate director/Chairman of Aetina Corporation Representative of a corporate director of Millitronic Co., Ltd. Representative of a corporate director of SysInno Technology Inc. Independent Director of ANPEC ELECTRONICS CORPORATION	-	-	-	Note 1
Chief Operating Officer	ROC	Wang, Chia-Ying	Male	2011.11.01	36,980	0.04%	67,950	0.08%	-	-	Non completion - Chung Yuan Christian University Business Administration Institute Department of Industrial Engineering, Xipu Industrial College Marketing Vice President and Sales Division Vice President of Innodisk Corporation Overseas Operations Center Manager and Peripheral Products Sales Division Manager of Advantech Co., Ltd. Sales Division Chief of IBASE TECHNOLOGY INC. Sales Division Deputy Chief of VIA Technologies Industrial Computer Systems Product Division Assistant Vice Manager of AAEON Technology Inc.	Director of Innodisk Japan Corporation	-	-	-	-
Sales Division - Vice President	ROC	Fu, Hao	Male	2022.01.01	40,034	0.05%	-	-	-	-	Institute of Industrial Engineering and Management, National Chiao Tung University Department of Mechanical Engineering, National Taipei University of Technology Special Assistant to General Manager of Innodisk Corporation	No	-	-	-	-
Industrial Control Flash Business Division - Vice President	ROC	Wu Hsi - Hsi	Male	2012.08.01	362,000	0.41%	-	-	-	-	Department of Information Engineering, Fu Jen University International engineer of Power Quotient Engineer of Jizhi Technology	Representative of corporate director of Innodisk Corporation	-	-	-	-
Information Division Vice President	ROC	Liao, Te-Chang	Male	2013.10.07	76,132	0.09%	-	-	-	-	Master of Information Management, Tamkang University Department of Industrial Engineering, Taipei Institute of Technology Assistant Vice Manager of AAEON Technology Inc. Vice President of ATECH OEM INC. EVA Air System Development and Integration Team Leader	No	-	-	-	-
Industrial Control DRAM Business Division - Vice President	ROC	Zhang, Wei-Min	Male	2014.02.10	119,725	0.14%	7,690	0.01%	-	-	National Chengchi University Global Operations and Management Longhua University of Science and Technology General Manager of PATRIOT MEMORY INC. General manager of EVERYDAYCHINA.COM. CORP. Assistant Vice Manager of Synnex Technology International Corporation.	No	-	-	-	-

Title	Nationality	Name	Gender	Date elected or appointed	Shareholding		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in other companies now	Managerial officers with spouses or relatives with second degree of kinship			Remarks
					Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor	
R&D Center Senior Assistant Vice Manager	ROC	Guo, Jin-Zhong	Male	2009.05.18	194,853	0.22%	57,000	0.07%	-	-	Department of Mechanical Engineering, National Ocean University Master's Program of Control Group, National Taiwan University Institute of Mechanical Engineering Doctoral Program of Control Group, National Taiwan University Institute of Mechanical Engineering RD Technical Chief of UNION BASE TECHNOLOGY LIMITED RD Senior Manager of Ultima Electronics Corporation RD Associate Manager of ASUSTEK COMPUTER INCORPORATION	No	-	-	-	-
Manufacturing Division Vice President	ROC	Tsai, Han-Tsang	Male	2011.06.27	63,308	0.07%	68,609	0.08%	-	-	Department of Motivation, Tsinghua University Institute of Mechanical Engineering, National Central University Manager of UNIFORM INDUSTRIAL CORP. Assistant Vice Manager of TRANSCEND INFORMATION INC.	No	-	-	-	-
Vice President of Materials Division	ROC	Ke, Yu-Jun	Male	2005.03.22	300,101	0.35%	240,865	0.28%	-	-	Department of Philosophy, Soochow University University of Dallas Business Research Institute Special Assistant to Chairman of Jui Cheng Precision Technology Co., Ltd. Product Manager of POWER QUOTIENT INTERNATIONAL CO., LTD. Sales Chief of LEO SYSTEMS, INC. Senior Sales Specialist of WAL SIN TECHNOLOGY CORP. Senior Sales Specialist of Nankang Rubber Tire Corp., Ltd.	No	-	-	-	-
Vice President of Intelligent Module Business Division	ROC	Wei, Ting-Huang	Male	2021.05.10	14,413	0.02%	-	-	-	-	Bachelor of the Department of Mechanical Engineering, National Taiwan University Studied at the Department of Mechanical Engineering, Siegen University in Germany Vice President of NCG/DMSO/ISG/ECG of Advantech Co., Ltd. General Manager of DFI Inc.	Corporate director representative/chairman of Antzer Tech Co., Ltd. Chairman of FRANZ INVESTMENT CO., LTD.	-	-	-	-
Sales Division Assistant Vice Manager	ROC	Yu, Li-Yin	Male	2014.07.01	163,717	0.19%	229,826	0.27%	-	-	Department of Information Management, Chung Yuan Christian University Sales division manager of GIGABYTE Technology	No	-	-	-	-
Finance Division / Administration Division Vice President	ROC	Wang, Li-Cheng	Male	2012.04.14	139,455	0.16%	51,477	0.06%	-	-	Department of Industrial Management Science, Chenggong University Master of Business Administration, Rotterdam School of Management Finance Manager of BROWAVE CORPORATION Finance Senior Manager of PROLIFIC TECHNOLOGY INC. Litigation and non-litigation representative of Coland Pharmaceutical Co., Ltd.	Director of Innodisk USA Corporation Supervisor of Innodisk Japan Corporation Supervisor of Innodisk Shenzhen Corporation Supervisor of Aetina Corporation Supervisor of MilliTronic CO., LTD. Supervisor of SysInno Technology Inc.	-	-	-	-
Accounting Manager	ROC	Wen-Kuei Hsiao	Male	2022.08.05	0	0	-	-	-	-	Soochow University double bachelor's degree in accounting and business management Assistant auditor of KPMG International Cooperative Manager of Zenitron Corporation	No	-	-	-	-

Note 1: There is one person to serve as the Chairman and General Manager of the Company due to the needs of the business operation; therefore, there are four independent directors appointed to serve; also, a majority of the directors is not a managerial office or an employee of the Company that helps the Board of Directors maintain objectivity and keep supervisory power intact.

### III. Remuneration for directors, supervisors, general managers and vice presidents

#### 1. Remuneration paid by the Company to directors (including independent directors) in the most recent year

December 31, 2022; Unit: Thousand NTD / Thousand shares

Title	Name	Directors' remuneration								A, B, C and D total and as a % of the net profits after tax		Remuneration for a concurrent position as an employee								A, B, C, D, E, F and G total and as a % of the net profits after tax	Remuneration from invested enterprises outside subsidiaries or from the parent company	
		Base remuneration (A)		Severance and pension (B)		Remuneration for directors (C)		Business execution expenses (D)				Salary, bonus, allowance (E)		Severance and pension (F)		Remuneration for employees (G)						
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	Cash amount	Dividend amount	Cash amount	Dividend amount			The Company
Chairman	Chien, Chuan-Sheng																					
Director	Lee, Chung-Liang																					
Director	Jhu, Cing-Jhong																					
Corporate director	Rui Ding Investment Co., Ltd.	0	0	-	-	15,000	15,000	168	168	15,168 0.82%	15,168 0.81%	18,933	18,933	103	103	6,183	-	6,183	-	40,387 2.18%	40,387 2.15%	No
Representative of corporate director	Wu, Hsi-Hsi																					
Director	Hsu, Shan-Ke																					
Independent Director	Wang, Yin-Tien																					
Independent Director	Lin, Wei-Li	1,400	1,400	-	-	6,000	6,000	138	138	7,538 0.41%	7,538 0.40%	-	-	-	-	-	-	-	-	7,538 0.41%	7,538 0.40%	No
Independent Director	Young, Kai-Charn																					
Independent Director	Lo, Su-Shun																					

1. Please describe the policy, system, criteria and structure for the remuneration for independent directors, and the correlation to the amount of remuneration in terms of their responsibilities, risks, time spent and other factors: The Company has established the "Measures for the Distribution of Directors' Remuneration," which stipulates the calculation of remuneration. In addition, the Remuneration Committee is required to make recommendations to the Board of Directors for approval after considering the extent of participation in the Company's operations and the value of contributions.

2. Except for the preceding disclosure, the remuneration received by the directors of the Company in the most recent year for providing services (such as serving as an independent consultant to the parent company/all companies included in the financial report/invested companies): None.

## Remuneration ranges

Range of remuneration to the Company's Directors	Director's name			
	Total amount of the first four remunerations (A+B+C+D)		Total amount of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements I	The Company	All companies included in the financial statements J
Less than NT\$1,000,000	Rui Ding Investment Co., Ltd. Representative: Wu, Hsi-Hsi	Rui Ding Investment Co., Ltd. Representative: Wu, Hsi-Hsi	-	-
NT\$1,000,000 (inclusive)–NT\$2,000,000 (exclusive)	Wang, Yin-Tien Lin, Wei-Li Young, Kai-Charn Lo, Su-Shun	Wang, Yin-Tien Lin, Wei-Li Young, Kai-Charn Lo, Su-Shun	Wang, Yin-Tien Lin, Wei-Li Young, Kai-Charn Lo, Su-Shun	Wang, Yin-Tien Lin, Wei-Li Young, Kai-Charn Lo, Su-Shun
NT\$2,000,000 (inclusive)–NT\$3,500,000 (exclusive)	Lee, Chung-Liang Jhu, Cing-Jhong Hsu, Shan-Ke Rui Ding Investment Co., Ltd.	Lee, Chung-Liang Jhu, Cing-Jhong Hsu, Shan-Ke Rui Ding Investment Co., Ltd.	Lee, Chung-Liang Jhu, Cing-Jhong Hsu, Shan-Ke Rui Ding Investment Co., Ltd.	Lee, Chung-Liang Jhu, Cing-Jhong Hsu, Shan-Ke Rui Ding Investment Co., Ltd.
NT\$3,500,000 (inclusive)–NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive)–NT\$10,000,000 (exclusive)	Chien, Chuan-Sheng	Chien, Chuan-Sheng	Rui Ding Investment Co., Ltd. Representative: Wu, Hsi-Hsi	Rui Ding Investment Co., Ltd. Representative: Wu, Hsi-Hsi
NT\$10,000,000 (inclusive)–NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive)–NT\$30,000,000 (exclusive)	-	-	Chien, Chuan-Sheng	Chien, Chuan-Sheng
NT\$30,000,000 (inclusive)–NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive)–NT\$100,000,000 (exclusive)	-	-	-	-
More than NT\$100,000,000	-	-	-	-
Total	10	10	10	10

2. Remuneration paid to the supervisor in the most recent year: The Company elected three additional independent directors at the extraordinary shareholders' meeting on December 17, 2012, and established an audit committee at the same time, and the supervisors were naturally dismissed.
3. Remuneration paid to the general manager and vice president by the Company in the most recent year

December 31, 2022; Unit: Thousand NTD / Thousand shares

Title	Name	Salary (A)		Severance and pension (B)		Bonus and allowance (C)		Remuneration for employees (D)				A, B, C and D total and as a % of the net profits after tax		Remuneration from invested enterprises outside subsidiaries or from the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash amount	Dividend amount	Cash amount	Dividend amount			
General Manager	Chien, Chuan-Sheng	19,608	19,608	934	934	48,604	48,604	18,384	0	18,384	0	87,530 4.73%	87,530 4.65%	No
Chief Operating Officer	Wang, Chia-Ying													
Vice President	Zhang, Wei-Min													
Vice President	Wu, Hsi-Hsi													
Vice President	Liao, Te-Chang													
Vice President	Tsai, Han-Tsang													
Vice President	Wei, Ting-Huang													
Vice President	Ke, Yu-Jun													
Vice President	Fu, Hao													
Vice President	Wang, Li-Cheng													

### Remuneration ranges

Payment to individual General manager and Vice Presidents, remuneration bracket	Name of general manager or Vice President	
	The Company	All companies included in the financial statements E
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive)–NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive)–NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive)–NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive)–NT\$10,000,000 (exclusive)	Wang, Chia-Ying Wu, Hsi-Hsi Liao, Te-Chang Zhang, Wei-Min Wang, Li-Cheng Tsai, Han-Tsang Wei, Ting-Huang Ke, Yu-Jun Fu, Hao	Wang, Chia-Ying Wu, Hsi-Hsi Liao, Te-Chang Zhang, Wei-Min Wang, Li-Cheng Tsai, Han-Tsang Wei, Ting-Huang Ke, Yu-Jun Fu, Hao
NT\$10,000,000 (inclusive)–NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive)–NT\$30,000,000 (exclusive)	Chien, Chuan-Sheng	Chien, Chuan-Sheng
NT\$30,000,000 (inclusive)–NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive)–NT\$100,000,000 (exclusive)	-	-
More than NT\$100,000,000	-	-
<b>Total</b>	<b>10</b>	<b>10</b>

4. The name of the managerial officer in charge of the distribution of employee remuneration and the status of the distribution for the most recent year

December 31, 2022; unit: NTD Thousand

	Title	Name	Stock amount	Cash amount	Total	Total amount as a % of the net profits after tax (%)
Managers	General Manager	Chien, Chuan-Sheng	0	20,844	20,844	1.11
	Chief Operating Officer	Wang, Chia-Ying				
	Vice President	Wu, Hsi-Hsi				
	Vice President	Liao, Te-Chang				
	Vice President	Zhang, Wei-Min				
	Vice President	Tsai, Han-Tsang				
	Vice President	Wei, Ting-Huang				
	Vice President	Ke, Yu-Jun				
	Vice President	Fu, Hao				
	Vice President (Supervisor of Finance Division / Administration Division / Corporate Governance)	Wang, Li-Cheng				
	Accounting Manager	Wen-Kuei Hsiao				
	Senior Assistant Vice Manager	Guo, Jin-Zhong				
	Assistant Vice Manager	Yu, Li-Yin				

(IV) Compare and describe the total remuneration paid to directors, supervisors, general managers, and Vice Presidents in the most recent 2 years by the Company and all companies in the consolidated

financial statements as a % of the net profits after tax, and explain the policies, criteria, combination, the procedures for determining remuneration and the correlation to operating performances and future risks.

1. Analysis of the total remuneration paid to the Company’s directors, supervisors, general manager, and Vice President as a percentage of net profits after tax for the last two years by the Company and all companies in the consolidated financial statements

December 31, 2022; unit: NTD Thousand

Year	Total remuneration for directors, supervisors, general managers and Vice Presidents		Total amount as a % of the net profits after tax (%)	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
2021	76,792	77,218	4.92	4.88
2022	112,197	113,093	6.06	6.01

2. The Company’s policy, criteria and composition for the payment of remuneration, the procedures for setting remuneration, and the correlation with operating performance and future risks.
  - (1) Directors and supervisors: The Company has remuneration paid to the directors in accordance with Article 19 of the Articles of Incorporation. The net income before tax for the current year and before the distribution of remuneration, but after making up for losses, should be applied to pay remuneration to directors for an amount less than 2% of the remaining net income, if any. Furthermore, a reasonable remuneration shall be given depending on the Company’s overall operational performance, the future operational needs and development of the industry, and their personal contribution to the Company’s operations in accordance with the Company’s “Measures for the Distribution of Directors’ Remuneration,” which should be considered by the Remuneration Committee and approved by the Board of Directors.
  - (2) Managerial officers: According to Article 19 of the Company’s Articles of Incorporation, the Company shall set aside at least 3% of the profits before tax for the current year before the distribution of remuneration with employees and directors as remuneration to employees if there is any remaining balance after making up for losses. The remuneration paid by the Company to the managerial officers is based on the overall consideration of the officer’s participation in the Company’s operations and performance evaluation, as well as other special contributions and market conditions. Such payments will be submitted to the Remuneration Committee for consideration and then to the Board of Directors for approval.
  - (3) The relevance of future risks: The Company’s remuneration payments are evaluated and adjusted with future changes in the environment and operating performance taken into consideration, and the Company has established the “Operating Procedures for Ethical Management and Guidelines for Conduct” and the “Code of Ethical Conduct” to remind directors and managerial officers not to engage in behavior that exceeds the Company’s risk appetite in pursuit of remuneration, so as to avoid improper situations where the Company suffers losses after paying remuneration. If a director or employee is involved in a wrongful act that results in a loss to the Company, he or she may be disciplined as necessary by law.

#### IV. Implementation of corporate governance

##### (I) The operation of the board of directors

The Board of Directors held eight meetings (A) in the most recent year (2022) and as of the publication date of the annual report with the attendance of directors and supervisors as follows:

Title	Name	Actual no. of presence (in attendance) (B)	Number of attendance by proxy	Actual presence (attendance) rate (%) 【B/A】	Remarks
Chairman	Chien, Chuan-Sheng	8	0	100%	
Director	Lee, Chung-Liang	7	1	87.5%	
Director	Jhu, Cing-Jhong	8	0	100%	
Director	Rui Ding Investment Co., Ltd. Representative: Wu, Hsi-Hsi	7	1	87.5%	
Director	Hsu, Shan-Ke	8	0	100%	
Independent Director	Wang, Yin-Tien	8	0	100%	
Independent Director	Lin, Wei-Li	8	0	100%	
Independent Director	Young, Kai-Charn	8	0	100%	
Independent Director	Lo, Su-Shun	8	0	100%	

Other matters required to be recorded:

- I. If the operation of the Board of Directors is under any of the following circumstances, the date, period, proposal content, all independent directors' opinions and the Company's handling of their opinions should be described:
  - (I) Matters addressed in Article 14-3 of the Securities and Exchange Act: Please refer to Page 53-55 for details.
  - (II) In addition to the previous matters, other board meeting resolutions that have been opposed or reserved by independent directors with records or written statements: No such situation.
- II. In the implementation of a director's recusal for being an interested party in a proposal, the director's name, the proposal content, the recusal reasons and his or her participation in voting should be stated:

Board of Directors meeting date	Director's name	Motion content	Reason for recusal	Participation in voting
2022.01.24	Chien, Chuan-Sheng Wu, Hsi-Hsi	Plan to pass the proposal for the 2021 year-end bonus to the managerial officers of the Company	Concurrently serves as the Company's General Manager/employee	The remaining directors present did not object to the passing of the motion, except for those who recused themselves from the discussion and vote in accordance with the law.
	Chien, Chuan-Sheng Lee, Chung-Liang	Proposal to make donation to Innodisk Foundation by the Company	A director of Innodisk Foundation	
2022.08.05	Chien, Chuan-Sheng Wu, Hsi-Hsi	Pass the first employee stock option certificate in 2022 to obtain the list of subscribed employees and the number of shares subscribed	Part time for the Company General manager/employee	Concurrently serves as the Company's General Manager/employee

		Passed the proposal for the 2021 remuneration to the managerial officers of the Company.		
		Plan to pass the proposal for the adjustment of remuneration to the managerial officers of the Company		
2023.01.13	Chien, Chuan-Sheng Wu, Hsi-Hsi	Passed the proposal for the 2022 year-end bonus to the managerial officers of the Company	Concurrently serves as the Company's General Manager/employee	The remaining directors present did not object to the passing of the motion, except for those who recused themselves from the discussion and vote in accordance with the law.
	Chien, Chuan-Sheng Lee, Chung-Liang	Proposal to make donation to Innodisk Foundation by the Company	A director of Innodisk Foundation	

III. Listed companies should disclose information on the periodicity and duration, scope, method and content of the self-evaluation (or peer evaluation) by the board of directors:

Evaluation frequency	Evaluation duration	Evaluation scope	Evaluation method	Evaluation content
Once a year	01/01/2022~ 12/31/2022	Board of Directors	Board of Directors' Internal Evaluation	A. The extent of participation in the Company's operations. B. Improvement in the quality of the board's decision-making. C. Composition and structure of the board. D. Election and continuing education of directors. E. Internal control
		Individual board member	Board member self-evaluation	A. Alignment of the Company's objectives and tasks. B. Perception of directors' responsibilities. C. The extent of participation in the Company's operations. D. Internal relationship management and communication. E. Professionalism and continuing education of directors. F. Internal control
		Each functional committee	Functional committee members' self-evaluation	A. The extent of participation in the Company's operations. B. Perception of functional committees' responsibilities. C. Improvement in the quality of the functional committee's decision-making. D. Composition and member appointment of functional committees. E. Internal control

Evaluation results:

- (I) Board of Directors: The Board of Directors has guided and supervised the Company's strategy, major business, and risk management. It has also established an appropriate internal control system and improved the overall operation in compliance with corporate governance requirements.
  - (II) Individual board member: The efficiency and effectiveness of the operational indicators of each director are recognized and affirmed.
  - (III) Functional committees: The overall operation of the functional committees is satisfactory and meets the requirements of corporate governance that help effectively enhance the functions of the Board of Directors.
- The performance evaluation of the Board of Directors for 2022 in the preceding paragraph was reported by the Board of Directors on February 23, 2023, with the relevant information filed accordingly.

- IV. Evaluation of the objective for enhancing the functions of the Board of Directors (e.g., establishing an audit committee, enhancing information transparency, etc.) and its implementation in the current year and the most recent year:
- (I) Enhancing the functions of the Board of Directors: The Company has formulated the “Procedures for Board of Directors Meetings” in accordance with the “Regulations Governing Procedures for Board of Directors Meetings of Public Companies.” The Company also executes the functions of the Board of Directors in accordance with relevant regulations with the Audit Committee formed on December 17, 2012.
- (II) Improve information transparency: The Company has the financial information, major resolutions, and relevant information announced on the Market Observation Post System in accordance with regulations. The Company’s website is designed with an “Investor Relations” page available to disclose financial, business, and corporate governance related information for the knowledge of the investors in a timely manner.
- V. Attendance of Independent Directors at each Board Meeting:

◎: Attended in person ☆: Attended by proxy \*: Did not attend

Name \ Date (meeting)	01/24/2022 (1st meeting)	02/23/2022 (2nd meeting)	05/05/2022 (3rd meeting)	07/06/2022 (4th meeting)	08/05/2022 (5th meeting)	11/04/2022 (6th meeting)	01/13/2023 (1st meeting)	02/23/2023 (2nd meeting)
Wang, Yin-Tien	◎	◎	◎	◎	◎	◎	◎	◎
Lin, Wei-Li	◎	◎	◎	◎	◎	◎	◎	◎
Young, Kai-Charn	◎	◎	◎	◎	◎	◎	◎	◎
Lo, Su-Shun	◎	◎	◎	◎	◎	◎	◎	◎

(II) Information on the operations of the Audit Committee:

The Audit Committee held eight meetings (A) in the most recent year (2022) and as of the publication date of the annual report with the attendance of independent directors as follows:

Title	Name	Number of attendance in person (B)	Number of attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Independent Director	Wang, Yin-Tien	8	0	100%	
Independent Director	Lin, Wei-Li	8	0	100%	
Independent Director	Young, Kai-Charn	8	0	100%	
Independent Director	Lo, Su-Shun	8	0	100%	

Other matters required to be recorded.

- I. If the operation of the Audit Committee is under any of the following circumstances, the date, term, proposal content, all independent directors’ dissented opinions, qualified opinion, or material suggestion content, the resolution of the Audit Committee, and the Company’s handling their opinions should be described:

(I) Matters addressed in Article 14-5 of the Securities and Exchange Act:

Date/Term	Motion content	Resolutions of the Audit Committee	Independent directors’ dissented opinions, qualified opinion, or material suggestion content	The Company’s handling of the Audit Committee members’ opinions
01/24/2022 4th term – 3rd meeting	1. Schedule the base date for the Company’s issuing new shares in a capital increase from the employee’s exercising their stock warrants in the 4th quarter of 2021. 2. The Company plans to construct a factory in Yilan Science Park. 3. Evaluation of the independence and competency of the CPAs.	Passed unanimously.	Not applicable.	Passed as proposed.
02/23/2022 4th term - 4th meeting	1. The Company’s issuing the 2021 “Statement of Internal Control System” 2. The Company’s 2021 Financial Statements 3. The Company’s increased capital in 2021 from earnings with new shares issued 4. Amendments to the Company’s “Procedures for the Acquisition and Disposal of Assets”	Passed unanimously.	Not applicable.	Passed as proposed.
05/05/2022 4th term-5th meeting	1. The Company’s 2022 1st quarter financial report. 2. Set the Company’s 1st quarter 2022 employee stock option certificates to implement the new share issuance base date	Passed unanimously.	Not applicable.	Passed as proposed.

	for capital increase.			
07/06/2022 4th term-6th meeting	<ol style="list-style-type: none"> <li>1. Set the Company's 2nd quarter 2022 employee stock option certificates to implement the new share issuance base date for capital increase.</li> <li>2. Set the Company's 2nd quarter 2022 employee stock option certificates to implement the new share issuance base date for capital increase.</li> <li>3. The Company passed a proposal to issue the 1st employee stock option certificate in 2022 and formulate stock subscription methods.</li> </ol>	Passed unanimously.	Not applicable.	Passed as proposed.
08/05/2022 4th term-7th meeting	<ol style="list-style-type: none"> <li>1. Proposal to change the Company's head of accounting.</li> <li>2. The Company's 2022 2nd quarter financial report proposal.</li> <li>3. Proposal to amend the Company's "Internal control system."</li> <li>4. Proposal to ratify and revise the Company's 2022 first employee stock option certificate issuance and share subscription method.</li> <li>5. Proposal to ratify and revise the Company's 2022 first employee stock option certificate issuance and share subscription method.</li> </ol>	Passed unanimously.	Not applicable.	Passed as proposed.
11/04/2022 4th term-8th meeting	<ol style="list-style-type: none"> <li>1. The Company's 2022 3rd quarter financial report proposal.</li> <li>2. Set the Company's 3rd quarter 2022 employee stock option certificates to implement the new share issuance base date for capital increase.</li> <li>3. Drafted the Company's 2023 audit plan.</li> </ol>	Passed unanimously.	Not applicable.	Passed as proposed.
01/13/2023 4th term-9th meeting	<ol style="list-style-type: none"> <li>1. Set the Company's 4th quarter 2022 employee stock option certificates to implement the new share issuance base date for capital increase.</li> <li>2. Assessing the independence and suitability of CPAs.</li> </ol>	Passed unanimously.	Not applicable.	Passed as proposed.
02/23/2023 4th term-10th meeting	<ol style="list-style-type: none"> <li>1. Proposal to amend the Company's "Internal control system."</li> <li>2. The Company's issuing the 2022 "Statement of Internal Control System."</li> <li>3. The Company's 2022 financial statements.</li> <li>4. The Company's 2022 business report.</li> <li>5. The Company's 2022 earnings distribution proposal.</li> <li>6. The Company's increased capital in 2022 from earnings with new shares issued.</li> <li>7. Proposal to preapprove certification CPAs, their firms, and firm affiliates to provide non-assurance services to the Company, its subsidiaries, and its major affiliates.</li> </ol>	Passed unanimously.	Not applicable.	Passed as proposed.

- (II) In addition to the previous matters, other matters that have not been approved by the Audit Committee but approved by more than two-thirds of all directors: No such situation.
- II. In the implementation of an independent director's recusal for being an interested party in a proposal, the independent director's name, the proposal content, the recusal reasons and his or her participation in voting should be stated: No such situation.
- III. Communication between independent directors, internal audit officer and CPA (major matters, methods and results of communication on the Company's financial and business conditions, etc. should be included):
- (I) After the audit report and tracking report are reported to the chairman of the board of directors, the internal audit officer of the Company sends them to each independent director for review via e-mail on a monthly basis, and communicates with and replies to each independent director's inquiries in person on a quarterly basis, and there is no objection after communication.
- (II) The Company's internal audit officer sits in the Board of Directors' meetings and presents audit reports. Each independent director keeps abreast of the Company's internal audits in a timely manner, so the Company's independent directors have good communication with the audit officer.
- (III) CPAs reported to the independent directors on the audit results of the Company's financial reports and other communication matters required by the relevant laws and regulations, and the finance

officer and the audit officer were also present at each meeting, and the independent directors were able to raise and receive responses to any questions they had immediately. Therefore, the communication between the independent directors and the CPAs of the Company is good.

(III) Supervisors' participation in the operation of the Board of Directors: The Company elected 3 additional independent directors at the extraordinary shareholders' meeting on December 17, 2012, and established an Audit Committee. Therefore, the supervisors were naturally dismissed.

(IV) The Company's implementation of corporate governance and the differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reason.

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
I. Has the Company formulated and disclosed its corporate governance practice principles according to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has formulated a set of "Corporate Governance Best Practice Principles" and disclosed it on the Market Observation Post System and the Company website.	In compliance with the Corporate Governance Best Practice Principles
II. The Equity Structure and Shareholders' Equity of the Company (I) Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes, litigations, and implemented them according to the procedures?	✓		(I) The Company has a spokesperson system formulated to collect relevant questions raised by shareholders. The shareholder's suggestions and doubts are to be handled and responded to by the spokesperson. The disputes and litigation matter with the shareholders shall be handled by the legal department. However, the relationship between the Company and its shareholders is harmonious and no dispute or litigation has occurred.	In compliance with the Corporate Governance Best Practice Principles
(II) Does the Company have a list of the major shareholders who actually control the Company and those who ultimately have control over the major shareholders?	✓		(II) The Company maintains good relations and contacts with its major shareholders, directors, employees and corporate shareholders, and is able to keep track of their shareholdings.	
(III) Has the Company established and implemented risk control and firewall mechanisms between affiliated companies?	✓		(III) The Company has established an "Internal Control System-Subsidiary Supervision and Management Practices" and "Operating Procedures Related to Financial Operations between Related Parties" to standardize the	

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
(IV) Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market?	✓		relevant matters. (IV) The Company has established the “Procedures for Handling Material Insider Information” and required those with access to material insider information to refrain from disclosing it to others or using the information not publicly available to trade in marketable securities by requiring employees to sign a non-disclosure agreement or provide training to employees and directors at least once a year (the 2022 training day was December 19, 2022).	
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Does the board of directors formulate diversified policies, and specific management objectives and implementation?</p> <p>(II) Does the Company voluntarily establish functional committees other than the Remuneration Committee and the Audit Committee?</p> <p>(III) Does the Company formulate a performance evaluation method for the Board of Directors, conduct performance evaluation annually and regularly, and report the performance evaluation results to the Board of Directors and apply it as a reference for the consideration of remuneration and nomination of each director?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company has established a diversity policy in the “Corporate Governance Best-Practice Principles” and “Procedure for Election of Directors” and has them disclosed on the Company’s website and on P.15 of the annual report.</p> <p>(II) The Company currently has only a Remuneration Committee and an Audit Committee. Other functional committees will be established in the future depending on the legal requirements or practical needs.</p> <p>(III) The Company has established the “Board of Directors’ Performance Evaluation Measures.” Please refer to P.2</p> <p>4[III. Listed companies should disclose information on the periodicity and duration, scope, method and content of the self-evaluation (or peer evaluation) by the board of directors and other information] for the evaluation items and results, which together with the directors’ self-assessment are used as a reference for nominating</p>	In compliance with the Corporate Governance Best Practice Principles

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
(IV) Does the Company regularly evaluate the independence of the attesting CPAs?	✓		<p>directors and determining their salary and remuneration; also, it was reported to the Board of Directors on February 23, 2023.</p> <p>(IV) The Company's Audit Committee and the Board of Directors independently assessed the CPAs on 01/13/2023, and the qualifications included 13 audit quality indicators (AQIs). The goal was to require the CPAs to issue an independent statement. The Company confirmed that the CPAs and the Company have no other financial interests and business relationships except for certification and tax cases. The CPA's family members do not violate the independence requirements before the appointment of the CPAs. Please refer to (Note 1) for the evaluation of the independence and competency of the CPAs.</p>	
IV. Does the Company as a listed company have a suitable and appropriate number of corporate governance personnel and appoint a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors in complying with laws and regulations, conducting board meeting and shareholder meeting related matters in accordance with law, handling company registration and alteration registration, and preparing minutes of board meetings and shareholder meetings, etc.)?	✓		<p>On May 7, 2021, the Board of Directors approved the establishment of a dedicated corporate governance unit, with the Vice President of Finance Division/Administration Division of the Company, who has the qualification, as the corporate governance officer. The main duties of the unit are to administer matters related to Board of Directors meetings and shareholders' meetings, prepare minutes of the Board of Directors and shareholders' meetings, assist directors in their appointment and continuing education, provide information necessary for directors to carry out their business, and assist directors in complying with laws and regulations. Please refer to (Note 2) for the continuing education of the corporate governance officer.</p>	In compliance with the Corporate Governance Best Practice Principles
V. Has the Company established communication channels with	✓		The Company has a spokesperson and an acting spokesperson. It has identified	In compliance

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and a special section for stakeholders on the Company's website, and responded appropriately to important corporate social responsibility issues that are of concern to stakeholders?			and set up a stakeholder area on the Company's official website to respond to important CSR issues of concern to stakeholders through various communication channels.	with the Corporate Governance Best Practice Principles
VI. Has the Company appointed a professional stock affairs agency to handle matters for shareholder meetings?	√		The Company's stock affairs agency is KGI Securities Co., Ltd.	In compliance with the Corporate Governance Best Practice Principles
VII. Information Disclosure (I) Has the Company set up a website to disclose finance and business matters and corporate governance information?  (II) Has the Company adopted other means of information disclosure (such as setting up an English website, appointing dedicated personnel responsible for the collection and disclosure of Company information, implementing a spokesperson system, posting the Company's earnings calls on its website, etc.)?  (III) Does the Company publicly announce and file annual financial statements within two months after the end of the fiscal year? The financial statements for the first, second and third quarters and the monthly operating status before the prescribed deadline?	√  √  √		(I) The Company has set up an investor section on its official website with links to the Public Information Observation Post System to facilitate investors' access.  (II) The Company has designated personnel to be responsible for the collection and disclosure of corporate information. It has also appointed a spokesperson to make external statements and implement the spokesperson system. In addition, information and presentation materials for the Company's earnings calls or corporate briefings have been compiled and posted on the Company's website for public reference.  (III) The Company had the 2022 financial statements announced and reported on February 23, 2023, including financial statements for the first, second, and third quarters and the monthly operating status before the prescribed deadline.	In compliance with the Corporate Governance Best Practice Principles
VIII. Is there any further information	√		(I) Employee rights and benefits: The	In

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
that may help to understand the Company's corporate governance status better (including but not limited to employees' rights, employee care, investor relation, supplier relation, stakeholders' rights, the continuing education of the directors and supervisors, risk management policy and risk assessment in action, the pursuit of customer policy, and the protection of the directors and supervisors via professional liability insurance)?			<p>Company protects the basic rights and benefits of employees (work rules) in accordance with the Labor Standards Act and related laws and regulations, such as establishing an employee welfare committee, encouraging employees to participate in various training courses and technical seminars and planning both domestically and internationally, arranging employee group insurance and regular health checkups, etc., emphasizing labor relations and providing equal employment opportunities.</p> <p>(II) Employee Care: The Company has established an "Occupational Safety and Health Committee" in accordance with the "Occupational Safety and Health Act" to formulate employee emergency care measures, employee maternity subsidies, and employee child scholarship measures. The Administration Division arranges employee satisfaction survey periodically and hosting employee luncheon meeting to understand employees in-depth; also, the Employee Benefits Committee provides subsidies and organizes travel activities to care for the physical and mental health of employees.</p> <p>(III) Investor relations: The Company has information disclosure made honestly according to the governing laws and regulations to protect investors' basic rights and interests. Investors may acquire the Company's information on the Market Observation Post System or the "Investor Relations" section on the Company's website, including financial, business, and</p>	compliance with the Corporate Governance Best Practice Principles

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
			<p>corporate governance information. The Company also has a spokesperson appointed to serve the investors or to handle the suggestions proposed by the investors at any time.</p> <p>(IV) Supplier relations: Through our green product management platform, we have smooth communication channels with our suppliers, maintain good relations, and uphold the principle of honesty and reciprocity in dealing with them.</p> <p>(V) Stakeholders' rights: Maintain smooth communication channels with stakeholders and fully respect and protect their legitimate rights and interests. Please refer to (Note 3) for issues of concern to the Company's stakeholders and the channels of communication and response.</p> <p>(VI) Advanced study of directors and supervisors: The Company's directors (including independent directors) completed 6 hours of advanced study in 2022. Please see (Note 4) for details.</p> <p>(VII) Implementation of risk management policies and risk measurement standards: The Company focuses on its own business and has established various operating rules and internal control systems to reduce risks in accordance with various laws and regulations and business activities.</p> <p>(VIII) Implementation of customer policy: The company upholds high quality and high efficiency to serve customers and create maximum benefits for customers.</p> <p>(IX) The Company is a computer peripheral manufacturer and is engaged in downstream assembly,</p>	

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
			<p>which is a non-polluting industry and has not polluted the environment and has fulfilled its corporate social responsibility.</p> <p>(X) The Company's acquisition of liability insurance for directors is stipulated in the Company's Articles of Incorporation. Also, the Company acquired the said liability insurance for the first time in December 2018 and had the insurance renewed successfully, and reported to the Board of Directors in November 2022.</p>	
<p>IX. Please describe the improvements that have been made in response to the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and propose priorities and measures for those not yet improved:</p> <p>The Company has prepared improvement plans for each indicator of the results of the past corporate governance evaluations and has implemented the following improvement plans:</p> <p>(I) Enhance the disclosure of corporate governance matters in the annual report and official website.</p> <p>(II) Strengthen the disclosure of ESG-related issues in the annual report.</p> <p>The Company intends to continue to improve and propose the following:</p> <p>(I) Enhance the comprehensiveness of the disclosure of corporate governance matters in English on the official website.</p>				

Note 1: Evaluation of the independence of the CPAs:

Evaluation Items	Evaluation result	Status of independence
Has the CPAs recused themselves from the assignment if they have a direct or material indirect interest that would affect their impartiality and independence?	Yes	Yes
Do CPAs maintain formal independence in addition to substantive independence when they perform audits, reviews, verification or project examination of financial statements and render an opinion?	Yes	Yes
Do members of the audit services, other CPAs or corporate accounting firm shareholders, CPA firms, their affiliates, and alliances maintain independence from the Company?	Yes	Yes
Do the CPAs perform professional services with integrity and rigor?	Yes	Yes
Do the CPAs maintain an impartial and objective position in performing professional services and have they avoided bias, conflict of interest or interest that would affect professional judgment?	Yes	Yes
Do the CPAs have a disciplinary record with the CPA Disciplinary Board for the last two years? Has the CPA firm been involved in any significant litigation in the last two years or currently?	Yes	Yes
Does the CPA firm have sufficient scale, resources and regional coverage to handle corporate audit services?	Yes	Yes
Does the CPA firm have a clear quality control process? Does the coverage include the level and key points of the audit process, the manner in which audit issues and	Yes	Yes

Evaluation Items	Evaluation result	Status of independence
judgments are handled, independent quality control reviews, and management of risk?		
Has the CPA firm notified the Board of any significant issues and developments in risk management, corporate governance, financial accounting and related risk controls in a timely manner?	Yes	Yes

Note 2: The advanced study of the corporate governance officer:

Name	Advanced study date	Course organizer	Course name	Training hours
Wang, Li-Cheng	03/11/2022	Securities and Futures Institute	Protection of business secrets	3
	03/15/2022		How should directors and supervisors supervise corporate risk management and crisis management?	3
	04/24/2022	Republic of China Accounting Research and Development Institute	Read the TCFD Report: Grasp the Key Information	3
	04/29/2022	Taiwan Corporate Governance Association	Behind the Scenes of Corporate Governance: Corporate Governance Personnel's Operational Practices	3
	05/06/2022	Securities and Futures Institute	Global Risk Perception - Opportunities and Challenges in the Next Decade	3

Note 3: issues of concern to stakeholders and the channels of communication and response.

Stakeholder	Issues of concern	Channels of communication and response.	The 2022 Stakeholder Communication Performance
Customer	<ul style="list-style-type: none"> <li>Completed annual satisfaction surveys in response to customer requests</li> <li>Completed the annual conflict mineral source survey and complied with the customer's requirement to declare that no mineral from the conflict area will be used.</li> <li>Implemented confidential information protection measures as required by customers</li> <li>Made Declaration of Prohibition of Child Labor and Declaration of Product Origin as requested by the customer</li> <li>Conducted Audits of suppliers as requested by customers</li> <li>Customer factory production flow guide</li> </ul>	<ul style="list-style-type: none"> <li>Google questionnaire annual customer satisfaction survey</li> <li>Impromptu meetings for unexpected issues</li> <li>Conference calls for specific issues</li> <li>External communication mailbox</li> <li>Regular customer visits every year</li> <li>Computex VIP conference</li> <li>Customer field audits/visits</li> </ul> <p>Contact Information: sales@innodisk.com Foreign Sales Department / Manager Kao</p>	<ul style="list-style-type: none"> <li>Visiting customers from time to time</li> <li>Accepted 4 customer on-site factory audits so far</li> <li>Completed communication questionnaire survey in March 2022</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Set up staff suggestion boxes in the cafeteria for staff to provide feedback at any time</li> <li>Organized labor-management meetings</li> </ul>	<ul style="list-style-type: none"> <li>Recurring settings</li> <li>Quarterly meetings with representatives from both management and employees</li> </ul> <p>Contact Information: inno_members@innodisk.com Administration Division / Senior Manager Lo</p>	<ul style="list-style-type: none"> <li>Held 8 labor-management meetings (Taipei + Yilan), on a quarterly basis</li> <li>Employee satisfaction statistics of all anonymous employees</li> <li>Promoted employee health promotion program and shared and interacted with employees through the company intranet platform</li> </ul>
Investors/ Shareholders	<ul style="list-style-type: none"> <li>Convened the shareholders' meeting, in which the chairman, directors and senior management reported the financial statements and operations of the Company to all shareholders. At the meeting, the earnings distribution proposal was adopted and important resolutions were approved.</li> <li>Financial statements and significant financial business information of the Company announced and disclosed on the Market Observation Post System</li> </ul>	<ul style="list-style-type: none"> <li>Convene regular shareholders' meetings every year</li> <li>Regular disclosure of finance and business information</li> <li>Disclosure of significant information on the "Market Observation Post System" from time to time</li> <li>Established a spokesperson system to answer shareholders' questions</li> </ul> <p>Contact Information: inno_shareholders@innodisk.com Stock affairs/Miss Yang</p>	<ul style="list-style-type: none"> <li>Held 1 shareholders' meeting</li> <li>Invited to participate in two corporate presentations</li> <li>Completed communication questionnaire survey in March 2022</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Qualified supplier certification</li> <li>Green Supply Chain GPM</li> <li>IQC inspection status</li> </ul>	<ul style="list-style-type: none"> <li>New product acknowledgement</li> <li>Related quality document updates</li> <li>Occasional phone and email communication</li> <li>Field audits/year</li> <li>Audit of questionnaires/semi-annually</li> </ul> <p>Contact Information: inno_vendor@innodisk.com Purchasing / Miss Kao</p>	<ul style="list-style-type: none"> <li>Completed communication questionnaire survey in March 2022</li> <li>10 on-site audits of suppliers (including online audits)</li> </ul>
Outsourcers	<ul style="list-style-type: none"> <li>Quality control of outsourced products</li> <li>Trial production of new models</li> </ul>	<ul style="list-style-type: none"> <li>Quality meeting/month</li> <li>Factory on-site audits/year</li> </ul>	<ul style="list-style-type: none"> <li>Occasional phone and email communication</li> </ul>

Stakeholder	Issues of concern	Channels of communication and response.	The 2022 Stakeholder Communication Performance
	<ul style="list-style-type: none"> <li>Output confirmation</li> <li>Technical Exchange</li> </ul>	<ul style="list-style-type: none"> <li>Occasional phone and email communication</li> </ul> Contact Information: inno_vendor@innodisk.com Purchasing / Miss Gao	
Government agencies	<ul style="list-style-type: none"> <li>Filed work safety practices and occupational safety and health personnel</li> <li>Reporting of waste cleanup plans</li> </ul>	<ul style="list-style-type: none"> <li>Environmental Protection Bureau/Labor Inspection Department Occasional Official Documents</li> </ul> Contact Information: inno_members@innodisk.com Administration Division / Senior Manager Lo	<ul style="list-style-type: none"> <li>Environmental Protection Bureau/Labor Inspection Department Occasional Official Documents and communications</li> </ul>
Local area Building	<ul style="list-style-type: none"> <li>Power outage. Construction. Machinery room. Notification of specific conditions such as fire drills</li> <li>Participated in community affairs as a member of the management committee</li> </ul>	<ul style="list-style-type: none"> <li>Occasional phone and email communication</li> <li>Regular participation in meetings and events</li> </ul> Contact Information: walker_chiu@innodisk.com Admin. Dept. / Manager Chiu	<ul style="list-style-type: none"> <li>Attended 6 Management Committee meetings</li> <li>Attended 1 owner meetings</li> <li>Held 2 blood donations in the park</li> <li>Completed the communication questionnaire in February 2022</li> </ul>
Media	<ul style="list-style-type: none"> <li>Product information release (including new products and technologies)</li> <li>Release of company information (relocation, awards, social welfare, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>From time to time, interview and have dinner with the media.</li> <li>On average, a press release is issued once a month to the relevant media.</li> </ul> Contact Information: andy_chen@innodisk.com Marketing Division / Division Chief Chen	<ul style="list-style-type: none"> <li>Issued 13 press releases</li> </ul>

Note 4: The advanced study of directors (including independent directors) in 2022:

Title	Name	Advanced study date	Course organizer	Course name	Training hours
Chairman	Chien, Chuan-Sheng	10/20/2022	Securities and Futures Institute	The value of information security in the post-pandemic era and under the Sino-US trade war	3
		12/20/2022		Corporate tax governance and tax technology solutions according to the ESG trends and the epidemic environment	3
Director	Lee, Chung-Liang	12/23/2022	The Institute of Internal Auditors	How to face legal investigation procedures	6
Director	Jhu, Cing-Jhong	08/25/2022	Securities and Futures Institute	Company insider short-term trading introduction and case analysis	3
		09/06/2022		Global Risk Perception - Opportunities and Challenges in the Next Decade	3
Director	Hsu, Shan-Ke	07/14/2022	Securities and Futures Institute	Risks and Opportunities of Climate Change and Net-Zero Policies to Business Operations	3
		09/02/2022	Taiwan Corporate Governance Association	Form Deep Learning to practical AI application	3
		10/13/2022	Securities and Futures Institute	Company management right dispute and introduction to Commercial Case Adjudication Act	3
Director	Rui Ding Investment Co., Ltd. Representative: Wu, Hsi-Hsi	11/16/2022	Securities and Futures Institute	Technology development and business opportunities for electric and smart vehicles	3
		11/22/2022		How to improve the credibility of corporate sustainability reports	3
Independent Director	Wang, Yin-Tien	08/10/2022	Securities and Futures Institute	How do non-accounting specialists, directors, and supervisors review financial reports	3
		10/04/2022		How should directors and supervisors supervise corporate risk management and crisis management?	3
Independent Director	Lin, Wei-Li	09/16/2022	Securities and Futures Institute	Financial information that directors most often overlook	3
		10/04/2022		How should directors and supervisors supervise corporate risk management and crisis management?	3
Independent Director	Young, Kai-Charn	05/10/2022	Taiwan Institute Of Directors	Green transformation-sustainable supply chain management and green operations	3
		05/30/2022	Accounting Research and Development Foundation	How the Board of Directors and Senior Executives Review ESG Sustainability Reports	3
		08/09/2022	Taiwan Institute Of Directors	How Businesses Cope with U.S.–China Trade and Geopolitical Conflicts	3
Independent Director	Lo, Su-Shun	08/19/2022	Securities and Futures Institute	Early Warning of Enterprise Financial Crisis and Classification Analysis	3
		09/16/2022		Financial information that directors most often overlook	3

(V) If the Company has established a Remuneration Committee or Nomination Committee, it is necessary to disclose their composition, responsibilities, and operations:

1. Information on the members of the Remuneration Committee:

Condition		Professional qualification and experience	Independence	Number of other public companies in which the individual is concurrently serving as a remuneration committee member
Identity Type	Name			
Independent Director (Convener)	Lin, Wei-Li	1. Possess leadership and experience in business operation for more than 5 years. (See P.12-13 Director Profile) 2. There is no occurrence of any circumstances as stated in Article 30 of the Company Act.	1. Spouse or relatives within the second degree of kinship are not directors or employees of the Company or the Company's affiliates. 2. The principal, spouse, or a relative within the second degree of kinship who is not providing auditing service to the Company or affiliated enterprises, or a professional individual who provides business, legal, finance, accounting service or consultation, proprietorship, partnership, shareholders of a company or institution, partner, director (executive), supervisor, managerial officers and their spouses who received less than NT\$500,000 remuneration accumulatively in the last 2 years. 3. Not a director (executive), supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (however, if the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company; also, independent directors appointed according to the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company, the parent or subsidiary company, or a subsidiary of the same parent, this restriction does not apply). 4. Please refer to P.12-13 Director Profile on the shareholding and shareholding ratio of the principal, spouse, and relatives within the second degree of kinship (on shares held in the name of others).	0
Independent Director	Wang, Yin-Tien	1. Possess leadership and experience in business operation for more than 5 years. (See P.12-13 Director Profile) 2. There is no occurrence of any circumstances as stated in Article 30 of the Company Act.		1
Independent Director	Young, Kai-Charn	1. Possess leadership and experience in business operation for more than 5 years. (See P.12-13 Director Profile) 2. There is no occurrence of any circumstances as stated in Article 30 of the Company Act.		2
Independent Director	Lo, Su-Shun	1. Possess leadership and experience in business operation for more than 5 years. (See P.12-13 Director Profile) 2. There is no occurrence of any circumstances as stated in Article 30 of the Company Act.		0

2. Information on the operations of the Remuneration Committee

- (1) There are three members of the Remuneration Committee of the Company.
- (2) Current term of office: From July 21, 2021, to July 7, 2024. There were five Remuneration Committee meetings (A) held in the most recent year (2022) up to the publication date of the annual report. The qualifications and attendance of the Remuneration Committee members are as follows:

Title	Name	Rate of actual attendance Frequency (B)	Attendance by proxy Frequency	Actual attendance rate (%) (note)	Remarks
Convener	Lin, Wei-Li	5	0	100%	
Member	Wang, Yin-Tien	5	0	100%	
Member	Young, Kai-Charn	5	0	100%	
Member	Lo, Su-Shun	5	0	100%	

Other matters required to be recorded.

- I. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, the date, term, proposal content, the resolution of the Board of Directors, and the Company's handling of the opinions of the Remuneration Committee members (such as the remuneration resolved by the Board of Directors is superior to the suggestion made by the Remuneration Committee should be described, including the deviation and the reasons): None.
- II. For the proposals by the Remuneration Committee. If any members have objections or reservations with records or written statements, the date, period, proposal content, and opinions of all members, its handling of the members' opinions should be stated: None.

III. The operations of the Remuneration Committee in the most recent year			
Term - Meeting Date (MM/DD/YY)	Important discussion topics	Resolution	The Company's Handling of Members' Opinions
5th term - 3rd meeting 01/24/2022	<ol style="list-style-type: none"> <li>1. Plan to approve the remuneration proposal for the newly appointed managerial officer of the Company.</li> <li>2. Plan to pass the proposal for the year-end bonus to the managerial officers of the Company for 2021.</li> </ol>	Approved by the Remuneration Committee members present unanimously	Submitted to the Board of Directors for approval according to the resolution
5th term - 4th meeting 02/23/2022	<ol style="list-style-type: none"> <li>1. Discussion of distribution of 2021 employees' and directors' remuneration</li> </ol>	Approved by the Remuneration Committee members present unanimously	Submitted to the Board of Directors for approval according to the resolution
5th term-5th meeting 08/05/2022	<ol style="list-style-type: none"> <li>1. Proposal to pass the first employee stock option certificate in 2022 to obtain the list of subscribed employees (managers) and the number of shares subscribed.</li> <li>2. Proposal to pass the 2021 remuneration to the managerial officers of the Company.</li> <li>3. Plan to pass the proposal for the Company's adjustment of remuneration to the managerial officers.</li> <li>4. Proposal to pass the remuneration for the newly appointed managerial officer of the Company.</li> <li>5. Proposal to pass the Company's 2021 remuneration for directors.</li> </ol>	Approved by the Remuneration Committee members present unanimously	Submitted to the Board of Directors for approval according to the resolution
5th term-6th meeting 11/13/2023	<ol style="list-style-type: none"> <li>1. Proposal to pass the 2022 year-end bonus for the managerial officers of the Company.</li> </ol>	Approved by the Remuneration Committee members present unanimously	Submitted to the Board of Directors for approval according to the resolution
5th-term-7th meeting 02/23/2023	<ol style="list-style-type: none"> <li>1. Discussed the 2022 employees' and directors' remuneration distribution</li> </ol>	Approved by the Remuneration Committee members present unanimously	Submitted to the Board of Directors for approval according to the resolution

3. Information on members of the Nomination Committee and its operation: The Company has not established a Nomination Committee yet.

(VI) The implementation of the sustainable development and its deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:

Promotion items	Status of implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No	Summary Description	
I. Has the Company established a governance structure to promote sustainable development, and designated a full-time (part-time) unit to promote sustainable development, which is to be handled by the senior management with the authorization of the Board of Directors, and the actual supervision of the Board of Directors?	✓		<p>The Company has commissioned the Quality Assurance Department to promote CSR-related activities and begin to prepare CSR reports since 2015. The Chairman had assigned and setup the “Sustainable Development Office” at the end of 2022, which is to be assumed by the senior managerial officer with a project team formed to handle the following duties and responsibilities:</p> <ol style="list-style-type: none"> <li>1. Formulate the goals, strategies, and action plans for the Company’s sustainable development policies and guide and track each action plan’s progress, performance, and improvement.</li> <li>2. Identify sustainable issues of concern to stakeholders and formulate a communication plan.</li> <li>3. Supervise the compilation of the Sustainability Report to be completed on time.</li> </ol> <p>The Sustainable Development Office reports the implementation results and work plans for the coming year to the board of directors at least once a year, in addition to reporting sustainable development progress to the chairman through regular monthly meetings.</p> <p>The sustainability topics reported by the team to the board of directors in 2022 are as follows: 1. The Company’s net zero plan, 2. Organizational reform and adjustment, 3. Related international sustainability trends, 4. Future sustainability actions and other proposals for the Company.</p> <p>After listening to the team’s report, the board of directors reviewed the progress of the Group’s sustainable strategy and urged the team to implement and make adjustments. Therefore, the Company will continue to add a net-zero journey on its sustainable official website, which is expected to reduce carbon emissions by 50% in 2030.</p> <p>It is expected to report to the board of directors in May 2023.</p>	No significant difference.
II. Does the company conduct risk assessments on environmental, social, and corporate governance issues related to the Company’s operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓		<p>The “principle of materiality” defined by the Company mainly focuses on the head office, factories, and upstream and downstream operation, and it does not fully cover the data of affiliates and overseas information.</p> <p>The Company conducts risk assessment after understanding the ESG issues concerned by stakeholders and senior executives through questionnaires.</p> <p>Please refer to (Note 1) for the relevant risk management policies or strategies formulated based on the assessed risks.</p>	No significant difference

Promotion items	Status of implementation		Summary Description	Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No		
III. Environmental issues				
(I) Has the Company set up an appropriate environmental management system based on the characteristics of its industry?	✓		(I) The Company is committed to maintaining the cleanliness and hygiene of the surrounding environment, promoting the reuse of resources and continuously carrying out energy saving and carbon reduction actions. Meanwhile, the Company obtained ISO-14001 certification on December 19, 2020, valid until September 29, 2023. (Please refer to the official website of the Company for the certificate: <a href="https://www.innodisk.com">https://www.innodisk.com</a> )	
(II) Is the Company committed to improving energy efficiency and using recycled materials with reduced environmental impacts?	✓		(II) The Company strives to promote and implement resource recycling, including recycling various resources and wastes. In 2022, the Yilan factory recycled 25,123 kilograms of waste paper boxes (including the Xizhi plant), 75.4 kilograms of scrap iron cans, 17.9 kilograms of waste aluminum cans, and 119.9 kilograms of waste plastic bottles. Promote second-time reuse for photocopy waste papers and install water economizers on pantry faucets, faucet sensors in toilets, water dispensers sleep at night and holiday mechanisms, and other water-saving measures. The central air-conditioning ice water machine uses the flow rate and time control, and the ice water machine automatically shuts down when the load becomes small at night or after work. In addition, the newly installed remote monitoring system will help improve management efficiency. The office is equipped with a light and air conditioning master cut-off switch. When the last colleague leaves the office, press the master cut-off power to turn off the office light and air conditioning. We also replaced LED energy-saving lamps for the newly added offices. The Company has signed a contract with Taipower for a contracted capacity of power supply. In addition to the contracted capacity of power supply in the laboratory and the manufacturing plant, there is also the time price for the power supply. The contracted capacity of power supply is reviewed annually and is adjusted according to the current situation to achieve energy-saving effect. We also promote the habit of saving water and electricity to our employees in order to achieve the purpose of energy saving, carbon reduction and energy conservation.	

Evaluation Items	The State of Operations			Deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons:																		
	Yes	No	Summary Description																			
(III) Does the Company evaluate the potential risks and opportunities of climate change to the Company now and in the future, and take corresponding measures to respond to climate related issues?	✓		<p>(III) The Company supports and responds to the government's green energy policy. In 2022, we participated in the National Renewable Energy Certificate Center bid to obtain 47,000 kWh of solar power generation certificates and 100,000 kWh of renewable energy integrated with purchasing electric certificates. The total amount of renewable energy obtained was 147,000 kWh (equivalent to 2.1% of the Company's total annual electricity consumption), and the total amount of renewable energy can reduce CO<sub>2</sub> emissions by 74,823kg.</p> <ul style="list-style-type: none"> <li>● Adding a timing control system to the ice water machine: carbon emissions reduced (0.509kg/kWh): 8,140 kg CO<sub>2</sub></li> <li>● Added LED energy-saving lamps (office replacement): carbon emissions reduced (0.509kg/kWh): 1,995 kg CO<sub>2</sub></li> <li>● Water dispenser sleep mode: carbon emissions reduced (0.509kg/kWh): 641 kg CO<sub>2</sub></li> <li>● Collaborate with the Company foundation's "Handicraft Wood Recycling" project to hold the "Reduce Cans Step by Step" event: carbon emissions reduced by the step by step event: 9,000 kg CO<sub>2</sub></li> </ul> <p>The preceding measures in 2022 reduced a total of 94,599 kg CO<sub>2</sub> in carbon emissions. At the same time, promote digitized documentation, such as internal receipts, fixed asset requisitions, payable vouchers, application form for affixation of seals, etc. so as to achieve the goal of reducing paper consumption.</p> <p>In the third quarter of each year, we conduct a risk assessment for internal and external hazards, including contingency measures for major disasters, off-site backup of data, and setting up uninterruptible power supply system to maintain the operation of the server room so as to minimize the risk of hazards as much as possible.</p>	No significant difference																		
(IV) Does the Company make statistics on greenhouse gas emissions, water consumption and the total weight of waste for the past two years and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?	✓	✓	<p>(IV) 1. The Company's CO<sub>2</sub> emissions from purchased electricity are as follows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Externally purchased power consumption</th> <th>CO<sub>2</sub> emissions (kg CO<sub>2</sub> e/degree)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>3,223,144.7</td> <td>1,618,018.6</td> </tr> <tr> <td>2022</td> <td>3,094,681.6</td> <td>1,575,193.1</td> </tr> </tbody> </table> <p>Note: 1. The carbon emission per kWh of electricity in 2021 was calculated as 0.502 kg of CO<sub>2</sub>. 2. In 2022, the carbon emission per kWh of electricity was calculated as 0.509 kg of CO<sub>2</sub>.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Total electricity consumption</th> <th>CO<sub>2</sub> emissions (kg CO<sub>2</sub> e/degree)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>6,320,345</td> <td>3,172,813.0</td> </tr> <tr> <td>2022</td> <td>7,032,282</td> <td>3,579,431.3</td> </tr> </tbody> </table>	Year	Externally purchased power consumption	CO <sub>2</sub> emissions (kg CO <sub>2</sub> e/degree)	2021	3,223,144.7	1,618,018.6	2022	3,094,681.6	1,575,193.1	Year	Total electricity consumption	CO <sub>2</sub> emissions (kg CO <sub>2</sub> e/degree)	2021	6,320,345	3,172,813.0	2022	7,032,282	3,579,431.3	
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Promotion items	Status of implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No	Summary Description	
IV. Social issues				
(I) Has the company formulated relevant management policies and procedures according to relevant laws and regulations and the International Bill of Human Rights?	✓		(I) The Company has formulated the “Work Rules” and “Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace” to protect the rights and interests of employees according to the labor law and the Act of Gender Equality in Employment; also, the pension is appropriated and deposited into the personal account of each employee. We have adopted another action plan consistent with the RBA regarding basic regulations. We aim to follow the spirit and basic principles of human rights protection espoused by various international human rights conventions such as the “United Nations Global Compact,” and the “Declaration of Fundamental Principles and Rights at Work by the International Labor Organization.” The goal is to fully respect and protect human rights and treat all employees (including contract personnel and interns) with dignity and respect. In addition to formulating and announcing the “Human Rights Policy,” please see (Note 2) for the relevant implementation guidelines and their details. Business ethics reflect the core of corporate culture. Innodisk prohibits any form of corruption, extortion, blackmail, and embezzlement of public funds. The Company formulated the “Integrity Management Operation Procedures and Behavioral Guidelines” and the “Ethical Code of Conduct” provisions in 2012 according to the “Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies.” The goal is to enable colleagues to clearly understand the Company’s human rights, integrity management, anti-corruption policies, and whistleblower mechanism. Arrange training for all employees. In 2022, all colleagues in Taiwan were scheduled to participate in a total of 3 online or physical courses. This communication course aims to give colleagues a correct understanding of the policy. In addition to videos or on-site explanations, the courses include relevant test questions to ensure that each colleague understands the Company’s policies. A total of 672 people were trained in 3 courses, and 636 people completed the training with a completion rate of 94.64%. Colleagues who have not completed the training and new colleagues from the following year were invited to participate in the online courses for the following year.	No significant difference
(II) Whether the Company has formulated and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits, etc.), and appropriately reflects operating performance or results in employee remuneration?	✓		(II) The Company has established a vacation system superior to the Labor Standards Act, including a reasonable remuneration structure, group insurance, and appropriation of year-end prize money and employee bonuses according to the annual earnings. Please refer to P.63(i) of the Company’s Articles of Incorporation regarding the percentage or range of the remuneration to employees, directors, and supervisors.	

Evaluation Items	The State of Operations			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No	Summary Description	
(III) Has the Company provided a safe and healthy working environment for its employees, and provided regular safety and health education?	✓		(III) The Company maintains and supervises the working environment of the factory area and office in accordance with the relevant occupational safety and health laws and regulations. Perform regular inspection according to the updated regulations on a quarterly basis to meet the latest requirements. At the same time, perform on-site inspections of environmental safety and health, including factory operation safety inspections, personal protective gear inspections, first-aid kit inspections, emergency response equipment inspections, etc. The Company has obtained ISO-045001 certification on February 25, 2022 that is valid till February 25, 2025. In 2022, 10 safety and health education and training sessions were held. Weekly COVID-19 prevention announcements were provided according to the Central Epidemic Command Center's policy. Provide colleagues with home-based rapid screening reagents to perform rapid screening and regular environmental disinfection to ensure workplace safety.	No significant difference
(IV) Does the company have an effective career development training program planned for employees?	✓		(IV) The Company has constructed a comprehensive human training structure and system to fulfill its talent training principle. The goal is to cultivate the knowledge and skills needed by supervisors and colleagues in the workplace, build a responsible and aggressive work attitude, and improve overall performance and operational efficiency. The Company has also established an education and training platform to provide physical and online internal training courses and encourage colleagues to apply for external training. Diversified courses include general education courses (training for newcomers, new trends, etc.), technical colleges (various subjects such as production and marketing), management colleges, language colleges, and international colleges. The goal is to comprehensively improve colleagues' and organizations' knowledge, skills, and professionalism. Please refer to P.80(v) Labor Relations for the advanced study and training information of the staff in 2022.	
(V) Does the Company comply with relevant laws and international standards, and formulate relevant right and interest protection policies and grievance procedures to deal with customers for products and services, such as customer health and safety, customer privacy, marketing and labelling, etc.?	✓		(V) The Company's marketing and labeling of products and services are in accordance with relevant laws and regulations and international standards. In addition, in order to provide customers with more convenient grievance procedures, the Company has formulated QPCS000300 “Customer complaint management procedures.” We will document each customer complaint into the system through system control and will respond to customers within the required time limit.	

Evaluation Items	The State of Operations			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons:
	Yes	No	Summary Description	
(VI) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and monitor their implementation?	✓		(VI) The Company’s environmental safety and health policy: Enhance environmental protection education, Substantiate energy conservation and carbon reduction Enterprise sustainable operation, Improve safety awareness Promote employee health, Control hazard risks Implement laws and regulations, Continuously improve to achieve waste reduction, Zero-disaster goal. Innodisk currently sets the RBA specifications via supplier quality contracts and requires suppliers to provide countersignature acknowledgment. The Company intends to establish Innodisk’s International Supplier Code of Conduct, including environmental, environmental, energy, human rights, and occupational disasters in its communications with suppliers. (Please refer to the Company’s corporate sustainability website at <a href="https://esg.innodisk.com/environment/supply-chain">https://esg.innodisk.com/environment/supply-chain</a> )	
V. Does the Company refer to the internationally accepted reporting standards or guidelines to prepare the sustainability reports for disclosing the Company’s non-financial information? Has the assurance or opinion from third-party certifying institutions been obtained for the aforementioned reports?	✓		The Company has prepared a sustainability report and placed it on the official website with reference to the internationally accepted reporting standards (GRI Standard 2021) or guidelines. In addition, the sustainability report has been verified by a third party (SGS) to increase the credibility of information disclosure since April 2022. The scope of verification is mainly based on the Xizhi headquarters and Yilan factory.	No significant difference.
VI. If the Company has the sustainable development best practice principles formulated in accordance with the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies,” please describe the differences between its operation and the principles. The Company has not yet formulated the corporate social responsibility best practice principles, but in order to demonstrate the Company’s commitment to employees, shareholders, and the general public, in addition to implementing information transparency, the Company will also actively participate in environmental protection and charity activities, which demonstrates the Company’s fulfilling the spirit of the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies.”				
VII. Other important information that helps understand the promotion of sustainable development: The Company’s fulfillment of the social responsibilities has been disclosed in this annual report.				

Note 1: Risk management policy or strategy

Major issues	Risk assessment items	Description
Environment	Environmental impact and management	<ol style="list-style-type: none"> <li>The Company is mainly engaged in market of industrial control; therefore, in addition to product quality, the Company values the importance of environmental protection. The Company has obtained ISO14001 Environmental Management Systems and IECQ QC080000 Hazardous Substance Process Management System since 2012, and regularly obtains third-party certification.</li> <li>The Company has been implementing ISO14064-1 Greenhouse Gas on the parent company since 2020, and entrusted SGS to perform inspections in 2021. The Company continues to implement carbon reduction measures based on the inspection results to effectively reduce the risk of Category 1 emissions and the risk of indirect emission of greenhouse gas in Category 2 caused by the use of electricity. For Category 3 greenhouse gas emission, the Company also voluntarily discloses it and recommends the supplier to provide the correlation coefficient. Currently, the Company plans to expand the scope of the inspection to those subsidiaries included in the consolidated financial statements before 2025.</li> <li>The Company has the climate risk identification process constructed by utilizing the TCFD structure in 2022 before the official request from the Financial Supervisory Commission; also, it is disclosed in the 2022 Sustainability Report.</li> <li>The routine annual internal audit plan aims at the Company’s compliance with various relevant environmental laws and regulations, and auditing the operating procedures in compliance with the requirements.</li> </ol>
Social	Occupational safety	<ol style="list-style-type: none"> <li>The verification of the “ISO 45001 Occupational Health and Safety Management Systems” was completed in 2021.</li> <li>Fire drills and occupational safety education and training are held regularly every year to cultivate employees’ ability to respond to emergencies and manage personal safety.</li> </ol>

Major issues	Risk assessment items	Description
		3. Innodisk invites external fire brigade to conduct fire education training at the Company's premise and to share cases from a professional perspective.
	Product safety	<ol style="list-style-type: none"> <li>1. The Company's products comply with the laws and governmental regulations, the EU RoHS specifications, and do not contain any hazardous substances. Also, a customer service hot line and communication website is setup to ensure the quality of customer service.</li> <li>2. Take the initiative to conduct customer satisfaction surveys regularly every year so as to enhance the cooperative relationship with customers.</li> </ol>
Corporate governance	Socioeconomic and legal compliance	<ol style="list-style-type: none"> <li>1. The Company establishes and implements an internal control system in accordance with relevant policies and regulations so as to ensure that all personnel and operations of the Company in compliance with relevant norms.</li> <li>2. Formulate various ethical code of conduct, establish a good corporate governance and risk control mechanism, and substantiate the policy of ethical corporate management.</li> <li>3. The Company has introduced the "ISO27001 Information Security Management System" with the relevant enforcement rules formulated. According to the verification specifications, an internal audit is carried out on a regular basis every year, and an external audit will be conducted by a third party subsequently. At the same time, a complete backup mechanism is constructed.</li> <li>4. The Company continues product research and development, maintains the innovation and research and development achievements, and continuously enhances the management of intellectual property rights so as to ensure the Company's rights and interests.</li> </ol>
	Reinforce the functions of the Board of Directors	<ol style="list-style-type: none"> <li>1. The Company acquires liability insurance policy for directors every year.</li> <li>2. The Company arranges advanced study programs for directors so as to help them understand the latest laws, systems, and policies.</li> <li>3. The Company's Board of Directors shall perform an internal performance evaluation within the Board of Directors at least once a year to ensure that the execution of the Board of Directors is effective.</li> </ol>
	Communication with stakeholder	<ol style="list-style-type: none"> <li>1. The Company regularly distributes questionnaires to stakeholders every year so as to analyze their needs and expectations for improvements. The relevant information is announced on the website and in the sustainability report.</li> <li>2. The Company also has a spokesperson appointed to serve the investors or to handle the suggestions proposed by the investors at any time.</li> </ol>

Note 2: Human rights policy

Diversity, Inclusion, and Equal Job Opportunities	<p>We are committed to creating a diverse, open, equal, and harassment-free working environment and will never allow human rights violations. The goal is to comply with the relevant national labor laws, prohibit child labor, forbid human trafficking, prevent forced labor, and ban all employment discrimination.</p> <p>The colleagues shall not receive discrimination due to personal gender (including sexual orientation), race, class, age, blood type, marriage, language, religion, party affiliation, place of origin, place of birth, appearance, physical and mental disabilities, etc.</p> <p>Implement fairness in employment, salary benefits, training, evaluation, and promotion opportunities. Provide effective and appropriate complaint mechanisms to prevent and respond to any harm against employee rights and interests.</p>
Provide a safe and healthy working environment.	<p>Provide a safe and healthy working environment and necessary health and first aid facilities, eliminate hazards in the working environment that may affect the health and safety of employees, and reduce the risk of occupational accidents.</p> <p>Take the initiative to care about and manage the abnormal workload of colleagues, avoid overtime work, and regularly implement education and training related to labor safety.</p>
Respect the employees' freedom of assembly and association	<p>Respect employees' basic human rights, safeguard the right of employees to organize trade unions and negotiate with groups, and provide diversified communication mechanisms and platforms to ensure a harmonious and win-win labor relationship.</p>
Help employees to maintain physical and mental health and work balance	<p>Provide care for employees' physical and mental health and actively hold health management lectures. Activities such as arts and literature, sports, and family day for parents and children are provided in addition to stress-relieving massage measures. All employees are encouraged to participate in clubs to expand interpersonal interaction among colleagues, enrich the concept of work-life balance, and take care of employees' physical and mental health.</p>

(VII) Climate-related information:

1. Implementation of climate-related information:

Item	Status of implementation
<p>1. Describe the board of directors' management oversight, governance, and climate-related risks and opportunities.</p> <p>2. Describe how the identified climate risks and opportunities will affect the Company's business, strategy, and finances in the short-, medium-, and long-term.</p> <p>3. Describe the financial impacts of extreme climate events and transitional actions.</p> <p>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.</p> <p>5. The scenarios, parameters, assumptions, analysis factors, and major financial impacts must be explained if scenario analysis is used to assess resilience to climate change risks.</p> <p>6. If there is a transition plan for managing climate-related risks, describe the plan's content and the indicators and goals used to identify and manage physical risks and transition risks.</p>	<p>1. Innodisk Corporation has included climate risk issues as one of the key topics of corporate sustainability and environmental governance. After the Sustainable Development Office is completed, the climate governance report shall be submitted to the sustainable director, who shall then submit it to the board of directors to ensure that these risk opportunities are controlled in a timely manner.</p> <p>2. Mainly report the climate-related background information, risk and opportunity identification results, quantitative conclusions for various financial information, risks and issues that must be continuously paid attention to when resolving risks, short-/medium-/long-term strategies and performance, and the difficulties faced. Following the meeting, the relevant response action plans, budgets, etc., shall be formulated or revised according to the opinions of directors/committees.</p> <p>3. Innodisk International Finance has taken certain transformational actions in response to the extreme climate-related risks.</p> <p>(1) Increase the proportion of renewable energy use</p> <p>(2) E-certificate integration</p> <p>(3) Greenhouse gas inventory of subsidiaries</p> <p>(4) Adding solar panels to the self-built factory buildings</p> <p>These transformational actions may impact the Company, which in turn increases the Company's financial costs. These transformational actions may also bring opportunities for the Company, such as enhancing the Company's image and reputation and thereby increasing consumer loyalty and brand value while meeting investor and social expectations.</p> <p>4. During the entire climate risk assessment, the Company first identifies climate risks that may affect the Company, such as extreme weather events, climate change, and policy changes. After confirming the fields and businesses that may be impacted, evaluate the identified climate risks, including the probability of risks, degree of impact, and possible financial and non-financial impacts. Finally, manage the assessed climate risks, such as formulating risk response strategies and emergency plans while implementing risk monitoring and early warning.</p> <p>5. We used scenario simulations such as Intended Nationally Determined Contribution (INDC) and RCP to analyze the operational and physical shocks we may suffer. According to INDC's evaluation, the operating cost of Innodisk only increased by 0.14%, and the impact was slight. The physical risk profile identified by the RCP8.5 scenario. As the temperature rises, Innodisk's operating costs only increase by 0.01%, and the impact is slight.</p> <p>6. Risk Transformation Program</p> <p>(1) Increase the proportion of renewable energy use Renewable energy use will continue to increase by 5% per year.</p> <p>(2) E-certificate integration The Company has signed a contract with the manufacturer, which will continue to provide green electricity to the Company in the future.</p> <p>(3) Greenhouse gas inventory of subsidiaries According to the FSC regulations, our Company has scheduled the introduction period of the subsidiaries' greenhouse gas inventory. It will be introduced to the first subsidiary in 2023 and to at least 2 strongholds per year.</p> <p>(4) Adding solar panels to the self-built factory buildings Innodisk's factory, located in the Yilan Science Park, will</p>

Item	Status of implementation
<p>7. If internal carbon pricing is used as a planning tool, the basis for setting the price must be stated.</p> <p>8. If climate-related goals are set, information such as the activities covered, the scope of greenhouse gas emissions, the planning period, and the progress achieved each year must be explained. If carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, the source and quantity of carbon reduction credits or RECs to be offset must be clarified.</p> <p>9. Greenhouse gas inventory and certification status.</p>	<p>start installing solar panels in 2023. The second factory in Yilan is now under construction and has included solar panel planning in the design, which is projected to be completed by the end of 2023.</p> <p>7. Innodisk currently plans to implement internal carbon pricing in 2025.</p> <p>8. Regarding climate-related goals, Innodisk has announced on its website that it will achieve a 50% reduction by 2030 and net zero carbon emissions by 2050.</p> <p>●2022 bid winning certificates:  (1) 24 from Kaohsiung City Animal Protection Office  (2) 19 from Department of Economic Development, Taipei City Government  (3) 4 from Taipei City Fire Department</p> <p>●2022 Bundled RECs:  (1) 100 from ECOVE Solar Energy Corporation  They totaled 147 certificates</p> <p>9. See Table 1-1 below for details</p>

1-1 Greenhouse gas inventory and certification status:

The company's boundary setting includes the direct greenhouse gas emissions and removals, as well as the large indirect greenhouse gas emissions of two Innodisk International Co., Ltd. sites as follows:

- (1) Xizhi headquarters: 3, 4, 5 F., No. 237, Sec. 1, Datong Rd, Xizhi District
- (2) Yilan plant: No. 128, Yike Rd, Yilan City

The Company has adopted the "operational control method" as its boundary-setting method. All emission sources from floors used by the Company are wholly owned and disclosed by the Company. The facility-level GHG emission and removal method is adopted to calculate the volume.

Innodisk evaluates the external certification report according to ISO 14064 1 2018, and the SGS is verified via ISO 14064 3 20 06. A reasonable level of assurance is adopted for direct greenhouse gas emissions and removals as well as indirect energy greenhouse gas. The limited assurance level is adopted for other indirect greenhouse gas emissions, and the substantive threshold is 5%. The external verification was completed on March 31, 2022.

<p>Basic Information of the Company</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Companies with a capital of over NT\$10 billion, the iron and steel industry, and the cement industry</li> <li><input type="checkbox"/> Companies with a capital of over NT\$5 billion but less than NT\$10 billion</li> <li><input checked="" type="checkbox"/> Companies with a capital of less than NT\$5 billion</li> </ul>	<p>Disclosure required by the Sustainable Development Roadmap for TWSE (GTSM) Listed Companies</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Parent company individual inventory <input type="checkbox"/> Inventory of subsidiaries in the consolidated financial report</li> <li><input checked="" type="checkbox"/> Parent company individual certification <input type="checkbox"/> Certification of subsidiaries in the consolidated financial report</li> </ul>
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Scope I	Total emissions (Metric ton CO2e)	Density (Metric ton CO2e/NT\$ million)	Certification body	Certification status description
Parent company	111.7595	0.00011176	SGS	The Company's direct greenhouse gas emissions this year were 111.759 metric tons of CO2e, accounting for 1.1% of the Company's total greenhouse gas emissions. Among them, the Xizhi headquarters' Category I emission amount was 34.4405 metric tons of CO2e, and the Category I emission of the Yilan plant was 77.3190 metric tons of CO2e.
Subsidiary	-	-		
Total	111.7595	0.00011176		
Scope II	Total emissions (Metric ton CO2e)	Density (Metric ton CO2e/NT\$ million)	Certification body	Certification status description
Parent company	3172.8130	0.003172813	SGS	The Company's energy indirect greenhouse gas emission source is the purchased electricity sold by Taiwan Power Company. This year, the Company's indirect greenhouse gas emissions from energy input comprised of Xizhi Headquarters' 1618.0186 metric tons of Category II CO2e emissions and Yilan plant's 1554.7944 metric tons of Category II CO2e emissions. The Company's indirect greenhouse gas emissions quantified according to the location-based method this year were 3172.8130 metric tons of CO2e, which accounted for 31.17% of the Company's total greenhouse gas emissions.
Subsidiary	-	-		
Total	111.7595	0.00011176		
Scope III	-			

(VIII) The Practice of Ethical Corporate Management and Related Policies and Variation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX-listed Companies:

Evaluation Items	The State of Operations			Deviation From the "Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company" and the Reasons.
	Yes	No	Summary Description	
I. Establishment of ethical corporate management policy and proposal				No significant difference
(I) Has the Company formulated an ethical corporate management policy approved by the Board of Directors, and are the policy and practice of ethical corporate management stated in the Company's regulations and external documents, as well as the commitment of the Board of Directors and the senior management to actively implement the policy?	~		(I) The Company has established the "Operating Procedures for Ethical Management and Guidelines for Conduct" to implement its policy on ethical corporate management. It requires all directors and managerial officers, senior management and employees to comply with the procedures when engaging in any activity.	
(II) Whether the Company has established a mechanism for evaluating the risk of unethical conduct, regularly analyzes and evaluates the activities in the scope of business with a higher risk of unethical conduct, and on the basis of this, has formulated a plan to prevent unethical conduct, which covers at least the preventive measures for the conduct set out in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	~		(II) The "Operating Procedures for Ethical Management and Guidelines for Conduct" and the "Code of Ethical Conduct" specify the scope of the prevention program and the authority and responsibility units, with solid implementation.	
(III) Whether the Company has specified operating procedures, conduct guidelines, and disciplinary and complaint systems for violations in the plan to prevent unethical conduct and implemented the plan as well as regularly reviews and amends it?	~		(III) In addition to the prohibition of unethical conduct as specified in the "Operating Procedures for Ethical Management and Guidelines for Conduct," it also discloses the procedures that comply with laws and policies.	

Evaluation Items	The State of Operations			Deviation from the “Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	Summary Description	
<p>II. Implementation of Ethical Corporate Management</p> <p>(I) Does the Company evaluate the ethical records of its counterparties and specify the ethical conduct clauses in the contracts signed with the counterparties?</p> <p>(II) Does the Company have a dedicated unit under the Board of Directors to promote ethical corporate management and regularly report (at least once a year) to the Board of Directors on its ethical management policy and plan to prevent unethical conduct and monitor their implementation?</p> <p>(III) Does the Company have the policy to prevent conflict of interest, provide appropriate channels for an explanation, and implement it?</p> <p>(IV) Whether the Company has established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit draws up relevant audit plans based on the evaluation results of risk of unethical conduct, and audits the compliance of the plan to prevent unethical conduct or entrusts a CPA to perform the audit?</p> <p>(V) Does the Company regularly organize internal and external education and training on ethical corporate management?</p>	<p>~</p> <p>~</p> <p>~</p> <p>~</p> <p>~</p>	<p>~</p> <p>~</p> <p>~</p> <p>~</p> <p>~</p>	<p>(I) The Company’s “Operating Procedures for Ethical Management and Guidelines for Conduct” stipulates that when entering into a contract with another party, the Company should fully understand the other party’s integrity management status and should include integrity management in the contract terms or specify integrity matters.</p> <p>(II) The Company’s “Operating Procedures for Ethical Management and Guidelines for Conduct” stipulates that the management office is responsible for the formulation of integrity management policies and prevention programs. Internal auditors are responsible for monitoring their implementation and preparing audit reports for the Board of Directors.</p> <p>(III) The Operating Procedures for Ethical Management provides for the avoidance of relevant regulations, and each business has a window of authority and responsibility. The relevant regulations are announced on the official website for easy access and compliance.</p> <p>(IV) The Company has a dedicated audit unit that conducts regular internal control audits and controls, and the relevant operating rules are announced on the official website.</p> <p>(V) The Company aims to give colleagues a clear understanding of the Company’s human rights, integrity management, anti-corruption policies, and whistleblower mechanism. Arrange training for all employees. In 2022, all colleagues in Taiwan were scheduled to participate in a total of 3 online or physical courses. This communication course aims to give colleagues a correct understanding of the policy. In addition to videos or on-site explanations, the courses include relevant test questions to ensure that each colleague understands the Company’s policies. A total of 672 people were trained in 3 courses, and 636 people completed the training with a completion rate of 94.64%. Colleagues who have not completed the training and new colleagues from the following year were invited to participate in the online courses for the following year.</p>	No significant difference
<p>III. The operation of the Company’s whistleblower reporting system</p> <p>(I) Has the Company set up a specific whistleblower reporting and reward system and a convenient reporting channel, and designated appropriate personnel to deal with the reported matters?</p> <p>(II) Has the Company formulated standard operating procedures for the investigation of the reported matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms?</p>	<p>~</p> <p>~</p>	<p>~</p> <p>~</p>	<p>(I) The Company’s “Operating Procedures for Ethical Management and Guidelines for Conduct” provide a specific reporting and reward system and establish reporting channels and assign dedicated staff to receive reports.</p> <p>(II) The Company’s “Operating Procedures for Ethical Management and Guidelines for Conduct” set forth the standard operating procedures to investigate the reported matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms.</p>	No significant difference

Evaluation Items	The State of Operations			Deviation From the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company” and the Reasons.
	Yes	No	Summary Description	
(III) Whether the Company takes measures to protect whistleblowers from being improperly handled due to reporting?	✓		(III) The Company’s “Operating Procedures for Ethical Management and Guidelines for Conduct” specifies measures to protect whistleblowers from improper treatment as a result of whistleblowing.	
IV. Intensification of Disclosure Does the Company disclose the content and effectiveness of its Ethical Corporate Management Principles on its website and the Market Observation Post System?	✓		The Company discloses the “Operating Procedures for Ethical Management and Guidelines for Conduct” on the Company’s website and Market Observation Post System, and the effectiveness of implementation.	No significant difference
V. If the Company has related practice principles of its own in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” please state the differences between the two and the state of implementation: The Company works with various vendors and organizations based on the principle of ethical corporate management. The Company has established and approved by the Board of Directors the “Operating Procedures for Ethical Management and Guidelines for Conduct” and has implemented them in internal management and external business activities.				
VI. Any other essential information that may help us to under the ethical corporate management of the Company better: (such as the review and revision of the ethical corporate management best practice principles): The Company takes honesty and integrity as the foundation, and we make sure that all of our employees uphold the spirit of honesty and integrity and are responsible to our investors, customers and society. In addition, the Company has long-term cooperation with relevant manufacturers and partners, and we have dedicated staff to participate in them to maintain long-term and stable cooperation.				

(IX) If the company has formulated corporate governance principles and related articles, it shall disclose the way of inquiry:

1. In order to establish a sound system of good corporate governance, the Company has established the following corporate governance-related rules and regulations.

- |  |  |
|--|--|
| (1) Articles of Incorporation  | (11) Remuneration Committee Charter  |
| (2) Procedures for Acquisition or Disposal of Assets                       | (12) Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises                        |
| (3) Rules of Procedure for Shareholders’ Meeting                           | (13) Operating Procedures for Group Enterprises, Specific Companies and Related Party Transactions                                 |
| (4) Operating Procedures for Endorsement and Guarantee                     | (14) Rules Governing the Scope of Powers of Independent Directors  |
| (5) Procedure for Election of Directors and Supervisors                    | (15) Internal control system, internal audit implementation rules and internal control system self-inspection operating procedures |
| (6) Procedures for Board of Directors Meetings                             | (16) Procedures for halt and resumption applications   |
| (7) Operating Procedures for Ethical Management and Guidelines for Conduct | (17) Procedures for Handling Material Inside Information   |
| (8) Procedures for Lending Funds to Others                                 | (18) Standard practice for handling requests from directors  |
| (9) Code of ethical conduct  | (19) Corporate Governance Best Practice Principles   |
| (10) Audit Committee Charter   |  |

2. The above rules and regulations are amended in accordance with the letters issued by the competent securities authorities and approved by the board of directors or shareholders’ meeting of the Company. The Company discloses significant financial and business information on the public website in a timely manner in accordance with the laws and regulations for review by the general public. It maintains a corporate website for the public to understand the Company. The Company also has a website for the public to understand the Company and discloses the implementation of

its social responsibility in its annual report and prospectus.

(X) Other important information for understanding the operations of corporate governance may be disclosed: None.

(XI) Internal control system implementation status:

1. Statement of internal control:

Innodisk Corporation  
Statement of internal control system

Date: **February 23, 2023**

The Company bases on the result of the self-assessment performed on the 2022 internal control system to make a declaration as follows:

- I. The Company knows that establishing, implementing and maintaining an internal control system is the responsibility of the Company's Board of Directors and managerial officers, and the Company has established this system. Its purpose is to provide reasonable assurance of the achievement of objectives such as the effectiveness and efficiency of operations (including profitability, performance and asset security, etc.), the reliability, timeliness, and transparency of reporting, as well as compliance with relevant rulings, laws and regulations, etc.
- II. Internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance of the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once a defect is identified, the Company will take corrective actions.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the criteria of the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria of the internal control system adopted in the "Regulations" are based on the process of managerial control and divide the internal control system into five components: 1. control environment, 2. risk evaluation, 3. control operations, 4. Information and communication, and 5. Monitoring operations. Each component consists of a number of items. Please refer to the "Regulations" for these items.
- IV. The Company has adopted the aforementioned criteria of the internal control system to evaluate the effectiveness of the design and implementation of its internal control system.
- V. The Company, based on the evaluation results in the preceding paragraph, concludes that the internal control system on December 31, 2022 (including the supervision and management of subsidiaries), including understanding the operational effect and the extent of efficiency realization, the reporting is reliable, timely, transparent, and complying with the relevant norms and relevant laws and regulations, the compliance with governing laws and regulations, and other design and implementation, is effective, which can reasonably ensure the achievement of the preceding objectives.

- VI. This statement will become the main content of the Company's annual report and prospectus and will be made public. If the above-mentioned disclosures have falsehood or concealment, legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act will be incurred.
- VII. This statement was approved by the Company's Board of Directors on February 23, 2023. Of the nine directors present, zero had objections, and the rest agreed with this statement's content and declared here.

Innodisk Corporation

Chairman: Chien, Chuan-Sheng

General manager: Chien, Chuan-Sheng

2. The review report of the CPAs should be disclosed if the internal control system is reviewed by the CPAs: None.
- (XII) Where the Company and its insiders receive penalties for violations or the Company's punishment on its internal personnel for violating internal control system, and where the punishment may have a material impact on shareholders' equity or securities price, the penalty, main mistake and improvement shall be expressly listed: None.
- (XIII) Major resolutions of the shareholder and board meetings in the most recent year to the day this Annual Report was printed:
1. Major Resolutions at Shareholders' Meetings as follows:

Meeting Items	Meeting date	Resolutions at Shareholders' Meetings	Status of implementation															
Regular shareholders' meeting	05/31/2022	1. 2021 annual business report and financial statements.	<p>1. The voting results are as follows, and the motion was adopted as proposed. The total number of rights represented by the attending shareholders: 57,217,519 voting rights, passed with 97.26% approving voting rights.</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Number of approving voting rights</th> <th>Number of objecting voting rights</th> <th>Number of invalid voting rights</th> <th>Number of abstaining/non-voting rights</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>55,653,088</td> <td>19,844</td> <td>0</td> <td>1,544,587</td> </tr> <tr> <td>Among them, electronic voting</td> <td>36,997,278</td> <td>19,844</td> <td>0</td> <td>1,544,587</td> </tr> </tbody> </table>	Item	Number of approving voting rights	Number of objecting voting rights	Number of invalid voting rights	Number of abstaining/non-voting rights	Total	55,653,088	19,844	0	1,544,587	Among them, electronic voting	36,997,278	19,844	0	1,544,587
		Item	Number of approving voting rights	Number of objecting voting rights	Number of invalid voting rights	Number of abstaining/non-voting rights												
		Total	55,653,088	19,844	0	1,544,587												
		Among them, electronic voting	36,997,278	19,844	0	1,544,587												
2. 2021 earnings distribution.	<p>2. The voting results are as follows, and the motion was adopted as proposed. The total number of rights represented by the attending shareholders: 57,217,519 voting rights, passed with 97.27% approving voting rights.</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Number of approving voting rights</th> <th>Number of objecting voting rights</th> <th>Number of invalid voting rights</th> <th>Number of abstaining/non-voting rights</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>55,656,087</td> <td>19,845</td> <td>0</td> <td>1,541,587</td> </tr> <tr> <td>Among them, electronic voting</td> <td>37,000,277</td> <td>19,845</td> <td>0</td> <td>1,541,587</td> </tr> </tbody> </table> <p>The distribution base date was scheduled on August 6, 2022, and the payment date was scheduled on September 2, 2022 (for a cash dividend of NT\$11.52407490 per share and a stock dividend of NT\$0.29548907 per share).</p>	Item	Number of approving voting rights	Number of objecting voting rights	Number of invalid voting rights	Number of abstaining/non-voting rights	Total	55,656,087	19,845	0	1,541,587	Among them, electronic voting	37,000,277	19,845	0	1,541,587		
Item	Number of approving voting rights	Number of objecting voting rights	Number of invalid voting rights	Number of abstaining/non-voting rights														
Total	55,656,087	19,845	0	1,541,587														
Among them, electronic voting	37,000,277	19,845	0	1,541,587														
3. The Company's increased capital in 2021 from earnings with new shares issued	<p>3. The voting results are as follows, and the motion was passed as proposed. The total number of rights represented by the attending shareholders: 57,217,519 voting rights, passed with 97.27% approving voting rights.</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Number of approving voting rights</th> <th>Number of objecting voting rights</th> <th>Number of invalid voting rights</th> <th>Number of abstaining/non-voting rights</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>55,653,848</td> <td>19,983</td> <td>0</td> <td>1,541,688</td> </tr> <tr> <td>Among them, electronic voting</td> <td>37,000,038</td> <td>19,983</td> <td>0</td> <td>1,541,688</td> </tr> </tbody> </table>	Item	Number of approving voting rights	Number of objecting voting rights	Number of invalid voting rights	Number of abstaining/non-voting rights	Total	55,653,848	19,983	0	1,541,688	Among them, electronic voting	37,000,038	19,983	0	1,541,688		
Item	Number of approving voting rights	Number of objecting voting rights	Number of invalid voting rights	Number of abstaining/non-voting rights														
Total	55,653,848	19,983	0	1,541,688														
Among them, electronic voting	37,000,038	19,983	0	1,541,688														
4. Amendments to the Company's "Procedures for the Acquisition and Disposal of Assets"	<p>4. The voting results are as follows: the motion was passed as proposed. Total number of rights represented by the attending shareholders: 57,217,519 voting rights, passed with 97.26% approving voting rights.</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Number of approving voting rights</th> <th>Number of objecting voting rights</th> <th>Number of invalid voting rights</th> <th>Number of abstaining/non-voting rights</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>55,651,786</td> <td>19,932</td> <td>0</td> <td>1,545,801</td> </tr> <tr> <td>Among them, electronic voting</td> <td>36,995,976</td> <td>19,932</td> <td>0</td> <td>1,545,801</td> </tr> </tbody> </table>	Item	Number of approving voting rights	Number of objecting voting rights	Number of invalid voting rights	Number of abstaining/non-voting rights	Total	55,651,786	19,932	0	1,545,801	Among them, electronic voting	36,995,976	19,932	0	1,545,801		
Item	Number of approving voting rights	Number of objecting voting rights	Number of invalid voting rights	Number of abstaining/non-voting rights														
Total	55,651,786	19,932	0	1,545,801														
Among them, electronic voting	36,995,976	19,932	0	1,545,801														

## 2. Major Resolutions at Board Meetings as follows:

Term - Meeting Date (MM/DD/YY)	Important resolutions	Matters listed in Paragraph 14-3 of the Securities and Exchange Act	Independent Directors' Opinion and The Company's Handling of the Opinion	Resolutions of the Board of Directors
7th term – 4th meeting 01/24/2022	1. The scheduled base date for the Company's issuing new shares in a capital increase from the employee's exercising their stock warrants in the 4th quarter of 2021 is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	2. The proposal for the Company's construction of a factory in Yilan Science Park is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	3. The Company's 2022 business plan is hereby presented for discussion.		No	Passed by the directors present unanimously.
	4. The evaluation of the independence and competency of the CPAs is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	5. The remuneration proposal for the newly appointed managerial officer of the Company is hereby presented for discussion.		No	Passed by the directors present unanimously.
	6. The proposal for passing the year-end bonus to the managerial officers of the Company for 2021 is hereby presented for discussion.		No	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.
	7. The proposal for making donation to Innodisk Foundation by the Company is hereby presented for discussion.		No	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.
	8. The Company's application for bank loans to purchase real estate is hereby presented for ratification.		No	Passed by the directors present unanimously.
	9. The proposal for designating the custodian for the corporate seal and responsible person's stamp as requested by the Ministry of Economic Affairs is hereby presented for discussion.		No	Passed by the directors present unanimously.
7th term – 5th meeting 02/23/2022	1. The proposal for the Company's issuing the 2021 "Statement of Internal Control System" is hereby presented for discussion.		No	Passed by the directors present unanimously.
	2. The proposal for the Company's issuing the 2021 distribution of remuneration to the employees and directors is hereby presented for discussion.		No	Passed by the directors present unanimously.
	3. The proposal for the Company's 2021 financial statements is hereby presented for discussion.		No	Passed by the directors present unanimously.
	4. The proposal for the Company's 2021 business report is hereby presented for discussion.		No	Passed by the directors present unanimously.
	5. The proposal for the Company's 2021 earnings distribution is hereby presented for discussion.		No	Passed by the directors present unanimously.
	6. The Company's 2021 capital increase from earnings with news shares issued is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	7. The proposal for the amendments to the Company's "Procedures for the Acquisition or Disposal of Assets" is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	8. The proposal for the Company's convening the 2022 regular shareholders' meeting is hereby presented for discussion.		No	Passed by the directors present unanimously.
	9. The proposal for the Company's investment in Supreme Electronics Co., Ltd. is hereby presented for discussion.		No	Passed by the directors present unanimously.
	10. The application for renewal of the Company's current banking facilities is hereby presented for discussion.		No	Passed by the directors present unanimously.
7th term-6th meeting 05/05/2022	1. The Company's 2022 1st quarter financial report is hereby presented for discussion.		No	Passed by the directors present unanimously.
	2. The scheduled base date for the Company's issuing new shares in a capital increase from the employees exercising their stock warrants in the 1st quarter of 2022 is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	3. The schedule for the Company's greenhouse gas inventory and verification disclosure is hereby presented for discussion.		No	Passed by the directors present unanimously.
	4. The application for renewal of the Company's current banking facilities is hereby presented for discussion.		No	Passed by the directors present unanimously.
7th term-7th meeting 07/06/2022	1. The scheduled base date for the Company's issuing new shares in a capital increase from the employees exercising their stock warrants in the 2nd quarter of 2022 is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	2. The Company's 2022 profit transfer to capital increase, new share issuance allotment base date, and cash dividend distribution base date is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	3. The Company passed a proposal to issue the 1st employee stock option certificate in 2022, and formulate stock subscription methods is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
7th term-8th meeting 08/05/2022	1. The proposal to change the Company's head of accounting is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	2. The Company's 2022 2nd quarter financial report is hereby presented for discussion.		No	Passed by the directors present unanimously.
	3. The amendments to the Company's "Internal Control System" are hereby presented for discussion.	✓	No	Passed by the directors present unanimously.

Term - Meeting Date (MM/DD/YY)	Important resolutions	Matters listed in Paragraph 14-3 of the Securities and Exchange Act	Independent Directors' Opinion and The Company's Handling of the Opinion	Resolutions of the Board of Directors	
	4. The proposal to ratify and revise the Company's 2022 first employee stock option certificate issuance and share subscription method is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.	
	5. The proposal to pass the first employee stock option certificate in 2022 and obtain the list of subscribed employees and the number of shares subscribed is hereby presented for discussion.	✓	No	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.	
	6. The Company's 2021 distribution of remuneration to the managerial officers is hereby presented for discussion.		No	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.	
	7. The remuneration adjustment to the Company's managerial officers is hereby presented for discussion.		No	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.	
	8. The remuneration proposal for the newly appointed managerial officer of the Company is hereby presented for discussion.		No	Passed by the directors present unanimously.	
	9. The Company's 2021 remuneration to directors is hereby presented for discussion.		No	Passed by the directors present unanimously.	
	10. The application for renewal of the Company's current banking facilities is hereby presented for discussion.		No	Passed by the directors present unanimously.	
	11. The proposal for the Company's application to Chinatrust Commercial Bank for financial derivatives transactions is hereby presented for discussion.		No	Passed by the directors present unanimously.	
	7th term-9th meeting 11/04/2022	1. The Company's 2022 3rd quarter financial report is hereby presented for discussion.		No	Passed by the directors present unanimously.
		2. The scheduled base date for the Company's issuing new shares in a capital increase from the employees exercising their stock warrants in the 3rd quarter of 2022 is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
3. The proposal for the Company's enacting the 2023 auditing plan is hereby presented for discussion.			No	Passed by the directors present unanimously.	
4. The Company's bank loan application for the construction of Yilan Plant No. 2 is hereby presented for discussion.			No	Passed by the directors present unanimously.	
5. The application for renewal of the Company's current banking facilities is hereby presented for discussion.			No	Passed by the directors present unanimously.	
7th term-10th meeting 01/13/2023	1. The Company's 2023 business plan is hereby presented for discussion.		No	Passed by the directors present unanimously.	
	2. The scheduled base date for the Company's issuing new shares in a capital increase from the employees exercising their stock warrants in the 4th quarter of 2022 is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.	
	3. The evaluation of the independence and competency of the CPAs is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.	
	4. The proposal to invest in SysInno Technology Inc. is hereby presented for discussion.		No	Passed by the directors present unanimously.	
	5. The proposal to pass the year-end bonus to the managerial officers of the Company for 2022 is hereby presented for discussion.		No	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.	
	6. The proposal to make donations to Innodisk Foundation by the Company is hereby presented for discussion.		No	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.	
	7. The Company's application for a credit line from the bank is hereby presented for discussion.		No	Passed by the directors present unanimously.	
7th term-11th meeting 02/23/2023	1. The Company's "Internal Control System" amendments are hereby presented for discussion.	✓	No	Passed by the directors present unanimously.	
	2. The proposal for the Company to issue the 2022 "Statement of Internal Control System" is hereby presented for discussion.		No	Passed by the directors present unanimously.	
	3. The proposal for the Company to issue the 2022 distribution of remuneration to the employees and directors is hereby presented for discussion.		No	Passed by the directors present unanimously.	
	4. The Company's 2022 financial statements proposal is hereby presented for discussion.		No	Passed by the directors present unanimously.	
	5. The Company's 2022 business report proposal is hereby presented for discussion.		No	Passed by the directors present unanimously.	
	6. The Company's 2022 earnings distribution proposal is hereby presented for discussion.		No	Passed by the directors present unanimously.	
	7. The Company's 2022 capital increase from earnings with news shares issued is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.	

Term - Meeting Date (MM/DD/YY)	Important resolutions	Matters listed in Paragraph 14-3 of the Securities and Exchange Act	Independent Directors' Opinion and The Company's Handling of the Opinion	Resolutions of the Board of Directors
	8. The proposal to preapprove certification CPAs, their firms, and firm affiliates to provide non-assurance services to the Company, its subsidiaries, and its major affiliates is hereby presented for discussion.	✓	No	Passed by the directors present unanimously.
	9. The amendment to the "Rules of Procedure for Board of Directors Meetings" is hereby presented for discussion.		No	Passed by the directors present unanimously.
	10. The "Code of Ethical Conduct" amendment is hereby presented for discussion.		No	Passed by the directors present unanimously.
	11. The proposal to formulate the Company's "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises" is hereby presented for discussion.		No	Passed by the directors present unanimously.
	12. The proposal for convening the Company's 2023 regular shareholders' meeting is hereby presented for discussion.		No	Passed by the directors present unanimously.
	13. The application for renewal of the Company's current banking facilities is hereby presented for discussion.		No	Passed by the directors present unanimously.

(XIV) During the most recent year or the current year up to the date of publication of the annual report, if board directors or supervisors had different opinions on important resolutions approved by the Board of Directors with records or written statements, the main content of the opinions: None.

(XV) For the most recent year or the current year up to the date of publication of the annual report, a summary of the resignation and dismissal of the Company's chairman, general manager, head of accounting, finance officer, internal audit officer, corporate governance officer, and R&D officer:  
April 20, 2023

Title	Name	Date hired	Date dismissed	Reason for resignation or dismissal
Accounting Senior Manager	Liao, Shu-Nu	07.25.2012	08.05.2022	Job adjustment
Accounting Manager	Wen-Kuei Hsiao	08.05.2022	Not applicable	Not applicable

#### V. Information on the CPA's audit fees:

Amount unit: NT\$ Thousand

CPA firm	CPA name	CPA audit period	Audit fee	Non-audit fee	Total	Remarks
PricewaterhouseCoopers, Taiwan	Yeh, Tsui Miao	01/01/2022-12/31/2022	3,113	1,544	4,657	
	Huang, Shih-Chun	01/01/2022-12/31/2022				

Please specify the non-audit service fees in details:

1. Non-audit service fees are paid for the services of industrial and commercial registration, tax consultation, issuance of transfer pricing reports, etc.

(I) If the accounting firm for audit service is changed and the audit fee paid in the year of change is lower than the audit fee of the year before the change, please disclose the audit fee paid before and after the change and the reasons: None.

(II) If the audit service fee is reduced by more than 10% from the year before, please disclose the amount, proportion, and reason for the reduction of the audit service: None.

#### VI. Information on the replacement of CPAs: None.

VII. Any of The Company's Chairman, President, or managers involved in financial or accounting affairs being employed by the auditor's firm or any of its affiliated company within the recent year; disclose their names, job titles, and the periods during which they were employed by the auditor's firm or any of its affiliated company: None.

VIII. Equity transfer and changes in equity pledge of directors, supervisors, managers, and shareholders who have more than 10% shareholdings:

(I) Changes in the transfer of shares by directors, supervisors, managerial officers and shareholders with more than 10% shareholding:

Unit: shares

Title	Name	2022		As of April 20, 2023	
		Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged	Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged
Chairman/General Manager	Chien, Chuan-Sheng	107,276	0	0	0
Director	Lee, Chung-Liang	55,779	0	0	0
Director	Jhu, Cing-Jhong	47,568	0	0	0
Corporate director	Rui Ding Investment Co., Ltd.	435,691	0	0	0
Representative of Corporate Director/Vice President	Wu, Hsi-Hsi	49,613	100,000	(37,000)	0
Director	Hsu, Shan-Ke	0	0	0	0
Independent Director	Wang, Yin-Tien	0	0	0	0
Independent Director	Lin, Wei-Li	0	0	0	0
Independent Director	Young, Kai-Charn	0	0	0	0
Independent Director	Lo, Su-Shun	0	0	0	0
Chief Operating Officer	Wang, Chia-Ying	40,168	0	(56,000)	0
Vice President	Liao, Te-Chang	38,017	0	(29,000)	0
Vice President	Zhang, Wei-Min	27,575	0	30,000	0
Vice President	Ke, Yu-Jun	37,752	0	30,000	0
Vice President	Tsai, Han-Tsang	14,659	0	5,476	0
Vice President	Wei, Ting-Huang	14,413	0	0	0
Vice President	Fu, Hao	36,034	0	(16,000)	0
Vice President	Wang, Li-Cheng	(21,429)	0	0	0
Senior Assistant Vice Manager	Guo, Jin-Zhong	(26,571)	0	0	0
Assistant Vice Manager	Yu, Li-Yin	34,698	0	0	108,000
Accounting Manager	Wen-Kuei Hsiao (Note 1)	0	0	0	0

Note 1: Inaugurated on August 5, 2022.

(II) The counterparty to whom the shares are transferred is a related party: No such situation

(III) The counterparty to whom the shares are pledged is a related party: No such situation

IX. Information on the top ten shareholders who are related to each other or as spouses or relatives within the second degree of kinship

April 2, 2023 Unit: Shares

Name	In-person Shareholding.		Shareholding of spouse and minor children now		Shares held in the name of others		The title or names and relationships of the top-ten shareholders who are related parties, spouse, and relatives within the second degree of kinship as defined in the R.O.C. Financial Accounting Standards No. 6 should be disclosed		Remarks
	Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership	Title (or name)	Relationship with the endorser/guarantor	
Rui Ding Investment Co., Ltd. Representative: Lee, Chung-Liang	6,687,728	7.72%	-	-	-	-	Lee, Chung-Liang	Director	
	1,943,480	2.24%	706,295	0.81%	-	-	Rui Ding Investment	Representative	
Swedbank Robur Technology	3,706,376	4.28%	-	-	-	-	-	-	
Bank SinoPac Representative: TSAO, Wei-thyr	2,324,202	2.68%	-	-	-	-	-	-	
	-	-	Data not available						
PineBridge Global Funds - PineBridge Asia Ex Japan Small Cap Equity Fund	2,320,799	2.68%	-	-	-	-	-	-	
Picchu Investment Co., Ltd. Representative: Huang, Pi-Hua	2,038,122	2.35%	-	-	-	-	Jhu, Cing-Jhong	Spouse of representative	
	13,759	0.02%	1,657,395	1.91%	-	-			
Lee, Chung-Liang	1,943,480	2.24%	706,295	0.81%	-	-	Rui Ding Invest Co., Ltd.	Representative	
Fidelity funds under the custody of Standard Chartered	1,828,422	2.11%	-	-	-	-	-	-	
RBC Emerging Markets Dividend Fund	1,761,503	2.03%	-	-	-	-	-	-	
Jhu, Cing-Jhong	1,657,395	1.91%	13,759	0.02%	-	-	Representative of Picchu Investment Co., Ltd.: Huang, Pi-Hua	Spouse	
RBC Emerging Markets Small-Cap Equity Fund	1,514,760	1.75%	-	-	-	-	-	-	

- X. The total number of shares and the consolidated equity stake percentage held in any single reinvested enterprise by the Company, its directors, supervisors, managerial officers, or any companies controlled either directly or indirectly by the Company

Unit: shares; %

Reinvestment business	The Company's investment		Investment of the directors, supervisors, managers and business under direct or indirect control		Total investments	
	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage
Innodisk Global-M Corporation	665,000	100%	-	-	665,000	100%
Innodisk USA Corporation	2,046,511	100%	-	-	2,046,511	100%
Innodisk Japan Corporation	196	100%	-	-	196	100%
Aetina Corporation	19,107,283	74.20%	1,194,674	4.64%	20,301,957	78.84%
Innodisk Shenzhen Corporation	-(Note 1)	100%	-	-	-(Note 1)	100%
Innodisk Europe B.V.	50,000,100	100%	-	-	50,000,100	100%
Innodisk France SAS	5,000	100%	-	-	5,000	100%
Millitronic Co., Ltd.	5,415,720	33.55%	936,360	5.81%	6,352,080	39.36%
Antzer Tech Co., Ltd.	58,400,000	100%	-	-	58,400,000	100%
Sysinno Technology Inc.	645,000	43%	-	-	645,000	43%
AETINA USA CORPORATION	-(Note 2)	100%	-	-	-(Note 2)	100%
Aetina Europe B.V.	-(Note 3)	100%	-	-	-(Note 3)	100%

Note 1: No shares issued

Note 2: AETINA USA CORPORATION was invested in and established by Aetina Corporation in 2021, and the capital injection has not been completed as of December 31, 2022.

Note 3: AETINA Europe B.V. was invested in and established by Aetina Corporation in 2022, and the capital injection has not been completed as of December 31, 2022.

## Four. Capital raising

### I. Source of capital: (I) Type of share

April 2, 2023 Unit: Shares

Type of share	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock	86,666,581	13,333,419	100,000,000	Over the Counter

### (II) Capital formation:

April 2, 2023 Unit: Shares

Year/ Month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of capital	Using property other than cash as payment of shares	Others
2005.03	@10	8,000,000	80,000,000	5,300,000	53,000,000	Established		
2005.05	@10	8,000,000	80,000,000	8,000,000	80,000,000	Capital increase of \$27,000,000 by cash		
2006.04	@10	20,000,000	200,000,000	11,000,000	110,000,000	Capital increase of \$30,000,000 by cash		
2007.07		20,000,000	200,000,000	11,400,000	114,000,000	Capital increase of \$4,000,000 for merger		Note 1
2007.08	@12	20,000,000	200,000,000	13,400,000	134,000,000	Capital increase of \$20,000,000 by cash		Note 2
2008.08	@25	20,000,000	200,000,000	16,000,000	160,000,000	Capital increase of \$26,000,000 by cash		Note 3
2010.01	@12	20,000,000	200,000,000	17,000,000	170,000,000	Capital increase of \$10,000,000 for employee subscription		Note 4
2010.08		30,000,000	300,000,000	21,586,000	215,860,000	Capital increase of \$45,860,000 from earnings		Note 5
2010.11	@12	30,000,000	300,000,000	22,586,000	225,860,000	Capital increase of \$10,000,000 for employee subscription		Note 6
2010.11	@25	30,000,000	300,000,000	25,586,000	255,860,000	Capital increase of \$30,000,000 by cash		Note 7
2011.05	@50	60,000,000	600,000,000	29,186,000	291,860,000	Capital increase of \$36,000,000 by cash		Note 8
2011.09		60,000,000	600,000,000	37,858,080	378,580,800	Capital increase of \$86,720,800 from earnings		Note 9
2012.01	@17	60,000,000	600,000,000	39,358,080	393,580,800	Capital increase of \$15,000,000 for employee subscription		Note 10
2012.07		60,000,000	600,000,000	45,961,792	459,617,920	Capital increase of \$66,037,120 from earnings		Note 11
2012.07	@17	60,000,000	600,000,000	47,461,792	474,617,920	Capital increase of \$15,000,000 for employee subscription		Note 12
2013.08		60,000,000	600,000,000	49,834,881	498,348,810	Capital increase of \$23,730,890 from earnings		Note 13
2013.12	@62	60,000,000	600,000,000	54,803,881	548,038,810	Capital increase of \$49,690,000 by cash		Note 14
2014.09		80,000,000	800,000,000	59,188,191	591,881,910	Capital increase of \$43,843,100 from earnings		Note 15
2015.08		80,000,000	800,000,000	62,147,600	621,476,000	Capital increase of \$29,594,090 from earnings		Note 16
2016.05	@55.98	80,000,000	800,000,000	62,544,600	625,446,000	Employee stock option conversion of 3,970,000		Note 17
2016.08	@55.98	80,000,000	800,000,000	62,596,600	625,966,000	Employee stock option conversion of 520,000		Note 18
2016.09		80,000,000	800,000,000	65,703,980	657,039,800	Capital increase of \$31,073,800 from earnings		Note 19
2016.11	@51	80,000,000	800,000,000	65,830,480	658,304,800	Employee stock option conversion of 1,265,000	No	Note 20
2017.02	@51	80,000,000	800,000,000	65,940,980	659,409,800	Employee stock option conversion of 1,105,000		Note 21
2017.05	@51	80,000,000	800,000,000	66,394,480	663,944,800	Employee stock option conversion of 4,535,000		Note 22
2017.08	@51	80,000,000	800,000,000	66,520,480	665,204,800	Employee stock option conversion of 1,260,000		Note 23
2017.09		80,000,000	800,000,000	69,817,529	698,175,290	Capital increase of \$32,970,490 from earnings		Note 24
2017.11	@47 @84.7	80,000,000	800,000,000	72,007,327	720,073,270	Employee stock option conversion of 1,155,000		Note 25
2018.02	@47 @84.7	80,000,000	800,000,000	73,879,097	738,790,970	Capital increase of \$20,742,980 for 1st unsecured corporate bonds conversion		Note 26
2018.05	@47 @84.7	80,000,000	800,000,000	74,981,142	749,811,420	Employee stock option conversion of 1,670,000		Note 27
2018.08	@84.7	80,000,000	800,000,000	75,540,752	755,407,520	Capital increase of \$9,350,450 for 1st unsecured corporate bonds conversion		Note 28
2018.09		80,000,000	800,000,000	77,775,452	777,754,520	Capital increase of \$5,596,100 for 1st unsecured corporate bonds conversion		Note 29
2018.11	@84.7 @79.2	80,000,000	800,000,000	78,086,586	780,865,860	Capital increase of \$22,347,000 from earnings		Note 30
2019.02	@79.2	80,000,000	800,000,000	78,166,129	781,661,290	Capital increase of \$1,558,340 for 1st unsecured corporate bonds conversion		Note 31
2019.09		100,000,000	1,000,000,000	79,729,451	797,294,510	Capital increase of \$795,430 for 1st unsecured corporate bonds conversion		Note 32

Year/ Month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of capital	Using property other than cash as payment of shares	Others
2020.09		100,000,000	1,000,000,000	81,324,040	813,240,400	Capital increase of \$15,945,890 from earnings	No	Note 33
2021.05	@92.8	100,000,000	1,000,000,000	82,459,040	824,590,400	Employee stock option conversion of \$11,350,000		Note 34
2021.08	@92.8	100,000,000	1,000,000,000	82,516,040	825,160,400	Employee stock option conversion of \$570,000		Note 35
2021.11	@89.8	100,000,000	1,000,000,000	82,628,040	826,280,400	Employee stock option conversion of \$1,120,000		Note 36
2022.02	@89.8	100,000,000	1,000,000,000	82,668,040	826,680,400	Employee stock option conversion of \$400,000		Note 37
2022.05	@89.8	100,000,000	1,000,000,000	83,722,540	837,225,400	Employee stock option conversion of \$10,545,000		Note 38
2022.07	@89.8	100,000,000	1,000,000,000	83,895,040	838,950,400	Employee stock option conversion of \$1,120,000		Note 39
2022.08		100,000,000	1,000,000,000	86,375,081	863,750,810	Capital increase of \$24,800,410 from earnings		Note 40
2022.11	@81.4	100,000,000	1,000,000,000	86,470,581	864,705,810	Employee stock option conversion of \$955,000		Note 41
2023.01	@81.4	100,000,000	1,000,000,000	86,553,081	865,530,810	Employee stock option conversion of \$825,000		Note 42

Note 1: 2007.07.20 Approval Document No.: Fu-Jian-Shang-Zi No. 09687115200  
Note 2: 2007.08.22 Approval Document No.: Fu-Jian-Shang-Zi No. 09688352700  
Note 3: 2008.08.18 Approval Document No.: Fu-Chan-Shang-Zi No. 097877222021  
Note 4: 2010.01.20 Approval Document No.: Fu-Chan-Ye-Shang-Zi No. 09980339710  
Note 5: 2010.08.31 Approval Document No.: Bei-Fu-Jing-Deng-Zi No. 0993151965  
Note 6: 2010.11.23 Approval Document No.: Bei-Fu-Jing-Deng-Zi No. 0993171053  
Note 7: 2010.11.23 Approval Document No.: Bei-Fu-Jing-Deng-Zi No. 0993171053  
Note 8: 2011.05.26 Approval Document No.: Bei-Fu-Jing-Deng-Zi No. 1005030508  
Note 9: 2011.09.15 Approval Document No.: Bei-Fu-Jing-Deng-Zi No. 1005057332  
Note 10: 2012.01.16 Approval Document No.: Bei-Fu-Jing-Deng-Zi No. 1015003145  
Note 11: 2012.07.18 Approval Document No.: Bei-Fu-Jing-Deng-Zi No. 1015041804  
Note 12: 2012.07.18 Approval Document No.: Bei-Fu-Jing-Deng-Zi No. 1015041804  
Note 13: 2013.08.26 Approval Document No.: Bei-Fu-Jing-Si-Zi No. 1025054039  
Note 14: 2013.12.17 Approval Document No.: Jing-Shou-Shang-Zi No. 10201252970  
Note 15: 2014.09.25 Approval Document No.: Jing-Shou-Shang-Zi No. 10301193020  
Note 16: 2015.08.27 Approval Document No.: Jing-Shou-Shang-Zi No. 10401184420  
Note 17: 2016.05.17 Approval Document No.: Jing-Shou-Shang-Zi No. 105020210030  
Note 18: 2016.08.10 Approval Document No.: Jing-Shou-Shang-Zi No. 10501199180  
Note 19: 2016.09.10 Approval Document No.: Jing-Shou-Shang-Zi No. 10501222990  
Note 20: 2016.11.29 Approval Document No.: Jing-Shou-Shang-Zi No. 10501273320  
Note 21: 2017.02.06 Approval Document No.: Jing-Shou-Shang-Zi No. 10601014250

Note 22: 2017.05.18 Approval Document No.: Jing-Shou-Shang-Zi No. 10601063850  
Note 23: 2017.08.18 Approval Document No.: Jing-Shou-Shang-Zi No. 106020226930  
Note 24: 2017.09.14 Approval Document No.: Jing-Shou-Shang-Zi No. 10601131520  
Note 25: 2017.11.23 Approval Document No.: Jing-Shou-Shang-Zi No. 10601159130  
Note 26: 2018.02.12 Approval Document No.: Jing-Shou-Shang-Zi No. 10701017920  
Note 27: 2018.05.15 Approval Document No.: Jing-Shou-Shang-Zi No. 10701051270  
Note 28: 2018.08.20 Approval Document No.: Jing-Shou-Shang-Zi No. 107020212920  
Note 29: 2018.09.21 Approval Document No.: Jing-Shou-Shang-Zi No. 107020228470  
Note 30: 2018.11.27 Approval Document No.: Jing-Shou-Shang-Zi No. 10701147520  
Note 31: 2019.02.20 Approval Document No.: Jing-Shou-Shang-Zi No. 10801014930  
Note 32: 2019.09.17 Approval Document No.: Jing-Shou-Shang-Zi No. 108020235890  
Note 33: 2020.09.14 Approval Document No.: Jing-Shou-Shang-Zi No. 10901171470  
Note 34: 2021.05.21 Approval Document No.: Jing-Shou-Shang-Zi No. 202101086400  
Note 35: 2021.08.18 Approval Document No.: Jing-Shou-Shang-Zi No. 202101149360  
Note 36: 2021.11.24 Approval Document No.: Jing-Shou-Shang-Zi No. 202101215080  
Note 37: 2022.02.15 Approval Document No.: Jing-Shou-Shang-Zi No. 120211017690  
Note 38: 2022.05.24 Approval Document No.: Jing-Shou-Shang-Zi No. 11101084800  
Note 39: 2022.07.28 Approval Document No.: Jing-Shou-Shang-Zi No. 11101137570  
Note 40: 2022.08.24 Approval Document No.: Jing-Shou-Shang-Zi No. 11101158970  
Note 41: 2022.11.23 Approval Document No.: Jing-Shou-Shang-Zi No. 11101221890  
Note 42: 2023.01.30 Approval Document No.: Jing-Shou-Shang-Zi No. 11230011750

## II. Shareholder structure

April 2, 2023 Unit: Person; Shares

Shareholder structure Quantity	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Total
Number of people	0	48	218	18,287	176	18,729
Number of Shares Held	0	9,369,065	13,202,870	37,062,889	27,031,757	86,666,581
Shareholding percentage	0.00%	10.81%	15.24%	42.76%	31.19%	100%

III. Equity dispersion profile:

April 2, 2023 Unit: Shares

Shareholding grading	Number of shareholders	Number of Shares Held	Shareholding percentage
1 ~ 999	13,350	645,962	0.75%
1,000 ~ 5,000	4,185	7,057,303	8.14%
5,001 ~ 10,000	518	3,669,153	4.23%
10,001 ~ 15,000	189	2,270,894	2.62%
15,001 ~ 20,000	93	1,622,643	1.87%
20,001 ~ 30,000	89	2,128,366	2.46%
30,001 ~ 40,000	55	1,925,150	2.22%
40,001 ~ 50,000	38	1,688,249	1.95%
50,001 ~ 100,000	85	5,855,926	6.76%
100,001 ~ 200,000	55	7,658,304	8.84%
200,001 ~ 400,000	40	10,585,957	12.21%
400,001 ~ 600,000	10	4,808,823	5.55%
600,001 ~ 800,000	8	5,795,361	6.69%
800,001 ~ 1,000,000	1	920,484	1.06%
More than 1,000,001	13	30,034,006	34.65%
Total	18,729	86,666,581	100%

IV. Name of major shareholders:

Name, amount, and percentage of shareholding of the top ten shareholders or shareholders holding 5% or more shares.

April 2, 2023 Unit: Shares

Names of major shareholders	Shares	Number of Shares Held	Shareholding percentage
Rui Ding Investment Co., Ltd.		6,687,728	7.72%
Swedbank Robur Technology		3,706,376	4.28%
Bank SinoPac		2,324,202	2.68%
PineBridge Global Funds - PineBridge Asia Ex Japan Small Cap Equity Fund		2,320,799	2.68%
Picchu Investment Co., Ltd.		2,038,122	2.35%
Lee, Chung-Liang		1,943,480	2.24%
Fidelity funds under the custody of Standard Chartered		1,828,422	2.11%
RBC Emerging Markets Dividend Fund		1,761,503	2.03%
Jhu, Cing-Jhong		1,657,395	1.91%
RBC Emerging Markets Small-Cap Equity Fund		1,514,760	1.75%

V. Information on market price, net worth, earnings, dividend per share for the most recent two years:

Unit: Thousand NTD/Thousand shares

Item		Year	2021	2022	Current year up to April 20, 2023
Market Price Per Share	Highest		250.0	223.0	323.0
	Lowest		151.0	151.0	183.0
	Average		189.77	185.61	235.86
Net worth per share	Before distribution		72.32	81.35	(Note 5)
	After distribution (Note 1)		58.82	Undecided	Undecided
Earnings per share	Weighted average number of shares (Unit: thousand shares)		84,899	86,207	(Note 5)
	Earnings per share (Note 2)	Before retrospective adjustment	18.94	21.46	(Note 5)
		After retrospective adjustment	18.39	Undecided	Undecided
Dividends Per Share	Cash dividends		11.7	13.8	-
	Stock dividends	Stock dividends from earnings	11.7	13.8	-
		Stock dividends from capital surplus	-	-	Undecided
	Cumulative undistributed dividends (Note 3)		-	-	Undecided
Analysis of return on investment	Price to earnings ratio		10.02	8.65	(Note 5)
	Price to dividends ratio		16.22	(Note 4)	Undecided
	Cash dividends yield		6.17	(Note 4)	Undecided

Note 1: To be distributed upon the resolution of the next year's shareholders' meeting.

Note 2: If there is a retroactive adjustment due to circumstances such as stock dividend, etc., earnings per share before and after the adjustment should be shown.

Note 3: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the Company makes a profit, the amount of cumulative undistributed dividends up till the current year is disclosed separately.

Note 4: The distribution has not been resolved by the shareholders' meeting.

Note 5: There was no financial information available that had been verified, certified, or reviewed by a CPA prior to the publication date of the annual report.

VI. Company dividend policy and implementation

(I) Dividend policy: In accordance with Article 19-1 of the Company's Articles of Incorporation, as follows

1. The earnings according to the Company's annual final accounts shall be distributed in the following 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.

(II) Dividend distribution resolved for the current year

The Company's 2022 dividend distribution was based on the earnings distribution proposed by the Board of Directors on February 23, 2023. The Company distributed cash dividends for NT\$13.8 per share and stock dividends for NT\$0.02 per share for a total of NT\$1,211,743,128.

(III) Expected significant changes in dividend policy: None.

VII. The effect of the proposed stock dividends of shares at the shareholders' meeting on the Company's operating results and earnings per share

Item		Year	2022 (Estimated)
Opening Paid-In Capital			826,280,400
Stock and Cash Dividends for the Year	Cash dividend per share		13.8(Note 1)
	Stock dividends to issue new stock (Share)		0.02(Note 1)
	Number of shares issued due to capitalization of capital surplus (shares)		—
Changes in business performance	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		
Pro forma earnings per share and a price-to-earnings ratio	If all of the capital increase from earnings is changed to 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 Stock dividends is distributed in cash dividends	Pro forma earnings per share	
		Pro forma annual average return on investment (%)	

Note 1: Pending the approval of the 2023 general shareholders' meeting.

Note 2: Not applicable as the Company has not yet released the 2023 financial forecast information.

VIII. Remuneration for employees, directors and supervisors

(I) The percentage or range of remuneration for employees, directors and supervisors as set forth in the Articles of Incorporation.

Pursuant to Article 19 of the Company's Articles of Incorporation, 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) Directors' remuneration of less than 2%.

Employee compensation mentioned in the preceding paragraph shall be in the form of stocks or cash and shall be determined by the board resolution and reported to the shareholders' meeting. The recipients include the employees of subsidiaries in which the Company holds more than half of the shares with voting power or the total capital of the subsidiaries. Article 19-1: 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 cash and stock dividends. The Company's surplus distribution and shareholders' equity shall not be less than 30% of the current year's surplus.

- (II) The basis for estimating the amount of remuneration to employees, directors and supervisors, the basis for calculating the number of shares for employee remuneration distributed in stock, and the accounting treatment if the actual amount distributed differs from the estimated amount.

The remuneration to employees and directors and supervisors is calculated in accordance with the Company's Articles of Incorporation. The basis for calculating the number of shares to be distributed as stock dividends is based on the fair value per share as estimated by professional valuation technique reports, with the effect of ex-rights taken into account. If the actual distribution amount subsequently resolved by the shareholders' meeting differs from the estimated amount, the difference is accounted for as a change in accounting estimate and recorded as profit or loss in the year of actual distribution.

- (III) Distribution of remuneration as approved by the Board of Directors.

- (1) The amount of employees' remuneration and directors' and supervisors' remuneration distributed in cash or stock. If the amount differs from the amount estimated in the year in which the expense is recognized, the difference, the reasons for the difference, and the circumstances under which the difference was handled should be disclosed:

The Company's Board of Directors had resolved the distribution of employees' remuneration for an amount of NT\$120,225,000 in cash and the directors' remuneration for an amount of NT\$21,000,000 in cash on February 23, 2023. The preceding distribution amounts are consistent with those recognized in the financial statements for the year ended on December 31, 2022, and there is no difference.

- (2) The percentage of the amount of employee remuneration distributed in stock to the total net profits after tax and total employee remuneration for the period: There was no employee stock bonus distribution for the period, so it is not applicable.

- (IV) The actual distribution of remuneration to employees, directors and supervisors in the previous year (including the number of shares distributed, the amount and the price of the shares), the difference between the distribution and the recognition of remuneration to employees, directors and supervisors, and the amount of the difference, the reasons for the difference and the circumstances under which the difference was handled should be stated

- (1) The remuneration distributed to employees was NT\$105,000,000 in cash, and the remuneration distributed to directors was NT\$18,400,000 in cash in 2021. The Company has an Audit Committee established; therefore, there was no remuneration for supervisors. The aforementioned distribution amounts are consistent with the amounts recognized in the financial statements for the year ended on December 31, 2021, and there is no difference.

- (2) The actual distribution amount is the same as the originally proposed amount approved by the Board of Directors.

IX. Repurchase of the Company's shares: None.

X. Disclosure of corporate bonds: None.

XI. Disclosure of preferred stocks: None.

XII. Disclosure of overseas depository receipts: None.

XIII. Disclosure of employee stock options

(I) The Company's employee stock options that have not yet expired.

April 20, 2023

Type of employee stock options	2022 1st employee stock options
Filing Effective Date and Total Unit Number	July 26, 2022; 3,500,000 units
Issuance (handling) date	August 5, 2022
Number of units issued	3,500,000 units
Number of units still available	0 unit
Ratio of subscribable shares to total issued and outstanding shares	4.0385%
Warrant exercise period	4 years after issuance
Contract Performance Method	Issuance of new shares
Restricted stock period and percentage (%)	The stock options exercisable by the stock option holders after two years from the date of grant of the employee stock options are 50% of the grant, and the stock options exercisable after three years are the full amount of the grant.
Number of shares exercised	0 share
Amount of shares exercised	NT\$0
Number of unexercised stock options	3,500,000 units
Price per share for unexercised stock options	NT\$168
Ratio of the number of unsubscribed shares to the number of issued shares (%)	4.0385%
Effect on shareholders' equity	After the expiration of two years from the issuance date, the stock options will be executed according to the above schedule and percentage. The dilution effect on the original shareholders' equity is limited year by year.

(II) The names of managerial officers and the top ten employees who acquired stock options as of the date of publication of the annual report and the acquisition and subscription status of the stock options.

April 20, 2023 Unit: thousand NTD / thousand shares

	Title	Name	Number of stock options acquired	Number of stock options acquired as a percentage of the total number of shares issued	Executed				Unexecuted			
					Number of stock options	Price of stock options	Amount of stock options	Number of stock options as a percentage of the total number of shares issued	Number of stock options	Price of stock options	Amount of stock options	Number of stock options as a percentage of the total number of shares issued
Managers	General Manager	Chien, Chuan-Sheng	1,747	2.02%	370	92.8	77,456	0.99%	887	168	149,016	1.02%
	Chief Operating Officer	Wang, Chia-Ying										
	Vice President	Wu, Hsi-Hsi										
	Vice President	Liao, Te-Chang										
	Vice President	Zhang, Wei-Min										
	Vice President	Tsai, Han-Tsang										
	Vice President	Wang, Li-Cheng										
	Vice President	Ke, Yu-Jun										
	Vice President	Fu, Hao										
	Senior Assistant Vice Manager	Guo, Jin-Zhong										
	Assistant Vice Manager	Yu, Li-Yin										
	Senior Manager	Shu-Nu Liao (Note 1)										
	Employees	Director										
Director		Hsiao-Ching Huang										
Director		Shu-Fen Kao										
Senior Manager		Luo, Mei-Juan										
Senior Manager		Li, Zong-Jie										
Senior Manager		Dai, Dong-Qian										
Manager		Weng, Shi-Jie										
Manager		Chen, Ming-Sheng										
Manager		Bo, Lu-Hua										
Manager		Wu, Zhi-Qing										
Manager		Gao, Zhi-Jie										
Manager		Su, Chun-Hua										
Special assistant		Chen, Qiu-Xiong										
Special assistant	Po-Hung Yu											
Special assistant	Hsien-Wen Chang											

XIV. Disclosure of employee restricted stock: None.

XV. Issuance of new shares in connection with merger and acquisition of shares of other companies: None.

XVI. Disclosure on use of funds:

As of the quarter up to the publication date of the annual report, previous issues or private placements of marketable securities that have not yet been completed or have been completed within the last three years and the benefits of the plans have not yet been realized: Not applicable.

## Five. Operation Overview

### I. Operation of the Company

Innodisk Corporation started as an industrial-grade storage provider. After the Company established its AI development strategy in 2022, it gradually became a global leader in AIoT intelligent solutions. The Company shall fulfill its core corporate spirit of ultimate service and integration to provide global customers with AIoT smart solutions, industrial-grade embedded storage devices, industrial-grade dynamic random memory modules, and embedded peripheral and software solutions to drive the smart industry transformation. The goal is to accelerate the deployment and implementation of global smart cities, smart vehicles, smart medical care, smart retail, smart factories, smart energy and infrastructure, and other smart field applications.

#### (I) Business activities

##### 1. Business scope

##### (1) The main contents of the business products

- A. AIoT smart solutions
- B. Industrial embedded storage devices
- C. Industrial dynamic random-access memory module
- D. AIoT peripheral expansion modules

##### (2) Sales percentage of major products

Expressed in Thousands of NTD

Item	2022	
	Sales	%
Industrial embedded storage devices	5,418,952	52.59
Industrial dynamic random-access memory module	3,968,015	38.51
AIoT smart solutions	711,183	6.90
Others	205,079	2.00
Total	10,303,229	100.00

##### (3) Current products of the Company

##### **A. AIoT smart solutions**

AI edge computing platform, AI software development kit, edge AI deployment and management platform, AI accelerator card, graphics processor, and software solutions

##### **B. Industrial embedded storage devices**

Solid state drive (SSD), SATA Slim, M.2 SSD, CFast memory card, mSATA, SATADOM, nano SSD (Micro SSD), industrial grade CF card, embedded Disk Card, SD card/MicroSSD card, USB/USB EDC, and CFexpress

##### **C. Industrial dynamic random-access memory module**

Embedded system series, server series, wide temperature and extremely wide temperature series, and rugged and highly customized series

##### **D. AIoT peripheral expansion modules**

Embedded camera module, virtual I/O expansion module, embedded storage expansion module, disk array (RAID) module, embedded display module, embedded communication module, and embedded vehicle communication module

##### (4) Expected new product development projects

##### **A. AIoT smart solutions**

- (a) AI edge computing platform product line expansion
- (b) AI software development kit version upgrade and optimization
- (c) Edge AI deployment and management platform version upgrade optimization

##### **B. Industrial embedded storage devices**

- (a) 232L 3D TLC series
- (b) IoT storage device series

- (c) Edge server storage device series
- (d) High speed/-capacity storage device series
- (e) High-speed advanced interface storage device

**C. Industrial dynamic random-access memory module**

- (a) DDR5 memory module ultra-wide temperature series
- (b) DDR5 server memory series
- (c) DDR5 netcom universal low version series
- (d) DDR5 5600MT/s ultra-high speed industrial dynamic random access memory

**D. AIoT peripheral expansion modules**

- (a) Virtual I/O expansion module product line expansion
- (b) High-speed network expansion card module
- (c) Embedded camera module product line expansion
- (d) IoT air sensing module
- (e) Wireless communication module

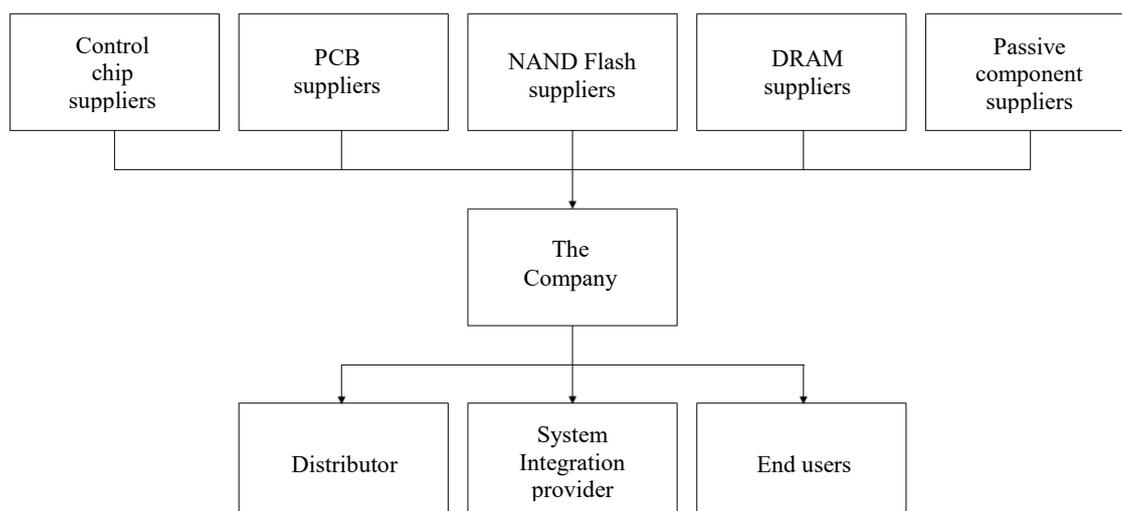
**2. Industry Overview**

**(1) Industry Current Status and Development**

The Company has cultivated the industrial control market for numerous years. Initially, we focused on hardware product development to provide embedded storage modules for industrial personal computer (IPC) customers, followed by the development of the Industrial Internet of Things (IIoT). We subsequently invested in developing software and intelligent embedded peripheral modules. We aim to provide integrated smart solutions through a combination of software and hardware, which can create value enhancement for existing hardware products and drive the rapid growth of the Company's operations. Today, with the advancement of 5G, AI, AIoT, and other technologies and applications, the Company has gained early insight into the smart industrial transformation demands through its expert knowledge of numerous vertical application industries worldwide. The Company has actively invested in the smart innovation R&D of its product solutions and joined forces with global clients to create nearly a thousand AIoT intelligent application cases, which have grown rapidly. The accelerated maturity of the AIoT industry ecosystem will drive the Company's strategic transformation again in the future, and we expect to ignite a new growth momentum. The goal is to gradually develop the Company from an industrial-grade storage provider into a leading global AIoT intelligent solutions brand.

The global AI market is expected to exceed US\$500 billion in 2023, and the demand for AI computing power is expected to increase by a factor of 10 by 2025. As a result, AI will gradually become the basis of decision-making development for key global infrastructure. Market research institutions predict there will be as many as 29 billion IoT edge devices worldwide by 2030, generating a high compound annual growth rate of 11.6% from 2020. It is obvious that a single hardware device will not be sufficient to create value in the future, and the mutual integration, collaboration, and management of many hardware devices will become a thorny issue. Future industrial development is expected to be driven by terminal applications to integrate and develop multiple products. The Company will also leverage its extensive experience in the industrial control vertical application market to actively deploy smart applications and collaborate with industry partners to jointly create smart edge computing solutions, innovate AI smart architecture, integrated remote management, independent software vendor (ISV), OS operating platform, and Innodisk Group's software and hardware solutions to drive the intelligent application executions and create new business opportunities for smart applications. We aim to meet the demands of the smart industrial control market and specialize in helping AI software companies to make up for the lack of hardware support in various application fields.

## (2) Industry middle, upstream, and downstream correlation



## (3) Various product development trends

AI technology is booming globally. According to market research institutions, the global AI market reached US\$136.5 billion in 2022, and it is expected to create a high compound annual growth rate of 37.3% between 2023 and 2030. Under the mutual synergistic effects between AI and IoT, the global AIoT smart application development will also accelerate. It is expected to create a market scale of over US\$140 billion by 2028. These figures indicate the limitless potential of global R&D for AI, AIoT, IIoT, and other technologies.

Compared to others in the consumer market, the Company had started as an industrial control storage provider and migrated to the IPC industrial computer industry for many years. The Company has focused on developing 5G technology and AI artificial intelligence in the IPC industry (the driver of global industrial smart development). Our global clients have jointly realized the smart transformation in various vertical application markets. The company has created a high market share in the industrial storage and memory market, actively grasped business opportunities in the AI market, and expanded product deployment to enhance the Company's market competitiveness and profitability under this industrial advantage and foothold.

The Company shall rely on the 3 core advantages of "extreme integration, deep application, and intelligent empowerment" to fully deploy into the global smart market. The goal is to penetrate the vertical application market via our experience of nearly 4,000 customers and 1,000 smart applications worldwide and provide comprehensive solutions for technological trends such as AI, IoT, Edge Computing, and 5G. Our AIoT solutions will continue upgrading related hardware and software technologies and optimize AI edge computing platform specifications, software development kits, and edge AI deployment and management platforms. The AIoT peripheral expansion module product line will progress according to the company's development strategy, and we will conduct aggressive R&D to achieve smart module innovations. The industrial-grade storage and memory will be upgraded with high-speed and large-capacity specifications to generate comprehensive performance improvements and meet the high-speed computing demands of global industrial intelligence development.

## (4) Competitive Situation

AIoT refers to the combination of artificial intelligence (AI) and the Internet of Things (IoT), which enables IoT applications to transmit and utilize a large amount of data more effectively and use AI intelligent learning and decision-making to significantly improve operating efficiency, product quality, equipment stability, and open up endless possibilities.

A closer observation of the global AIoT market shows that countless large and small manufacturers at home and abroad compete to invest in R&D and innovation in related fields and actively vie for significant potential business prospects. This market atmosphere seems to enhance the industry's competitiveness. Still, the Company will rely on its professional know-

how, comprehensive customer understanding of the industrial control vertical application market, and the technological R&D skills of NVIDIA, Intel, and other worldwide manufacturers to jointly create a unique AIoT ecosystem solution.

There are also numerous competitors in the global memory market. Fortunately, the Company has deployed into the industrial control market for many years and can grasp the relatively stable rigid demand for industrial control and maintain growth momentum. In the future, the Company will continue cultivating the vertical application market, leverage its competitive advantages such as customized development and industrial-grade high stability, and actively develop AIoT smart applications. With the solid foundation of nearly 4,000 customers and thousands of smart application cases accumulated worldwide, we are poised to embrace the blue ocean of the global smart application market. Different from the market peers focusing on consumer applications, the Company will actively demonstrate the unique corporate genes of customized development, the rigorous product verification and testing process of industrial-grade development, and the long-term original manufacturer supply guarantee to provide clients with high quality and stability product solutions while constructing a solid industrial foundation for the Company.

### 3. Technology and R&D overview

Research and development expenses and technologies or products successfully developed for the most recent year and up to the date of publication of the annual report

#### (1) Research and development expenses

Item	Expressed in Thousands of NTD		
	2021	2022	As of April 20, 2023
Research and development expenses	194,129	332,000	97,274

#### (2) Technologies or products successfully developed

Year	R&D results
2020	<p><b>1. NVMe 3TG6-P/3TE6:</b> The NVM Express design takes full advantage of the high performance of PCI Express storage devices, which can perform many I/O operations simultaneously, and includes both DRAM and DRAM-Less products. The combination of Innodisk's 3D TLC algorithm FW and Innodisk's years of experience in industrial applications allows for a wide variety of system applications. The combination of HW iPower Guard for harsh power environments and good thermal solutions provides customers with more complete and diverse solutions for the NVMe product line.</p> <p><b>2. NVMe 4TG-P/4TE:</b> The new generation of NVM Express G4x4 DRAM and DRAM-Less products, combined with Innodisk's patented 3D TLC algorithms FW and HW, make this series of products stand out in terms of performance and stability, providing customers with solutions for high-speed transmission needs.</p> <p><b>3. InnoAGE 2.0:</b> Derived from InnoAGE 2.0, which can have an OOB function and can transfer large amounts of data, and InnoOSR SSD, which is an innovative product concept of InnoAGE for a single board, is currently being evaluated.</p> <p><b>4. AI Accelerator Module:</b> One of the most important lightweight industrial computers can also make AI inferences in the unified industrial control market to transform into intelligent applications. This year will develop a new AI accelerator card product to enhance the platform's efficiency in making AI applications.</p> <p><b>5. 4 Port CANBUS Module:</b> In the smart car, the information exchange of the components in the self-driving car all rely on the CANBUS protocol, so for this vertical market, we will introduce a multi-port CANBUS to meet the needs of the self-driving car industry.</p> <p><b>6. 4K isolated Serial &amp; LAN Module:</b> Serial and LAN are the most popular expansion cards in industrial computers; however, the medical standards should be stricter, so this product will meet the medical industry standards that allow the medical market to be</p>

Year	R&D results
	<p>initiated by expansion.</p> <p><b>7. NVMe G4x4 SSD:</b> Next generation NVMe product with new process 96 Layer 3D TLC, providing customers with more different applications and miniaturized product solutions.</p> <p><b>8. DDR4 2933 &amp; 3200 MT/s ultra-high speed memory module with anti-sulfuration function:</b> In response to 5G, servers, network communications, and other applications that require real-time processing of large amounts of information, the industrial high-speed memory module is introduced to ensure stable data transmission and low latency.</p> <p><b>9. DDR4 Super Capacity 32G Memory Module with Anti-Sulfuration Function:</b> In response to the need for today's systems to handle more video and information streams, the industry's largest capacity of 32GB has been introduced to meet the market demand.</p>
2021	<p><b>1. Remote Management Modular:</b> Most existing industrial computer equipment maintenance equipment will still go to the field service, especially when the operating system cannot run. The remote management module can be executed from the remote system recovery and data collection to provide the most efficient operation of future equipment management.</p> <p><b>2. 4K Isolated LAN Module:</b> A network card designed specifically for the medical market, providing high stability and availability for medical-related equipment expansion.</p> <p><b>3. M.2 2280 to 1/2 GbE LAN Transformer on M.2:</b> The LAN car design without a daughter board design can meet all extreme environmental requirements, including 1000V voltage isolation, no daughter board, so taking up no space, it can be directly connected perfectly with RJ-45 cables, or easy for customers to make different connector wires for various applications, especially, in mission-critical, aerospace, and other fields. Available with IP65/67/68 waterproof connector.</p> <p><b>4. Dedicated high-capacity dynamic memory modules for networking:</b> DDR4 32GB Registered SODIMM, VLP Registered SODIMM, 32GB RDIMM VLP, which are suitable for applications with institutional limitations such as networking and marginal computing small form factor, and the low-profile design can also help customers to improve heat dissipation difficulties.</p> <p><b>5. DDR5 next-generation memory:</b> In response to the demand of AIOT, 5G higher speed, and the scheduling of Intel CPU Alder Lake and Eagle Stream, we will launch UDIMM, SODIMM, RDIMM, and other specifications.</p> <p><b>6. InnoOSR:</b> InnoOSR's patented firmware technology enables a higher recovery service and is ideal for applications requiring a high degree of flexibility for easy and fast system recovery.</p> <p><b>7. Partial DRAM, a new algorithm architecture:</b> It breaks the capacity ratio limit of DRAM and SSD to expand higher capacity.</p> <p><b>8. Blockchain SSD:</b> With the development of the Industrial Internet of Things, the connection of big data brings concerns about data. The innoBTSTM SSD (Blockchain Technology Storage) solution integrates the digital signature function and blockchain technology to further reinforce data accuracy and the highest specification protection for smart IoT devices.</p> <p><b>9. High-capacity SSDs:</b> Using Server-class NVMe Gen4x4 controllers to develop their own FW, targeting products above 2TB, because of the increasing demand for high-capacity applications in the industrial control market, the demand for capacity must be met with server-class storage media or additional RAID for customers to meet demand.</p>
2022	<p><b>1. Edge Server SSD:</b> A high-end Server controller, the in-house developed firmware focusing on Edge server application that requires low transmission latency, sharing big data flow, reducing transmission costs, reducing cloud load, real-time computing, and local autonomy.</p> <p><b>2. Large-capacity SSD:</b> Adopts Server-grade NVMe Gen4x4 controller to develop firmware in-house, targeting 8TB/16TB products. The demand for large capacity and application scenarios in the AIoT market is increasing gradually. In terms of capacity, only sever-level</p>

Year	R&D results
	<p>storage media or additional RAID assembled by customers can meet the demand.</p> <p><b>3. Semi-industrial 128 Layer 3D TLC SSD:</b> The new product line meets the customers' needs for cost considerations and better quality than commercial SSDs.</p> <p><b>4. BGA SSD Gen 3x4 3D TLC:</b> The integrated storage device enables system manufacturers to provide the most advanced edge computing experience.</p> <p><b>5. Camera module:</b> For the image input source required by future AI application devices, the Company provides AI devices with the most suitable image quality when extracting images and provides Camera IQ tuning to improve the recognition rate of AI algorithms. In terms of products, USB and MIPI interfaces will be applied to meet the needs of the AI computing platform.</p> <p><b>6. FPGA AI module:</b> The AI platform of FPGA is an indispensable product line for edge applications in the future. The IO needed for FPAG flexible modular design is even more suitable for applications in various vertical markets.</p> <p><b>7. DDR5 ultra-high-speed memory:</b> In response to the high-precision, high-performance real-time calculation and multi-processing requirements of advanced graphics and AIOT, Innodisk has successfully mass-produced DDR5 SODIMM, UDIMM, wide temperature, and other specifications; also, introduced advanced ECC and RDIMM series, which provide more stable data transmission through advanced Error Correction Code (ECC) for servers, data centers, and HPC (High-Performance Computing).</p> <p><b>8. DDR4 ultra-wide temperature (-40°C to 125°C):</b> Innodisk has launched the world's first "Ultra Temperature" DDR4 memory module, pushing the industrial-grade wide temperature standard to 125°C directly. High-end unmanned-driving vehicle market, fanless embedded computer, mission-critical, aerospace, and other application fields to solve harsh high-temperature application scenarios.</p>
2023	<p><b>1. Ultra-temperature and large capacity SSD:</b> Self-developed firmware and a new FTL mechanism can overcome the controller's addressing limit and develop the capacity limit the controller can originally support. We are currently focusing on products with a capacity above 16TB, with ultra-temperature or standard temperature ranges available.</p> <p><b>2. BGA SSD Gen 4x4 3D TLC:</b> The integrated storage device and the introduction of the latest FLIP CHIP packaging technology allow system manufacturers to provide the most advanced edge computing experience.</p> <p><b>3. Rugged DRAM Module Buckle:</b> A low-cost buckle can enhance the reliability of the DRAM module on the motherboard.</p> <p><b>4. Industrial control NVMe Namespace SSD:</b> Develop and apply the Namespace function of Sever or Enterprise SSD for industrial SSD control applications.</p>

#### 4. Long- and short-term business development plans

##### (1) Short-term plan

- A. Product R&D: Enrich R&D capacity and talent training, and expand the integrity of AIoT intelligent solutions.
- B. Industrial collaboration: Strengthen the cooperation between industrial partners and the Group's subsidiaries regarding products, business, and marketing; and jointly create and improve the Innodisk AI intelligent architecture and AIoT intelligent solutions.
- C. Business development: Build a detailed domestic and overseas business development network and technical support system, and preemptively deploy AIoT smart business opportunities in local markets worldwide.
- D. Marketing strategy: Build industrial alliances, establish joint marketing operations, and increase the marketing technology applications to boost data value and explore commercial options for potential customers.
- E. ESG sustainability: Stay ahead of regulatory and customer demands by actively deepening internal consensus and participation by ESG colleagues at home and

abroad while establishing a positive ESG brand image through major investments.

(2) Long-term plan

- A. Product R&D: Actively invest in R&D resources to enrich the Group’s AIoT smart solutions.
- B. Business development: Expand overseas service bases and professional talent networks at home and abroad.
- C. Marketing strategy: Strengthen global brand marketing and promotion, and shape the leading global AIoT intelligent solution provider position.
- D. ESG sustainability: Extend corporate partnership with industrial partners to collaboration in social welfare and environmental sustainability, and join forces to strengthen ESG influence and create a win-win.

II Market, production, and sales overview

1. Market analysis

(1) Main product sales area

Sales area \ Year		Expressed in Thousands of NTD			
		2021		2022	
		Sales amount	%	Sales amount	%
Domestic sales		3,049,064	29.90	3,158,884	30.66
Export sales	Asia	3,195,044	31.34	3,033,721	29.44
	Europe	2,110,579	20.70	2,282,903	22.16
	Americas	1,650,640	16.19	1,576,233	15.30
	Other Areas	190,331	1.87	251,488	2.44
	Subtotal	7,146,594	70.10	7,144,345	69.34
Total		10,195,658	100.00	10,303,229	100.00

(2) Market share, future supply and demand, and growth

A. Market share

The Company is expanding its deployment into the global industrial control market and vigorously pursuing AIoT intelligent transformation opportunities. However, the global smart application market has a delicate division of labor and depends on customized development, and, therefore, it is not easy to accurately estimate the market share. The Company has cultivated the industrial control niche market for many years, accumulated a large customer base at home and abroad, and gained rich industrial knowledge in various vertical application markets. These experiences will help the Company to further develop AIoT intelligent solutions and accelerate the global smart industry development.

In terms of embedded storage and memory modules, the Company has been recognized for its high market share in the global market because of its excellent quality, performance, customization, reliability, and stability. According to the Gartner report, the Company has ranked No. 1 worldwide in industrial SSD sales for 5 consecutive years since 2018. The TrendForce report also indicated that the Company had been ranked among the top 10 global memory module manufacturers for 4 consecutive years since 2019. We are the only supplier dedicated to industrial control DRAM modules. The Company has also advanced to No. 9 in the latest report and continued to increase its global product market share and recognition.

B. Future supply and demand, and growth

Research reports predict that the global AI market scale will create a compound annual growth rate of 37.3% between 2023 and 2030. Under this development prospect, the Company has actively implemented its AI development strategy. In addition to meeting or even exceeding the industrial development needs in terms of product strategy, we will continue to improve product performance and expand product lines to grasp the development dividends of global 5G, AI, and AIoT industrial technologies.

High-speed and large-capacity equipment and calculation requirements, multi-device collaborative management, heterogeneous platform integration, and even environmental sustainability are among the technological development directions to which the global AIoT smart market attaches great importance. The Company's AIoT intelligent solution will focus on the AI edge computing needs of the industrial control market. Examples include applications such as embedded AI vision, industrial security monitoring, smart city, and smart transportation. The goal is to improve the flexibility and compatibility of AI application integration by integrating heterogeneous platforms and combining the professional AI technology capabilities of Independent Software Vendor (ISV) independent software suppliers in various vertical markets to jointly launch the Innodisk AI as a Service Solution Kit and improve application importability. We will also expand the AIoT peripheral module product lines in response to the increasing AIoT demands and introduce the latest technology to expand product application flexibility and scope. In response to the expansion challenges caused by the industrial control system miniaturization trend, the Company aims to improve the management efficiency of pre-deployment and post-device AIoT applications via high-performance expansion modules, virtual expansions, out-of-band management (OOB), and various other R&D innovations.

Although the market expects price fluctuations to affect industry demands and new technology specification introductions for embedded storage devices and DRAM modules, the Company has a relatively more stable market outlook under the rigid demands of smart industrial control. The Company will also focus on 5G and AIoT application fields such as Netcom, edge computing, and edge servers to grasp market opportunities in the advanced technology development trends.

### (3) Competitive advantage

#### A. Rich industrial application experience

All members of the Company's R&D, technology, business, marketing, and manufacturing teams have rich experience in industrial control and embedded system applications. They can rapidly solve the customers' customization and compatibility needs while ensuring product quality and reliability. The company will take this as a competitive niche, further implement intelligent applications for customers through AIoT intelligent solutions, and drive the smart industry transformation.

#### B. Effective patent

The Company is constantly striving for technological innovation and product breakthroughs. As of December 2022, we have applied for and obtained over 150 patents in Taiwan, the United States, Japan, and China to provide industrial customers with prospective product solutions. The Company will also actively focus on R&D and innovation in the future and continue to improve product R&D capacity.

#### C. Professional firmware R&D team

Unlike most competitors that outsource their R&D and design, we have established a professional firmware development team. The Company aims to provide high-reliability and high-stability products, enhance product performance through firmware development capabilities, create exclusive functions according to customer needs, enhance product value, and establish long-term customer relationships.

#### D. Access to major global markets

The industrial control market diversity tests the industry's product customization flexibility and development capabilities. Under the spirit of ultimate integration and service, the Company is committed to providing customers with hardware, firmware, or application software customization and integration services. We strive to complete product design, manufacturing, and test verification in the shortest time possible to enhance implementation efficiency for customer applications.

#### E. High flexibility and customization capability

The Company has maintained long-term and stable cooperative relations with several domestic and foreign suppliers to ensure stable, high-quality raw material supply. The goal is

to ensure long-term supply sources and provide clients with stable product technical support.

F. Stable source of supply

The Company has constructed the highest quality industrial-grade production lines and workshops. They can fulfill the clients' diversified and speedy product demands through modern SMT and verification testing methods and meet the numerous high-standard customization requirements under distinct industrial characteristics.

G. Our own production line and factor

The Company is committed to the industrial control niche market, sells its brand globally, and implements marketing strategies tailored to local conditions in response to the worldwide regional characteristics. We have cooperated with agents in some regions and established full-time sales personnel, product managers, FAE technical support engineers, and marketing personnel in many regions to grasp the global market opportunities and provide clients with the most immediate local support.

(4) Favorable and unfavorable factors of development prospect and countermeasures.

A. Favorable factors

(A) Ability to customize hardware, firmware, and software technologies

The Company has a comprehensive R&D team and improved its overall production efficiency and quality from hardware, firmware, and software self-development capabilities to introducing automated and smart production management systems in production and manufacturing. The goal is to provide comprehensive support for industrial clients' diversified customized product development demands.

(B) Continuous innovation and refinement of R&D technology

The Company has focused on the industrial control application market, actively increasing product diversity and integration through product innovation and technological R&D. It is dedicated to offering clients more comprehensive and simple-to-implement smart solutions.

(C) Global marketing distribution channels

The Company's services are distributed worldwide. In addition to the global operating headquarters in Taiwan, we have established multiple business bases in the United States, Japan, China, Europe, etc. The goal is to be close to the needs of various markets and provide clients with immediate local support and services.

B. Unfavorable factors

(A) Fluctuations in the prices of key raw materials increase operational risks such as procurement and inventory delivery.

Countermeasures:

- a. Regularly review business sales supply and demand to strengthen inventory and purchasing management.
- b. Maintain good cooperative relationships with suppliers to strengthen the flexibility and cooperation of factory supply.
- c. Keep abreast of the market information of major raw materials to obtain the market price trend to adjust the inventory control.

(B) High foreign sales percentage, vulnerable to changes in foreign exchange rates that affect profitability

Countermeasures:

We have adopted a stable foreign exchange income strategy. Our product export or major raw material procurement transactions are primarily conducted in USD to reduce the market exchange rate fluctuation risks.

(C) The increase in the number of competitors entering the market in recent years

Countermeasures:

- a. The Company shall utilize its niche advantages to customize development and professional services, actively grasp industry development trends, and work with strategic partners to create flexible and diverse product solutions to create market differentiation and expand competitive advantages.

- b. Compared to the consumer market, the industrial control market has a higher barrier of entry. The Company will continue accumulating professional know-how in R&D, manufacturing, production, and sales; and use the most refined industry understanding and customized services to continuously enhance the clients' trust and loyalty.

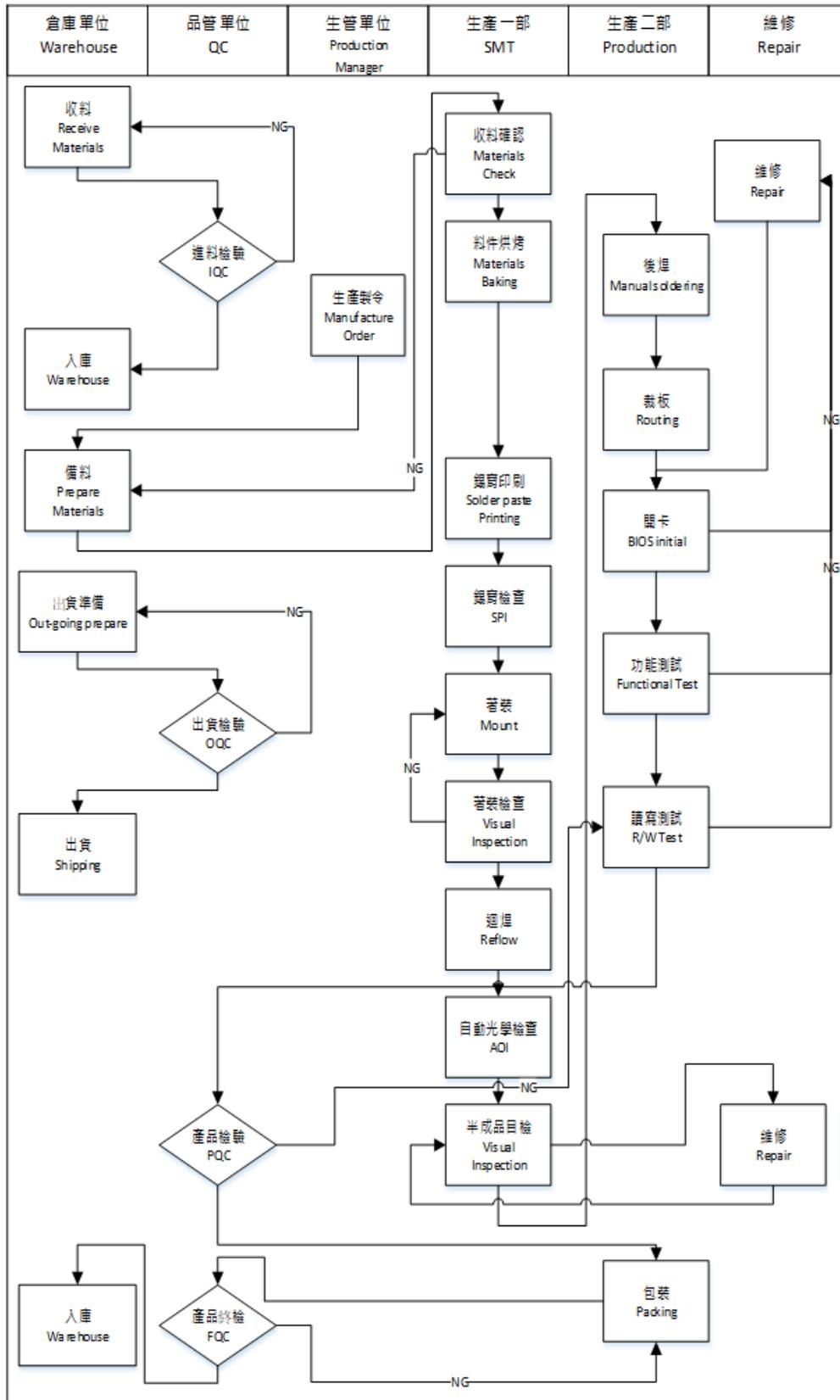
2. Important applications and production process of major products

(1) Important applications of major products

Product	Important application
AIoT smart solutions	We aim to drive smart industry development and create highly integrated AIoT intelligent solutions by integrating the AI edge computing platform, AI software development kit, edge AI deployment and management platform, AI accelerator card and graphics processor, software application, and other solutions. We are committed to advancing the global smart city, smart transportation, smart medical care, smart retail, smart factories, and smart energy industries and infrastructures.
Industrial embedded storage devices	This product is a non-volatile semiconductor technology that is primarily used to save or modify stored data, including applications, various text or images, and other data. The industrial control market can be applied to various products, such as industrial computers, automation equipment, intelligent traffic control systems, endpoint sales systems, security surveillance equipment, protection systems, medical equipment, digital signage, gaming machines, servers, aerospace, and other markets.
Industrial dynamic random-access memory module	This product is a volatile semiconductor technology, mainly used to expand the processing capacity and speed up the computing speed of various industrial equipment. The diverse application fields include smart manufacturing, servers, workstations, fanless embedded computers, mission-critical, and aerospace markets.
AIoT peripheral expansion modules	We aim to introduce the latest technology into customer systems and application fields to improve the AIoT terminal application integrity and deployment efficiency. The goal is to create high-integration and -compatibility expansion modules to expand the application flexibility and scope of products and meet the demands of various AIoT smart applications.

(2) Production process

The Company has constructed an industrial-grade high-quality R&D and manufacturing center. Its sophisticated SMT production lines use automated smart equipment verification testing techniques to improve production efficiency and quality. Its mission is to serve the world with locally made high-quality products and fully meet the industrial clients' diverse product development customization demands.



### 3. Supply of major raw materials

Supply of major raw materials		
Raw material name	Main supplier	Supply condition
Flash IC DRAM IC	KIOXIA, Micron, Samsung	Normal
Controller IC	Hyperstone, Marvell, Silicon Motion	Normal
PCB	Dynamic, Dosun, Brain Power	Normal
AI module	Nvidia	Normal
Other Electronic Components	TI, ON, Yageo, Walsin Technology, Samsung, Rambus	Normal

### 4. List of major suppliers and customers

(1) The names of suppliers who have accounted for more than 10% of the total purchases in any of the most recent 2 years

Unit: Thousand NTD; %

Item	2021				2022				2023 as of the previous quarter (Note 1)				
	Name	Amount	As a percentage of net purchases for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net purchases for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net purchases for the year (%)	Relationship with the Issuer	
1	Company A	2,451,593	32.72	No	Company O	1,746,641	30.16	No	/				
2	Company O	1,618,303	21.60	No	Company A	1,722,292	29.74	No					
3													
	Others	3,423,552	45.68		Others	2,322,556	40.10						
	Net purchase	7,493,448	100.00		Net purchase	5,791,489	100.00						

Note 1: There was no financial information available that had been verified, certified, or reviewed by a CPA prior to the publication date of the annual report.

Reasons for the increase and decrease: Except for the increase or decrease in the purchase amount due to changes in market supply and demand, there was no significant change in the Company's major suppliers.

(2) List of major sales customers who accounted for more than 10% of total sales in any of the last two years: unit: NTD thousand: %

Item	2021				2022				2023 as of the previous quarter (Note 1)				
	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the Issuer	
1									/				
	Others	10,195,658	100.00		Others	10,303,229	100.00						
	Net sales	10,195,658	100.00		Net sales	10,303,229	100.00						

Note 1: There was no financial information available that had been verified, certified, or reviewed by a CPA prior to the publication date of the annual report.

Reasons for the increase and decrease: No customer accounted for more than 10% of the total sales in 2021 and 2022.

### 5. Production quantity and amount for the most recent two years

Unit: thousand/piece, set, piece: NTD thousand

Production volume & value Major product (or segment)	Year	2021			2022		
		Production capacity	Production quantity	Production amount	Production capacity	Production quantity	Production amount
Industrial embedded storage devices		5,000	4,067	3,207,251	5,000	3,816	3,329,625
Industrial dynamic random-access memory module		4,100	3,525	3,640,428	4,100	3,151	3,044,114
AIoT smart solutions		-	-	-	62	41	432,876
Others		0	127	195,875	0	96	87,317
Total		9,100	7,719	7,043,554	9,162	7,104	6,893,932

Reasons for the increase or decrease: The Company will continue to expand production capacity and adjust production strategies in response to market demand changes.

### 6. Sales quantity and amount for the most recent two years

Unit: thousand/piece, set, piece: NTD thousand

Sales quantity and amount Major product (or segment)	Year	2021				2022			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Industrial embedded storage devices		859	1,005,635	3,033	3,966,669	822	1,124,580	2,765	4,294,371
Industrial dynamic random-access memory module		1,433	1,862,425	2,705	2,712,155	1,530	1,768,774	1,607	2,199,242
AIoT smart solutions		-	-	-	-	34	202,626	27	508,557
Others		555	181,004	256	467,771	348	62,904	227	142,175
Total		2,846	3,049,064	5,995	7,146,594	2,734	3,158,884	4,626	7,144,345

The reason for the increase or decrease: the demand for the application of the Company's AIoT solution products has continued to grow, further increasing shipments and overall sales in 2022.

### III. Information on employees for the last 2 years up to the date this annual report was published

Unit: People; %

Year		2021	2022	As of April 20, 2023
Number of employees	Director labor	287	289	288
	Indirect labor	547	624	652
	Total	834	913	940
Average age		36	37	37
Average service years		4.18	4.16	4.15
Education distribution percentage	Doctorate degree	0.12%	0.11%	0.11%
	Master's degree	17.03%	17.85%	18.28%
	College	58.63%	60.57%	60.68%
	High school and below	24.22%	21.47%	20.94%

### IV. Information on environmental protection expenditure

- Total amount of losses or damages suffered due to environmental pollution in the most recent year and the current year up to the date of publication of the annual report: \$0 thousand
- Future responses to improvement measures and possible expenses: Not applicable.

## V. Labor relations

1. The Company's employee welfare programs, continuing education, training, retirement systems and their implementation, as well as labor-management agreements and various employee rights protection measures.

### (1) Employee welfare programs

#### A. Insurance:

In addition to the statutory labor and health insurance, the Company has also acquired a group insurance (life insurance, accident insurance, hospitalization medical insurance, and cancer insurance) for employees.

#### B. Health and safety

(A) Employees are entitled to a company-funded health checkup every two years. The Company attaches great importance to the health checkup results and, with employees' consent, takes the initiative to assist employees with abnormalities or special conditions in the checkups to ensure their health by providing them with follow-up treatment observation.

(B) Monthly "Health Report" is sent to help colleagues improve their health management knowledge.

(C) Set up a full-time factory nurse and a monthly doctor's visit to provide consultation on workplace safety and employee health, reminders on the appropriateness of the schedule of the review of service members and work schedule, and provide medical consultation on injuries and illnesses of employees.

(D) The employment of visually impaired masseurs, in addition to providing work opportunities for the visually impaired, also provides staff massage and stress relief services.

(E) Implement health promotion programs, such as holding power walk competitions, weight loss programs, physical fitness activities, and healthy eating seminars.

(F) Place automated external cardiac defibrillators (AEDs) at the workplace and conduct employee education training for emergency medical needs.

(G) Provide a comfortable, safe, and independent space for breastmilk collection so that colleagues can be rest assured.

(H) Provide fitness equipment so that employees can relieve work-related stress through exercise while at work.

#### C. Benefits stipends

In order to provide employees with a comfortable and pleasant working environment so they can serve the Company without distractions, the Company, in addition to handling statutory welfare measures in accordance with the Labor Standards Act, has established an employee benefits committee and arranged the following employee benefit events regularly or irregularly:

(A) Three festivals, weddings, childbirth, labor day, and birthday gifts.

(B) Pregnancy transportation (over 6 months), maternity, and childcare allowances (under 6 years old).

(C) Employee hospitalization and bereavement benefits.

(D) Departmental friendship activities.

(E) Club activity subsidy

(F) Year-end banquet and lucky draw.

(G) Arrange art and cultural corridors.

(H) Scholarships for employees' children.

(I) Family day activity.

(J) Drinks by choice (nearly half-price vending machine drinks / free capsule coffee / free tea bags).

- (K) Free afternoon tea and snacks are served.
- (L) Stress relief massage.
- (M) Emergency assistance grant.
- (N) Employee assistance programs (EAPs).

(2) Employee training and development.

The Company has constructed a comprehensive human training structure and system to fulfill its talent training principle. The goal is to cultivate the knowledge and skills needed by supervisors and colleagues in the workplace, build a responsible and aggressive work attitude, and improve overall performance and operational efficiency.

The Company has also established an education and training platform to provide physical and online internal training courses and encourage colleagues to apply for external training. Diversified courses include general education courses (training for newcomers, new trends, etc.), technical colleges (various subjects such as production and marketing), management colleges, language colleges, and international colleges. The goal is to comprehensively improve colleagues' and organizations' knowledge, skills, and professionalism. A total of around 10,570 training hours were arranged by the Company in 2022, with 6,166 participants and a total training cost of approximately NT\$3,556,861.

(A) Employee education hours and growth rate in 2022:

Category	2020	2021	2022	Previous year's growth rate
<b>Internal face-to-face courses</b>	<b>5,393 hours</b>	<b>4,561 hours</b>	<b>6,290 hours</b>	<b>37.9%</b>
<b>Internal online courses</b>	<b>767 hours</b>	<b>2,644 hours</b>	<b>3,090 hours</b>	<b>16.9%</b>
<b>External training</b>	<b>762 hours</b>	<b>1,004 hours</b>	<b>1,190 hours</b>	<b>18.5%</b>
<b>Total</b>	<b>6,922 hours</b>	<b>8,209 hours</b>	<b>10,570 hours</b>	<b>28.8%</b>

During the COVID-19 period, the Company suspended the physical courses and accelerated digital learning tool applications to protect the health and safety of all colleagues. In addition to continuous self-made digital learning courses, it also assists colleagues in using the online communication tool "Teams" to conduct synchronous face-to-face online courses. In the past 3 years, there was a significant continuous growth in the overall learning hours and cumulative number of course participants.

(B) Newcomer education and training:

Each new employee must receive complete work system operation, professional & practical training, and obtain work acceptance after reporting to the department to promptly prepare to work and improve their abilities. In addition, we want to help recruits quickly familiarize themselves with Innodisk's products, quality policy, background culture, and company rules. All recruits must complete the "Innodisk International Environment Introduction, Employee Regulations, and Benefits," "Information Security Regulations," "Being Innodiskers – Innodisk's History and Culture," "Occupational Safety and Health & Work Environment Maintenance," and other relevant general education courses within 3 months from the first day of entering Innodisk. Due to the COVID-19 epidemic in 2022, the preceding training was conducted in the form of online courses so colleagues could flexibly arrange their study time in a safe environment.

<b>Item</b>	<b>Number of trainees</b>	<b>Total training hours</b>
<b>Tasks for Newcomers</b>	<b>141 people</b>	<b>35 hours</b>
<b>Information Security and Basic Courses for All Staff</b>	<b>161 people</b>	<b>423 hours</b>
<b>Advanced Course for Newcomers</b>	<b>110 people</b>	<b>309 hours</b>
<b>Intellectual Property Management Guidelines</b>	<b>52 people</b>	<b>81 hours</b>

(C) Leadership training:

Assist Innodisk’s colleagues and supervisors to continue to learn and grow and gain an in-depth understanding of the learning needs for leadership and management. Plan relevant training for various colleagues and supervisors, and improve the performance and satisfaction of colleagues by improving leadership and management capabilities. Each colleague can also apply for relevant external training according to the self-development goal to strengthen the individual’s specific leadership and management capabilities.

<b>Item</b>	<b>Number of sessions</b>	<b>Number of trainees</b>	<b>Total training hours</b>
<b>Production Line Management Leadership</b>	<b>8 sessions</b>	<b>89 people</b>	<b>195 hours</b>
<b>Project Management Leadership</b>	<b>3 sessions</b>	<b>169 people</b>	<b>1139 hours</b>
<b>Team Management Leadership</b>	<b>5 sessions</b>	<b>35 people</b>	<b>515 hours</b>
<b>Operation Management Leadership</b>	<b>12 sessions</b>	<b>57 people</b>	<b>593 hours</b>

(a) Production Line Management Leadership:

For production line instructors and supervisors to provide guidance for work arrangement, work relationship, work management, and other related courses. Assist production line, supervisors and instructors, improve job teaching and counseling skills, reduce learning frustration for new production line operators, and help adapt to work, the supervisors’ instructions, and the environment. The efforts will also create a better working and communication atmosphere.

(b) Project Management Leadership:

Help improve the quality of cross-departmental communication and enhance each other’s “teamwork” and “conflict handling” capabilities. Arrange “horizontal management,” “22K hiking expedition,” and other related courses. Strengthen the tacit understanding of the interaction between units, promote a cooperative atmosphere from the work and interpersonal communication aspects, and prevent negative conflicts when exchanging opinions.

(c) Team Management Leadership:

- For new Company supervisors, the chairman shall personally share the role and mentality that senior supervisors must cultivate with the new supervisors every year. The management offices shall explain the recruitment process, training, performance evaluation, and share the most common difficult cases in practice.

- Arrange recruitment interview skills courses for interview supervisors to help them create excellent teams. Recruit partners with similar corporate values and goals to join and continue to grow.
- Hold regular “downward management” and “leadership exercises” courses to help supervisors learn correct management concepts and behaviors. The goal is to help supervisors guide people to solve doubts through numerous common discussions with trainees and individual cases, which can indirectly improve employee satisfaction and team productivity.

(d) Business Management Leadership:

- EMBA is encouraged for management team managers. Continue to interact with academic and business circles to help the Company’s management to keep pace with the progress of time and society.
- We “prepare courses and seminars” with different themes every year in conjunction with the “Supervisor Annual Meeting.” We use Business Model Canvas, OGSM, etc., to develop the Company’s product strategy or review and improve the Company’s internal management processes or systems.
- Improve and pass on business management capabilities and experience: Senior executives shall serve as Mentors, and 10–20 executives shall be selected as Mentees for each ladder. Courses, workshops, or internships shall be arranged for about one year.

(D) Trend lecture:

Industry experts were invited to share the latest developments with colleagues online in real time. The goal is to gain new industrial trend-related knowledge while preparing for possible future business opportunities and challenges.

<b>Item</b>	<b>Number of sessions</b>	<b>Course hours</b>	<b>Total training hours</b>
<b>5G, Metaverse and more AI for Innodisk Next Growth Peak</b>	<b>1 session</b>	<b>1 hour</b>	<b>147 people</b>
<b>What is NFT?</b>	<b>1 session</b>	<b>1 hour</b>	<b>155 people</b>
<b>AI Tech Talk</b>	<b>3 sessions</b>	<b>1-1.5 hours</b>	<b>318 people</b>

(3) Retirement system and implementation status.

According to the Labor Pension Act, the Company shall allocate 6% of the salary to the employee’s personal Bureau of Labor Insurance pension account monthly from July 1, 2005. For those who wish to contribute to the pension voluntarily, the voluntary contribution rate shall be withheld from the employee’s monthly salary to the individual’s Bureau of Labor Insurance pension account. Meanwhile, pensions for subsidiaries in overseas regions are paid monthly to the pension, medical, and other social security funds according to local government regulations.

To protect the employees’ labor rights and interests, the Company set up an “old-system labor pension account” with lawful appropriation and payment made on time for employees who applied for the old-system labor pension system before July 2005.

(4) Agreements between labors and management

The Company holds labor-management meetings every three months according to the law to maintain a smooth channel of communication between labor and management and establish good labor-management relations.

(5) Employee rights protection measures.

In addition to the spirit of “sharing results,” the Company has established the Employee Benefits Committee to coordinate the appropriation and utilization of employee benefits. In addition, through the labor-management coordination meeting, labor and management representatives will communicate with each other with the management concept of coexistence and common prosperity to build consensus and provide a quality working environment.

2. The losses suffered by the Company due to labor disputes in the most recent year and the current year up to the date of publication of the annual report, and the estimated amount of current and potential future losses and countermeasures

The Company has properly planned the principles of human resources management, timely responded to changes in the social and economic environment, reviewed the relevant personnel system, paid attention to employee benefits, provided a good working environment, and maintained smooth communication channels and harmonious labor relations. Therefore, there is not any loss resulted from labor disputes.

## VI. Information security management

1. Describe the information security risk management structure, information security policy, specific management plan, resources invested in the information security management, etc.:

(1) Information security policy:

Ensure the security of the Company’s information and data, systems, equipment, and network communications; effectively reduce the risk of information assets theft, improper use, leakage, tampering, or destruction due to human negligence, intentional or natural disasters, etc. Also, protect the aforementioned assets of the Company from internal and external intentional or accidental threats. Formulate information security policies and regulations and ensure the confidentiality, integrity, and availability of the Company’s business information.

(2) Information security risk management structure:

The Company’s Information Division is responsible for coordinating and implementing the Company’s information security policy, publicizing information security information, and enhancing employees’ awareness of information security. Also, periodically report information security results to the General Manager and Chairman, review and evaluate the effectiveness of the Company’s internal control of information operations, and ensure the confidentiality, integrity, and availability of information. It is the responsibility of all the Company’s employees to comply with the “Information Security Policy.” The Company’s employees who have violated the information security policy will be held accountable for civil, criminal, and administrative responsibilities or punished according to the Company’s relevant regulations in order to reduce the Company’s information security risk in business operation.

(3) Information security risk countermeasures:

A. Information security governance:

The Company has introduced the “ISO27001 Information Security Management System” with the relevant enforcement rules formulated for the implementation of information security operations. At the same time, the “Information Security Policy Handbook” has been formulated to strictly manage application system access, file data authorization control, and security maintenance. Deploys the network micro-segmentation to include the operational applications in the scope of protection, builds firewalls, email anti-virus and anti-hacking systems, and electronic file encryption systems, and audits the access rights and records of relevant users to reduce the Company’s information security risks.

The Company conducts an internal audit every year in accordance with the ISO 27001 verification standard, and an external audit will be conducted by a third party subsequently. There is not any major nonconformity identified in the recent years. The Company has established a disaster recovery mechanism in Xizhi and Yilan, implemented a comprehensive backup plan operation on weekdays, and regularly exercised emergency response plans to

ensure the normal operation of the information system and data preservation, and to reduce the system interruption risk resulting from sudden natural disasters and human negligence, secured the expected system recovery time, and ensure the Company's operations remain uninterrupted.

#### B. Risk improvement:

Regularly conduct internal audits on information security to ensure the implementation of information security. Verify the actual implementation through an external audit, introduce information security defense solutions, and improve internal information maintenance procedures. The Company continues to establish a comprehensive network and computer-related information security measures. Still, it cannot guarantee that its computer systems that control or maintain the Company's critical corporate functions, such as manufacturing operations and accounting, are completely protected from cyber attacks from any third party's paralyzed systems. These cyber attacks are used to illegally hack into the company's internal network systems to disrupt the company's operations and damage its reputation. In the event of a serious cyber attack, a company's system operations could lose important company data and production lines could be shut down as a result. The RiskEye system was introduced in September 2021. The Company can maintain the grading at Level A (above 90 points) through continuous monitoring and analysis of the Company's information security risks and vulnerabilities and continuous upgrading and reinforcing information security. The effort can establish a safe service environment worthy of customer trust while effectively improving the overall security of suppliers and industrial supply chains.

#### C. Risk control:

The Company continuously reviews and evaluates the information security regulations and procedures to ensure their adequacy and effectiveness and to minimize potential losses and injuries. However, the Company cannot guarantee information security free from all the evolving risks and attacks. Cyber-attacks may also attempt to steal a company's business secrets and other confidential information, such as the proprietary information of customers or other interested parties and the personal information of company employees. Malicious hackers can also attempt to introduce computer viruses, destructive software, or ransomware into a company's network systems to interfere with company operations, extort or blackmail companies, gain control of computer systems, or snoop on confidential information. These attacks could result in the Company being required to compensate customers for delayed or disrupted orders; or incur significant costs to implement remedial and improvement measures to strengthen the Company's network security systems; or expose the Company to significant liability in connection with legal cases or regulatory investigations arising from leaks of information about the Company's employees, customers or third parties to whom the Company has confidentiality obligations.

#### D. Promotion of information security

The Company's Information Division is responsible for coordinating and planning the Company's information security education, training, and drills. It conducts information security announcements and propaganda monthly to enhance employees' information security awareness. The information security notification themes of the Information Division include the prevention of commercial email fraud (BEC), the prevention of and countermeasures of personal information leakage, the prevention of phishing websites and email viruses, etc. The information security education and training content for the year includes the importance and responsibility of information security, information security notification channels, information security trend and threat analysis, domestic and foreign case study, the introduction of the Personal Data Protection Act, the introduction of the Authorized Economic Operator (AEO) information and technology security, personal information security best-practice principles, information security promotion for recruits, etc., for a total of 25 information security related training courses with a total number of trainees reached 13,003 person-times, a total of 2,917 hours. In the face of rapidly increasing global information security threats, the Company places great importance on the overall information security protection and continues to devote more resources and manpower. "Hackers do not need to rest," and "protection has no boundaries, and zero trust is the only way to be truly safe." Therefore, we must strengthen the awareness of

employees' awareness of information security, clearly define information security regulations, and evaluate and plan the relevant information security equipment to deploy internal and external firewall mechanisms under the zero-trust architecture, suitability inventory for various backup plans, and backup capability reinforcement for offline restoration in a timely and appropriate manner to reduce information security risks and ensure the stability of Company operations.

2. Illustrate the losses, possible impacts and countermeasures of major information security incidents occurred in the most recent year and up to the publication date of the annual report. Describe the fact that it cannot be reasonably estimated, if any, in details:

The Company conducts an internal audit every year in accordance with the ISO 27001 verification standard, and an external audit will be conducted by a third party subsequently. There were no major nonconformities identified.

#### VII. Important contracts:

Contract nature	Parties involved	Contract starting and ending date	Main content	Restricted clauses
Lease contract	Hsinchu Science Park Bureau	11.06.2016 ~11.15.2036	Yilan Science Park Yike Section 9.10 land lease	No
Lease contract	Hsinchu Science Park Bureau	08.01. 2020 ~12.31. 2039	Yilan Science Park Yike Section 9-1.10-1 land lease	No

## Six. Financial Status

### I. Condensed balance sheet and comprehensive income statement for the most recent 5 years

#### (I) Condensed balance sheet and comprehensive income statement

##### 1. Condensed balance sheet

##### (1) Standalone financial statements

Expressed in Thousands of NTD

Item	Year	Financial information for the most recent 5 years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		3,312,316	3,578,177	4,042,947	5,585,552	6,028,729
Property, plant and equipment		1,240,244	1,253,975	1,234,132	1,324,833	1,751,178
Intangible assets		12,593	11,427	16,760	27,164	25,299
Other assets		491,169	625,198	729,167	939,400	1,085,659
Total Assets		5,056,322	5,468,777	6,023,006	7,876,949	8,890,865
Current liabilities	Before distribution	1,063,243	902,794	1,024,503	1,729,173	1,516,687
	After distribution	1,532,240	1,500,765	1,577,506	2,696,390	Not yet distributed
Non-current liabilities		93,639	104,512	182,257	186,787	361,311
Total liabilities	Before distribution	1,156,882	1,007,306	1,206,760	1,915,960	1,877,998
	After distribution	1,625,879	1,605,277	1,759,763	2,883,177	Not yet distributed
Equity attributable to owners of parent		-	-	-	-	-
Share capital		781,661	797,294	813,240	826,680	865,531
Capital surplus		1,037,330	1,058,681	1,082,702	1,213,829	1,356,462
Retained earnings	Before distribution	2,079,952	2,609,576	2,925,742	3,933,627	4,791,798
	After distribution	1,595,322	1,995,659	2,372,739	2,941,609	Not yet distributed
Other equity interests		497	(4,080)	(5,438)	(13,147)	(924)
Treasury shares		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	3,899,440	4,461,471	4,816,246	5,960,989	7,012,867
	After distribution	3,430,443	3,863,500	4,263,243	4,993,772	Not yet distributed

Note 1: The International Financial Reporting Standards have been adopted since 2013. Please refer to the financial information prepared according to the R.O.C. Financial Accounting Standards for the financial information of the last five years. The Company's financial statements for 2018–2022 have been verified and certified by a CPA.

Note 2: The 2022 earnings distribution proposal has not been resolved by the regular shareholders' meeting. Therefore, the amount after the distribution is temporarily not available.

## (2) Consolidated financial statements

Expressed in Thousands of NTD

Item	Year	Financial information for the most recent 5 years (Note 1)					Financial data as of _____ (MM/DD/YY) (Note 3)
		2018	2019	2020	2021	2022	
Current assets		3,486,281	3,873,721	4,393,003	6,068,198	6,649,319	
Property, plant and equipment		1,379,804	1,373,991	1,374,994	1,616,786	2,138,510	
Intangible assets		25,067	24,367	28,927	47,137	44,117	
Other assets		278,905	375,370	420,946	499,317	468,991	
Total Assets		5,170,057	5,647,449	6,217,870	8,231,438	9,300,937	
Current liabilities	Before distribution	1,144,302	1,015,876	1,140,925	1,860,521	1,691,440	
	After distribution	1,613,299	1,613,847	1,693,928	2,827,738	Not yet distributed	
Non-current liabilities		109,303	136,553	211,884	337,407	490,060	
Total liabilities	Before distribution	1,253,605	1,152,429	1,352,809	2,197,928	2,181,500	
	After distribution	1,722,602	1,750,400	1,905,812	3,165,145	Not yet distributed	
Equity attributable to owners of parent		3,899,440	4,461,471	4,816,246	5,960,989	7,012,867	
Share capital		781,661	797,294	813,240	826,680	865,531	
Capital surplus		1,037,330	1,058,681	1,082,702	1,213,829	1,356,462	
Retained earnings	Before distribution	2,079,952	2,609,576	2,925,742	3,933,627	4,791,798	
	After distribution	1,595,322	1,995,659	2,372,739	2,941,609	Not yet distributed	
Other equity interests		497	(4,080)	(5,438)	(13,147)	(924)	
Treasury shares		-	-	-	-	-	
Non-controlling interest		17,012	33,549	48,815	72,521	106,570	
Total equity	Before distribution	3,916,452	4,495,020	4,865,061	6,033,510	7,119,437	
	After distribution	3,447,455	3,897,049	4,312,058	5,066,293	Not yet distributed	

Note 1: The International Financial Reporting Standards have been adopted since 2013. Please refer to the financial information prepared according to the R.O.C. Financial Accounting Standards for the financial information of the last five years. The Company's financial statements for 2018–2022 have been verified and certified by a CPA.

Note 2: The 2022 earnings distribution proposal has not been resolved by the regular shareholders' meeting; therefore, the amount after the distribution is not listed temporarily.

Note 3: There was no financial information available that had been verified, certified, or reviewed by a CPA prior to the publication date of the annual report.

2. Comprehensive income statement  
 (1) Standalone financial statements

Unit: NT\$Thousand; Earnings per share: NT\$

Item \ Year	Financial information for the most recent 5 years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	7,173,369	6,696,506	6,626,157	9,427,772	9,258,869
Gross profit before unrealized gross profit on sales to subsidiaries	1,663,482	1,943,667	1,832,484	2,673,738	2,947,485
Operating profits or losses	1,070,005	1,261,713	1,134,107	1,814,203	1,888,963
Non-operating income and expenses	2,897	11,079	9,394	105,891	307,703
Profit before income tax	1,072,902	1,272,792	1,143,501	1,920,094	2,196,666
Net profits for the period from continuing operations	843,084	1,014,254	931,663	1,560,888	1,850,189
Losses from discontinued operations	-	-	-	-	-
Net profits (losses) for the period	843,084	1,014,254	931,663	1,560,888	1,850,189
Other comprehensive income for the period (net after tax)	6,690	(4,577)	(1,358)	(7,709)	12,223
Total comprehensive income for the year	849,774	1,009,677	930,305	1,553,179	1,862,412
Earnings per share	10.14	12.11	11.13	18.39	21.46

Note 1: The International Financial Reporting Standards have been adopted since 2013. Please refer to the financial information prepared according to the R.O.C. Financial Accounting Standards for the financial information of the last five years. The Company's financial statements for 2018–2022 have been verified and certified by a CPA.

## (2) Consolidated financial statements

Unit: NT\$Thousand; Earnings per share: NT\$

Item	Year	Financial information for the most recent 5 years (Note 1)					Financial data as of (MM/DD/YY) (Note 2)
		2018	2019	2020	2021	2022	
Operating revenue		7,866,250	7,361,665	7,152,015	10,195,658	10,303,229	
Gross profit before unrealized gross profit on sales to subsidiaries		1,940,466	2,317,776	2,133,727	3,092,218	3,458,618	
Operating profits or losses		1,109,255	1,388,887	1,207,293	1,949,246	2,039,461	
Non-operating income and expenses		(10,733)	(74,252)	(39,697)	22,808	226,866	
Profit before income tax		1,098,522	1,314,635	1,167,596	1,972,054	2,266,327	
Net profits for the period from continuing operations		850,450	1,029,199	940,533	1,581,881	1,881,288	
Losses from discontinued operations		-	-	-	-	-	
Net profits (losses) for the period		850,450	1,029,199	940,533	1,581,881	1,881,288	
Other comprehensive income for the period (net after tax)		6,690	(4,577)	(1,358)	(7,729)	12,223	
Total comprehensive income for the year		857,140	1,024,622	939,175	1,574,152	1,893,511	
Net profits attributable to shareholders of owners of the parent		843,084	1,014,254	931,663	1,560,888	1,850,189	
Net profits attributable to non-controlling interests		7,366	14,945	8,870	20,993	31,099	
Total comprehensive income attributable to shareholders of owners of the parent		849,774	1,009,677	930,305	1,553,179	1,862,412	
Total comprehensive income attributable to non-controlling interests		7,366	14,945	8,870	20,973	31,099	
Earnings per share		10.14	12.11	11.13	18.39	21.46	

Note 1: The International Financial Reporting Standards have been adopted since 2013. Please refer to the financial information prepared according to the R.O.C. Financial Accounting Standards for the financial information of the last five years. The Company's financial statements for 2018-2022 have been verified and certified by a CPA.

Note 2: There was no financial information available that had been verified, certified, or reviewed by a CPA before the publication date of the annual report.

(II) Condensed Balance Sheet and Income Statement - R.O.C. Financial Accounting Standards: None.

(III) The name of CPA for the most recent 5 years and the audit opinions

1. The name of CPA for the most recent 5 years and the audit opinions

Year	CPA firm	CPA name	Opinion
2018	PricewaterhouseCoopers, Taiwan	Shih-Chun Huang, Chien-Hung Chou	Unqualified opinion
2019	PricewaterhouseCoopers, Taiwan	Tsui-Miao Yeh, Shih-Chun Huang	Unqualified opinion
2020	PricewaterhouseCoopers, Taiwan	Tsui-Miao Yeh, Shih-Chun Huang	Unqualified opinion
2011	PricewaterhouseCoopers, Taiwan	Tsui-Miao Yeh, Shih-Chun Huang	Unqualified opinion
2022	PricewaterhouseCoopers, Taiwan	Tsui-Miao Yeh, Shih-Chun Huang	Unqualified opinion

2. If there is a replacement of CPA in the last five years, the reasons for the replacement should be stated, the predecessor CPA and the successor CPA: To cooperate with the internal adjustment of duties within the CPA firm.

## II. Financial Analysis for the Last 5 Years

### (I) Financial analysis

#### (1) Standalone financial statements

Analysis item		Financial analysis for the most recent 5 years <small>(Note 1)</small>				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to assets ratio	22.88	18.42	20.04	24.32	21.12
	Long-term capital to property, plant and equipment ratio	321.85	364.12	405.02	464.04	421.10
Solvency %	Current ratio	311.53	396.34	394.63	323.02	397.49
	Quick ratio	245.55	312.05	318.31	229.34	325.63
	Interest coverage multiplier	577.83	784.74	667.76	834.37	417.90
Operating performance	Accounts receivable turnover rate (times)	6.30	6.31	7.15	7.84	6.41
	Average collection days	58	58	51	47	57
	Inventory turnover rate (times)	5.93	6.16	6.10	5.33	4.19
	Accounts payable turnover rate (times)	9.11	9.84	10.17	9.13	7.82
	Average sales days	62	59	60	68	87
	Property, plant and equipment turnover rate (times)	6.31	5.37	5.33	7.37	6.02
	Total assets turnover rate (times)	1.49	1.27	1.15	1.36	1.10
Profitability	Return on assets (%)	17.55	19.30	16.24	22.49	22.12
	Return on equity (%)	23.21	24.26	20.08	28.97	28.52
	Net profits before tax to paid-in capital (%)	137.26	159.64	140.61	232.27	253.79
	Net profit margin (%)	11.75	15.15	14.06	16.56	19.98
	Earnings per share (NT\$)	10.14	12.11	11.13	18.39	21.46
Cash flow	Cash flow ratio (%)	119.49	114.67	119.60	42.11	158.30
	Cash flow adequacy ratio (%)	104.35	125.14	132.95	105.10	128.31
	Cash reinvestment ratio (%)	20.74	12.31	12.48	2.83	19.21
Leverage	Operating leverage	1.53	1.52	1.61	1.49	1.54
	Financial leverage	1.00	1.00	1.00	1.00	1.00
Please explain the reasons for the increase and decrease in financial ratios in the last two years (if the increase or decrease ratio does not reach 20%, the analysis is exempted):						
1. Current ratio: The slowdown of raw material stocking has resulted in a decrease in accounts payable and an increase in cash positions, resulting in an increase in the current ratio compared to the previous period.						
2. Quick ratio: The slowdown of raw material stocking has resulted in a decrease in accounts payable and an increase in cash positions, resulting in an increase in quick ratio compared to the previous period.						
3. Interest protection multiples: The net profit before interest and tax in the current period has increased significantly compared with the previous period, and the interest coverage ratio has decreased compared with the previous period due to the increase in interest expenses on borrowing bank loans.						
4. Average cash collection days: The increase in the accounts receivable position primarily leads to a decrease in the receivables turnover rate and an increase in the average cash collection days.						
5. Average sales days: The increase in inventory positions has led to a decrease in inventory turnover and an increase in the average number of sales days.						
6. Net profit ratio: The annual after-tax net profit increased compared with the previous period, increasing the net profit ratio.						
7. Various cash flow indicators: The overall cash flow ratio has increased mainly due to the slowdown in raw material stocking, increasing cash inflow from operations.						

Note 1: International Financial Reporting Standards (IFRSs) have been adopted since 2013. Please refer to the financial information for the last five years in accordance with the R.O.C. Financial Accounting Standards.

Note 2: The calculation is based on the financial information of the previous five years and is therefore excluded.

Note 3: The calculation formula for the above as follows

1. Capital structure

(1) Debt to assets ratio = total liabilities/total assets

(2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities) / net property, plant, and equipment.

2. Solvency

(1) Current ratio = current assets/current liabilities

(2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities

(3) Interests coverage multiplier = net profits before tax and interest expense/interest expense for the period

3. Operating performance

(1) Receivable (including accounts receivable and notes receivable from business operations) turnover rate = net sales / balance of average accounts receivable for various periods (including accounts receivable and notes receivable from business operations).

(2) Average collection days = 365/accounts receivable turnover rate

(3) Inventory turnover rate = costs of goods sold/average inventory

(4) Payable (including accounts payable and notes payable from business operations) turnover rate = costs of goods sold / balance of average accounts payable for various periods (including accounts payable and notes payable from business operations).

(5) Average sales days = 365/inventory turnover rate

(6) Property, plant, and equipment turnover rate = net sales/average property, plant, and equipment

(7) Total assets turnover rate = net sales/average total assets

4. Profitability

(1) Return on assets = [net profits after tax + interest expense x (1 - tax rate)] / average total assets.

(2) Return on equity = net profits after tax/average total equity

(3) Ratio of pre-tax net profit to paid-in capital = pre-tax profit/loss / paid-in capital

(4) Net profit margin = net profits after tax/net sales

(5) Earnings per share = (net profits attributable to shareholders of owners of the parent - preferred stock dividend)/ weighted average number of shares outstanding (Note 4)

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities/current liabilities.

(2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years / sum of capital expenditures, inventory additions, and cash dividend for the most recent 5 years

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capitals). (Note 4)

6. Leverage

(1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating profits (Note 5).

(2) Financial leverage = operating profits / (operating profits - interest expense).

Note 4: Special attention should be paid to the following when measuring earnings per share with the above calculation formula:

1. Based on the weighted average number of common shares rather than the number of shares outstanding at the end of the year.

2. Where there is cash capital increase or treasury stock transactions, the weighted average number of shares should be used considering the period of circulation.

3. Where there is a capital increase by retained earnings or capital surplus when calculating the annual or semi-annual earnings per share for previous years, retrospective adjustments should be made in proportion to the capital increase, regardless of the issuance period of such capital increase.

4. If the preferred shares are non-convertible and cumulative, their dividends for the current year (whether paid or not) should be deducted from the net profits after tax, or added to the net losses after tax. If the preferred shares are non-cumulative, their dividends should be deducted from net profits after tax if there are net profits after tax; if there are net losses, no adjustment is required.

Note 5: Special attention should be paid to the following in performing cash flow analysis.

1. Net cash flow from operating activities represents the net cash inflow from operating activities in the cash flow statement.

2. Capital expenditures represent the annual cash outflows from capital investments.

3. Increase in inventory is included only if the ending balance is greater than the beginning balance or zero if inventory decreases at the end of the year.

4. Cash dividends include cash dividends on common stock and preferred stock.

5. Gross property, plant and equipment represents the total amount of property, plant and equipment before accumulated depreciation.

Note 6: The issuer should distinguish between fixed and variable operating costs and operating expenses according to their nature. Where estimates or subjective judgments are involved, pay attention to the reasonableness and maintain consistency.

Note 7: If the Company's stock has no face value or the face value per share is not NT\$10, the ratios related to paid-in capital in the preceding paragraph should be replaced with the ratio of Equity attributable to owners of parent in the balance sheet.

(2) Consolidated financial statements

Analysis item		Year	Financial analysis for the most recent 5 years					Financial data as of (MM/DD/YY) (Note 2)
		(Note 1)						
		2018	2019	2020	2021	2022		
Financial structure (%)	Debt to assets ratio	24.25	20.41	21.76	26.70	23.45		
	Long-term capital to property, plant and equipment ratio	291.68	337.09	369.23	394.05	355.83		
Solvency %	Current ratio	304.66	381.32	385.04	326.16	393.12		
	Quick ratio	235.98	297.80	310.72	231.18	321.00		
	Interest coverage multiplier	538.44	577.09	510.20	661.21	303.82		
Operating performance	Accounts receivable turnover rate (times)	7.84	7.42	7.74	8.36	6.86		
	Average collection days	46.56	49.19	47.15	43.66	53.20		
	Inventory turnover rate (times)	5.59	5.82	5.77	5.12	4.11		
	Accounts payable turnover rate (times)	9.54	10.08	10.09	9.33	8.23		
	Average sales days	65	63	63	71	88.80		
	Property, plant and equipment turnover rate (times)	6.26	5.35	5.20	6.82	5.49		
	Total assets turnover rate (times)	1.60	1.36	1.21	1.41	1.18		
Profitability	Return on assets (%)	17.37	19.06	15.88	21.93	21.53		
	Return on equity (%)	23.13	24.47	20.10	29.03	28.61		
	Net profits before tax to paid-in capital (%)	140.54	164.89	143.57	238.55	261.84		
	Net profit margin (%)	10.72	13.98	13.15	15.52	18.26		
	Earnings per share (NT\$)	10.45	12.47	11.46	18.94	21.46		
Cash flow	Cash flow ratio (%)	117.82	107.97	112.16	44.44	148.70		
	Cash flow adequacy ratio (%)	89.74	120.55	131.67	104.15	129.55		
	Cash reinvestment ratio (%)	22.43	13.50	13.39	4.6	20.16		
Leverage	Operating leverage	1.74	1.66	1.81	1.62	1.69		
	Financial leverage	1.00	1.00	1.00	1.00	1.00		

Please explain the reasons for the increase and decrease in financial ratios in the last two years (if the increase or decrease ratio does not reach 20%, the analysis is exempted):

1. Current ratio: The slowdown of raw material stocking has resulted in a decrease in accounts payable and an increase in cash positions, resulting in an increase in the current ratio compared to the previous period.
2. Quick ratio: The slowdown of raw material stocking has resulted in a decrease in accounts payable and an increase in cash positions, resulting in an increase in quick ratio compared to the previous period.
3. Interest protection multiples: The net profit before interest and tax in the current period has increased significantly compared with the previous period, and the interest coverage ratio has decreased compared with the previous period due to the increase in interest expenses on borrowing bank loans.
4. Average cash collection days: The increase in the accounts receivable position primarily leads to a decrease in the receivables turnover rate and an increase in the average cash collection days.
5. Average sales days: The increase in inventory positions has led to a decrease in inventory turnover and an increase in the average number of sales days.
6. Various cash flow indicators: The overall cash flow ratio has increased mainly due to the slowdown in raw material stocking, increasing cash inflow from operations.

Note 1: International Financial Reporting Standards (IFRSs) have been adopted since 2013. Please refer to the financial information for the last five years in accordance with the R.O.C. Financial Accounting Standards.

Note 2: There was no financial information available that had been verified, certified, or reviewed by a CPA before the publication date of the annual report.

Note 3: The relevant ratios in cash flow are not calculated when the net cash flow from operating activities minus cash dividends is negative.

Note 4: The aforementioned calculation formula is as follows:

1. Capital structure

(1) Debt to assets ratio = total liabilities/total assets

(2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities) / net property, plant, and equipment.

2. Solvency

(1) Current ratio = current assets/current liabilities

(2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities

(3) Interests coverage multiplier = net profits before tax and interest expense/interest expense for the period

3. Operating performance

(1) Receivable (including accounts receivable and notes receivable from business operations) turnover rate = net sales / balance of average accounts receivable for various periods (including accounts receivable and notes receivable from business operations).

(2) Average collection days = 365/accounts receivable turnover rate

(3) Inventory turnover rate = costs of goods sold/average inventory

(4) Payable (including accounts payable and notes payable from business operations) turnover rate = costs of goods sold / balance of average accounts payable for various periods (including accounts payable and notes payable from business operations).

(5) Average sales days = 365/inventory turnover rate

(6) Property, plant, and equipment turnover rate = net sales/average property, plant, and equipment

(7) Total assets turnover rate = net sales/average total assets

4. Profitability

(1) Return on assets = [net profits after tax + interest expense x (1 - tax rate)] / average total assets.

(2) Return on equity = net profits after tax/average total equity

(3) Ratio of pre-tax net profit to paid-in capital = pre-tax profit/loss / paid-in capital

(4) Net profit margin = net profits after tax/net sales

(5) Earnings per share = (net profits attributable to shareholders of owners of the parent - preferred stock dividend)/ weighted average number of shares outstanding (Note 5)

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities/current liabilities

(2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years / sum of capital expenditures, inventory additions, and cash dividend for the most recent 5 years

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capitals). (Note 4)

6. Leverage

(1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating profits (Note 6).

(2) Financial leverage = operating profits / (operating profits - interest expense).

Note 5: Special attention should be paid to the following when measuring earnings per share with the above calculation formula:

1. Based on the weighted average number of common shares rather than the number of shares outstanding at the end of the year.

2. Where there is cash capital increase or treasury stock transactions, the weighted average number of shares should be used considering the period of circulation.

3. Where there is a capital increase by retained earnings or capital surplus when calculating the annual or semi-annual earnings per share for previous years, retrospective adjustments should be made in proportion to the capital increase, regardless of the issuance period of such capital increase.

4. If the preferred shares are non-convertible and cumulative, their dividends for the current year (whether paid or not) should be deducted from the net profits after tax, or added to the net losses after tax. If the preferred shares are non-cumulative, their dividends should be deducted from net profits after tax if there are net profits after tax; if there are net losses, no adjustment is required.

Note 6: Please pay special attention to the following matters when assessing the cash flow analysis:

1. Net cash flow from operating activities represents the net cash inflow from operating activities in the cash flow statement.

2. Capital expenditures represent the annual cash outflows from capital investments.

3. Increase in inventory is included only if the ending balance is greater than the beginning balance or zero if inventory decreases at the end of the year.

4. Cash dividends include cash dividends on common stock and preferred stock.

5. Gross property, plant and equipment represents the total amount of property, plant and equipment before accumulated depreciation.

Note 7: The issuer shall classify the various operating costs and expenses as fixed or variable according to their nature. Pay attention to reasonableness and maintain consistency if estimates or subjective judgments are involved.

Note 8: If the Company's stock has no face value or the face value per share is not NT\$10, the ratios related to paid-in capital in the preceding paragraph should be replaced with the ratio of equity attributable to owners of parent in the balance sheet.

(II) Financial analysis for the most recent 5 years - R.O.C. Financial Accounting Standards: None.

### III. The Audit Committee Review Report on the 2022 Financial Statements:

#### **Innodisk Corporation** **Audit Committee's Review Report**

Among the 2022 business reports, financial statements, and profit distribution proposals prepared by the Company's board of directors; the financial statements were audited by PricewaterhouseCoopers and a written audit report was issued for reference.

The Audit Committee is in charge of supervising the Company's financial reporting process. The CPAs have certified the Company's 2022 annual 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 review.

Yours,

Innodisk Corporation 2023 General Shareholders' Meeting

Convener of the Audit Committee: Young, Kai-Charn

Audit Committee Member: Wang, Yin-Tien

Audit Committee Member: Lin, Wei-Li

Audit Committee Member: Lo, Su-Shun

February 23, 2023

IV. 2022 financial report: please refer to pages 107 to 178.

V. 2022 consolidated financial statements of parent and subsidiary certified by CPAs: please refer to pages 179 to 256.

VI. The Company and the affiliated companies should state the impact of a financial difficulty that occurred in 2022 and up to the publication date of the annual report, if any, on the Company's financial status: None.

## Seven. Review and Analysis of the Financial Status, Financial Performance, and Risks

### I. Financial status

Expressed in Thousands of NTD

Item	Year	2022	2021	Difference	
				Amount	%
Current assets		6,649,319	6,068,198	581,121	10%
Property, plant and equipment		2,138,510	1,616,786	521,724	32%
Intangible assets		44,117	47,137	(3,020)	(6%)
Other assets		468,991	499,317	(30,326)	(6%)
Total Assets		9,300,937	8,231,438	1,069,499	13%
Current liabilities		1,691,440	1,860,521	(169,081)	(9%)
Non-current liabilities		490,060	337,407	152,653	45%
Total liabilities		2,181,500	2,197,928	(16,428)	(1%)
Share capital		865,531	826,680	38,851	5%
Capital surplus		1,356,462	1,213,829	142,633	12%
Retained earnings		4,791,798	3,933,627	858,171	22%
Cumulative translation adjustment		1,207	(13,147)	14,354	(109%)
Non-controlling interest		106,570	72,521	34,049	47%
Total shareholders' equity		7,119,437	6,033,510	1,085,927	18%
Description:					
Explanation for significant changes in the percentage of increase or decrease: (For changes of 20% or more in the preceding and following periods, and changes amounting to \$10 million)					
1. Property, plant, and equipment additions: The purchase of the 7th floor for the headquarters office building and the Yilan factory expansion in this period.					
2. Increase in non-current liabilities: Mainly due to the Company's need for working capital, the long-term loans from financial institutions are increased in the current period from the year before.					
3. Increase in retained earnings: Mainly due to continuous and stable profits.					
4. Increase from non-controlling interests: Mainly due to the continuous and stable profit from subsidiaries.					

## II. Financial performance

- (I) Major changes in operating revenues, net operating profits and net profits before income tax for the last two years.

Expressed in Thousands of NTD

Item	Year	2022		2021		Amount of increase or decrease	Change (%)
		Subtotal	Total	Subtotal	Total		
Total operating revenues		10,390,442		10,285,339		105,103	1%
Less: Sales returns		(49,633)		(56,947)		7,314	(13%)
Sales discounts		(37,580)		(32,734)		(4,846)	15%
Net operating revenues			10,303,229		10,195,658	107,571	1%
Operating costs			(6,844,611)		(7,103,440)	258,829	(4%)
Gross profit before unrealized gross profit on sales to subsidiaries			3,458,618		3,092,218	366,400	12%
Operating expenses			(1,419,157)		(1,142,972)	(276,185)	24%
Net operating profits			2,039,461		1,949,246	90,215	5%
Non-operating income and expenses			226,866		22,808	204,058	895%
Net profits before tax from continuing operations			2,266,327		1,972,054	294,273	15%
Income tax expense			(385,039)		(390,173)	5,134	(1%)
Net profits after tax from continuing operations			1,881,288		1,581,881	299,407	19%

For the last two years, explanation for items with change in the percentage of increase or decrease reaching 20%.

- (1) Operating expenses: Due to the Company's stable profits and continuous deployment in the AI application market, employment, and employee welfare expenses increased compared to the previous period.
  - (2) Non-operating income and expenses: Mainly due to the increase in net foreign currency exchange benefits in 2022.
- (II) Estimated sales quantity in the coming year and its basis, possible impact on the Company's future financial and business matters and countermeasures

### 1. Estimated sales quantity in the coming year and its basis

The Company estimates the sales volume of each major product in 2023 as follows according to previous business performance, current orders received, market supply and demand, and the increase in the production capacity of outsourced manufacturers:

Products	Unit	Sales Forecast for 2023
Industrial embedded storage devices	Thousand Piece/Each	6,210
Industrial dynamic random-access memory module	Thousand Piece/Each	3,603
AIoT smart solutions	Thousand Piece/Each	54

2. Possible impact on the Company's future financial and business operations: The Company's results have grown steadily over the past few years. The above estimates for the coming year have no significant impact on the Company's future financial and business operations.

### 3. Countermeasures: Not applicable

### III. Cash flow

#### (I) Analysis of changes in cash flows for the most recent year

Expressed in Thousands of NTD

Cash balance at the beginning of the period	Net cash inflow from operating activities for the year	Cash outflow for the year	Estimated cash balance (shortfall)	Remedies for cash shortfall	
				Investment plan	Financing plan
2,137,891	2,515,094	652,936	4,000,049	-	-

Analysis of changes in cash flows for the most recent year

- (1) Net cash inflow from operating activities: The net cash inflow from operating activities was NT\$2,515,094 thousand, mainly due to the injection of net operating profit in 2022.
- (2) Annual cash outflow: The main outflow was due to the distribution and payment of cash dividends for NT\$967,217 thousand and the purchase of real estate for NT\$479,879 thousand in 2021.

(II) Improvement plan for the lack of liquidity: None.

(III) Cash liquidity analysis for the coming year.

Expressed in Thousands of NTD

Cash balance at the beginning of the period	Net cash inflow from operating activities for the year	Cash outflow for the year	Estimated cash balance (shortfall)	Remedies for cash shortfall	
				Investment plan	Financing plan
4,000,049	1,289,724	1,426,359	3,863,413	-	-

- (1) Net cash from operating activities: The cash inflow is mainly from the net operating profit of the revenue generated in 2023.
- (2) Cash outflow: The main outflows include cash dividend distributions in 2022 and the construction and equipment purchase for Yilan Plant No. 2 in 2023.

### V. Significant capital expenditures in the most recent year and the impact on finance and business matters:

Expressed in Thousands of NTD

Projects	Actual or expected source of funds	Actual or expected completion date	Total funds needed	Actual or intended use of funds	
				2022	2023
Construction of factory – Stage II of Yilan Plant	Proprietary fund and bank loan	Expected to be completed by the end of 2023.	579,500	204,320	375,180
Construction of a factory – Stage II of Yilan Plant: To accelerate the AIoT industrial deployment, the Stage II center will be expanded continuously in Yilan Science Park, which will help increase production capacity after its completion. Also, continue cultivating local R&D resources to provide greater energy for the further and more comprehensive integration of software, hardware, and firmware.					

VI. Investment policy for the most recent year, the main reasons for profit or loss, improvement plan, and investment plan for the coming year:

Item \ Description	Investment policy	The main reasons for profit or loss in 2022	Improvement plan	Investment plan for the coming year
Innodisk Global-M Corporation	Investment holdings	Recognition of investment income of Innodisk Shenzhen Corporation	No	No
Innodisk USA Corporation	Actively develop the U.S. market and expand market share.	Initiate the strategy adjustment in response to market changes, operate successfully, and increase profits.	Not applicable.	No
Innodisk Japan Corporation	Actively develop the Japan market and expand market share.	Provide quality services and maintain reasonable profitability.	No	No
Innodisk Shenzhen Corporation	Actively develop the Mainland market and expand market share.	The market was affected by the COVID-19 control measures, and the slowdown in demand resulted in lower-than-expected operating profits.	Continue market development.	No
Aetina Corporation	Expand the AIoT solution product field.	The demand for the application of AIoT solution products continued to grow, which led to an increase in operating profit.	Continue market development.	No
AccelStor Inc. (Note1)	Enter the Cloud Storage Market	No	No	No
Innodisk Europe B.V.	Actively develop the Europe market and expand market share.	Provide quality services and maintain reasonable profitability.	No	No
Innodisk France SAS	Actively develop the Europe market and expand market share.	Provide quality services and maintain reasonable profitability.	No	No
Millitronic Co., Ltd.	Entering the IoT market	Invested in June 2015	Actively develop products and customers.	No
Antzer Tech Co., Ltd. (Note 2)	Expand the AIoT solution product field	Continue to develop AIoT peripheral expansion module products.	Continue market development	No
Sysinno Technology Inc.	Sensor-related product design, application and service	Invested in November 2019	Actively develop products and customers.	No
AETINA USA CORPORATION (Note 3)	Actively develop the U.S. market and expand market share.	Established in September 2021	No	No
AETINA Europe B.V.(Note 4)	Actively develop the Europe market and expand market share.	Established in January 2022	No	No

Note 1: The liquidation of AccelStor Inc. was settled on May 19, 2022.

Note 2: Antzer Tech Co., Ltd. was merged into a consolidated entity on May 18, 2021.

Note 3: AETINA USA CORPORATION was invested in and established by Aetina Corporation in 2021, and the capital injection has not been completed as of December 31, 2022.

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

## VI. Risks items

- (I) The impact of change in interest rate, exchange rate change and inflation on the Company's profit and loss and future countermeasures

1. The effect of changes in interest rates.

The recent market interest rate hike cycle is gradually coming to an end. To avoid the impact of interest rate fluctuations on the Company's cost of capital, the Company has been monitoring interest rate movements, maintaining close contact with banks, and enhancing its capital to reduce interest expenses and dependence on financial institutions.

2. The effect of changes in exchange rates.

The Company's sales and raw material purchases are mainly denominated in U.S. dollars, so the impact of exchange rate fluctuations on the Company's profitability should be limited. However, the Company still pays attention to exchange rate fluctuations in international financial markets and engages in forwarding foreign exchange contracts in a timely manner to reduce the risk caused by exchange rate fluctuations, but not for the purpose of making profits.

3. The effect of inflation:

The Company's principal activities have not yet been significantly affected by inflation. Still, the Company continues to monitor changes in price indices to guard against the risks that may arise from inflation.

- (II) Policies on high-risk, high-leverage investments, lending funds others, endorsement and guarantee, and derivatives transactions, main reasons for gain or loss, and future countermeasures:

The Company operates on a conservative and prudent financial basis and does not engage in high-risk and highly leveraged investments. The Company's lending funds to others and endorsement and guarantee are restricted to subsidiaries only. They are governed by the Company's operating procedures for lending funds to others and endorsement and guarantee. Derivative financial instruments are used in purchase contracts for a future period, mainly to hedge the risks arising from changes in exchange rates and according to the Company's procedures for handling derivative transactions.

- (III) Future research and development plans and estimated research and development expenses.

1. Future R&D plan

(1) AIoT smart solutions

- A. AI Edge Computing Platform Product Line Expansion
- B. AI software development kit version upgrade and optimization
- C. Edge AI deployment and management platform version upgrade optimization

(2) Industrial embedded storage

- A. 232L 3D TLC Series
- B. IoT Storage Device Series
- C. Edge Server Storage Device Series
- D. High-Speed/-Capacity Storage Device Series
- E. High-Speed Advanced Interface Storage Device

(3) Industrial DRAM Module

- A. DDR5 Memory Module Ultra-Wide Temperature Series
- B. DDR5 Server Memory Series
- C. DDR5 Netcom Universal Low Version Series
- D. DDR5 5600MT/s Ultra High-Speed Industrial Dynamic Random Access Memory

(4) AIoT Peripheral Expansion Modules

- A. Virtual I/O Expansion Module Product Line Expansion
- B. High-Speed Network Expansion Card Module
- C. Embedded Camera Module Product Line Expansion
- D. IoT Air Sensing Module

## E. Wireless Communication Module

### 2. Estimated Research and development expenses

The Company values the development of new products and technologies. The research and development expense in 2022 was NT\$332,000 thousand, and the research and development expense in 2023 is expected to be NT\$451,905 thousand.

(IV) The impact of important domestic and foreign policy and legal changes on the Company's finance and business and countermeasures:

The Company complies with changes in domestic and foreign policies and laws, and pays close attention to possible changes in the future and prepares countermeasures at any time.

(V) The impact of technological changes (including information security risks) and industry changes on the Company's financial business, and the countermeasures:

As an electronic manufacturer, the Company invests a lot of money in research and development every year. It keeps an eye on technological changes and the evolution of technology in the industry to provide new products to meet customers' needs every year. To date, technological changes and industry changes have not had a significant impact on the Company's finance and business matters. In response to information security risks, the Company has introduced the "ISO27001 Information Security Management System." Please see P 84 for details. (VI) Information security management.

(VI) The impact of change in the corporate image on corporate crisis management and countermeasures:

The Company has been operating with integrity, and in recent years there has been no crisis in corporate management due to the change in image.

(VII) Expected benefits and possible risks of mergers and acquisitions and countermeasures: None.

The Company has no plans for mergers and acquisitions to date.

(VIII) Expected benefits, possible risks, and countermeasures of plant expansion:

The Stage II R&D Center of Yilan Plant, with a construction scale of 5,233 pings planned along with the rapid development of global AIoT and the increasing demand for intelligent IoT, which will then become a large-scale R&D and manufacturing Park with an area of nearly 10,000 square meters in the future, including the Stage I R&D Center. It is an important base for Innodisk's connection to international research and development and Yilan's largest smart green building landscape corridor.

The construction of the Stage II R&D Center is expected to be completed in the fourth quarter of 2023, which can meet the operational development needs of the Company in the next 3~5 years. The investment in manufacturing equipment will be carried out successively in accordance with the sales growth to meet a small quantity product portfolio and to ensure the steady development of capacity utilization.

(IX) Risks of concentrations of purchases or sales and countermeasures:

#### 1. Purchase

Memory chip is the main material used by the Company, which is purchased mainly manufacture by Samsung Electronics (South Korea) and Kioxia (Japan) and purchased from their distributors "Company O" and Company A in Taiwan, respectively. The purchase ratio in 2022 was 30.16% and 29.74%, respectively. Therefore, the supply of memory chips was stable and without the risk of short supply.

#### 2. Sales

The Company's main sales targets are domestic and overseas distributors or end-users, and the sales targets are quite diversified and there is no risk of concentration of sales.

(X) The impact on the Company and risks of the massive transfer or change of shares by directors, supervisors, or major shareholders with a 10% stake or more and countermeasures: None.

(XI) The impact on the Company and risks of change in management rights and countermeasures: None.

(XII) Litigation or non-litigation events

1. For the most recent two years and the current year up to the date of publication of the annual report, if the Company has been convicted by final and binding judgments or is still bound by significant

litigation, non-litigation or administrative disputes, the results of which may have a significant impact on shareholder interests or securities prices: There was no significant impact.

2. For the most recent two years and the current year up to the date of publication of the annual report, if the Company's directors, supervisors, general managers, persons in charge of the Company, substantial shareholders holding more than 10 percent of the shares, and affiliated companies have been convicted by final and binding judgments or is still bound by significant litigation, non-litigation or administrative disputes, the results of which may have a significant impact on shareholder interests or securities prices: None.

(XIII) Other important risks and countermeasures: None.

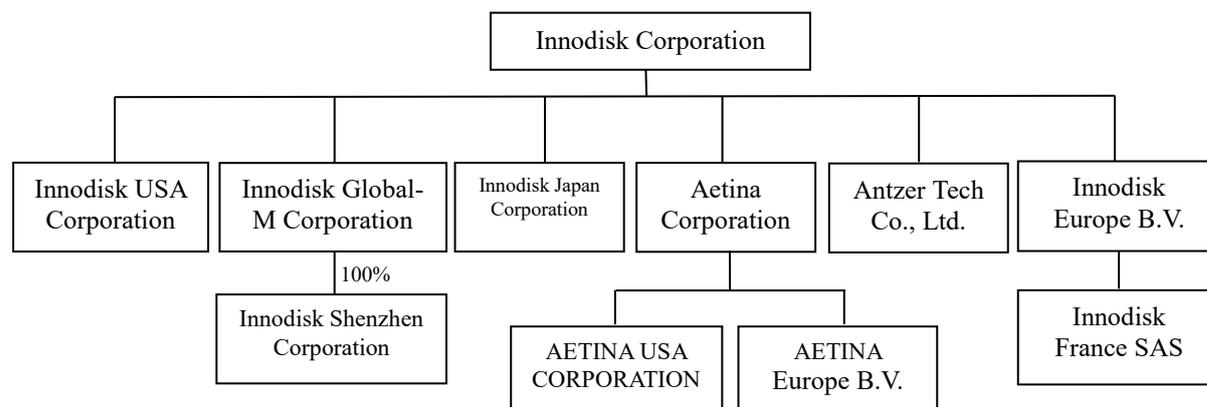
VII. Other important matters: None.

## Eight. Special Record Items

### I. Information on affiliates

#### (I) Consolidated affiliation reports

##### 1. Affiliated enterprise organizational chart



##### 2. Basic information on affiliates

Expressed in Thousands of NTD

Enterprise name	Date of establishment	Address	Paid-in capital	Principal business or production items
Innodisk USA Corporation	10.2008	42996 Osgood Road, Fremont, CA 94539 USA	62,051	Industrial embedded storage devices
Innodisk Global-M Corporation	10.2010	5F, No. 237, Section 1, Datong Road, Xizhi District, New Taipei City	20,154	Investment holdings
Innodisk Japan Corporation	2.2010	1-1-14 Nihonbashi Ningyocho, Chuo-ku, Tokyo	3,533	After-sales services and support of industrial embedded storage devices
Aetina Corporation	9.2013	2F-1, No. 237, Section 1, Datong Road, Xizhi District, New Taipei City	257,518	Manufacturing and sales of industrial graphics cards
Innodisk Shenzhen Corporation	1.2011	807, Block B, Hengyu Center, Dengliang Road, Nanshan District, Shenzhen	18,168	Industrial embedded storage devices
Innodisk Europe B.V.	1.2015	Pisanostraat 57 5623 CB Eindhoven, the Netherlands	17,470	After-sales services and support of industrial embedded storage devices
Innodisk France SAS	1.2021	Immeuble Stephenson 1 Rue George Stephenson 78180 Montigny-le-Bretonneux	175	After-sales services and support of industrial embedded storage devices
Antzer Tech Co., Ltd.	11.2015	7F-7, No. 237, Section 1, Datong Road, Xizhi District, New Taipei City	58,400	Electronic parts and components manufacturing.
AETINA USA CORPORATION <sub>(Note 1)</sub>	9.2021	42996 Osgood Road, Suite A Fremont, California, 94539 United States of America	-(Note 1)	After-sales service and support for industrial graphics cards
AETINA Europe B.V. <sub>(Note 2)</sub>	2.2022	Pisanostraat 57, 5623CB Eindhoven	-(Note 2)	After-sales service and support for industrial graphics cards

Note 1: AETINA USA CORPORATION was invested in and established by Aetina Corporation in 2021, and the capital injection has not been completed as of December 31, 2022.

Note 2: AETINA Europe B.V. was invested in and established by Aetina Corporation in 2022, and the capital injection has not been completed as of December 31, 2022.

##### 3. Information on the common shareholder information for those presumed to be in a controlling and subordinate relationship: Not applicable.

#### 4. Information on directors, supervisors and managerial officers of affiliates

Unit: Thousand NTD; shares; %

Enterprise name	Title	Name or representative	Shareholding.	
			Number of Shares	Shareholding percentage
Innodisk USA Corporation	Chairman	Chien, Chuan-Sheng	-	-
	Director	Wang, Li-Cheng	-	-
	Director	LE VICTOR KHANH	-	-
Innodisk Global-M Corporation	Chairman	Chien, Chuan-Sheng	-	-
Innodisk Japan Corporation	Chairman	Chien, Chuan-Sheng	-	-
	Director	Kitajima Takahide	-	-
	Director	Wang, Chia-Ying	-	-
	Supervisor	Wang, Li-Cheng	-	-
Aetina Corporation	Chairman	Chien, Chuan-Sheng	19,107,283	74.20%
	Director	Chen, Qiu-Xiong	19,107,283	74.20%
	Director	Luo, Zhi-Rong	1,423,319	5.53%
	Supervisor	Wang, Li-Cheng	12,691	0.05%
Innodisk Shenzhen Corporation	Chairman	Chien, Chuan-Sheng	-	-
	Supervisor	Wang, Li-Cheng	-	-
Innodisk Europe B.V.	Director	Chien, Chuan-Sheng	-	-
	Director	Bo, Lu-Hua	-	-
Innodisk France SAS	Director	Chien, Chuan-Sheng	-	-
	Director	Bo, Lu-Hua	-	-
Antzer Tech Co., Ltd.	Director	Wei, Ting-Huang	58,400,000	100%
AETINA USA CORPORATION	Director	LE VICTOR KHANH		
AETINA Europe B.V.	Director	Luo, Zhi-Rong		
	Director	Bo, Lu-Hua		

#### 5. Operating profile of affiliates

Unit: Thousand NTD

Enterprise name	Capital	Total Assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current period income (After tax)	Earnings per share (NT\$) (After tax)
Innodisk USA Corporation	62,051	275,412	154,439	120,972	1,449,507	13,366	6,144	3.00
Innodisk Global-M Corporation	20,154	40,349	0	40,349	0	(109)	(34,568)	(51.98)
Innodisk Japan Corporation	3,533	21,781	12,016	9,765	39,483	2,235	1,544	7,877.55
Aetina Corporation	257,518	645,827	232,797	413,030	711,458	148,065	122,272	4.75
Innodisk Shenzhen Corporation	18,168	146,261	106,951	39,310	551,759	(34,578)	(34,463)	(註 1)
Innodisk Europe B.V.	17,470	62,912	20,129	42,783	74,309	6,627	7,844	0.16
Antzer Tech Co., Ltd.	58,400	30,113	2,784	27,329	16,251	6,054	5,787	0.10
Innodisk France SAS	175	11,989	9,823	2,166	19,645	1,815	1,416	283.20
AETINA USA CORPORATION (Note 2)	-	629	525	104	2,481	162	104	-
AETINA Europe B.V. (Note 3)	-	1,410	1,143	267	6,123	301	267	-

Note 1: No shares issued

Note 2: AETINA USA CORPORATION was invested in and established by Aetina Corporation in 2021, and the capital injection has not been completed as of December 31, 2022.

Note 3: AETINA Europe B.V. was invested in and established by Aetina Corporation in 2022, and the capital injection has not been completed as of December 31, 2022.

## (II) Affiliated Enterprise Consolidated Financial Statements

### Innodisk Corporation

#### Declaration of Consolidated Financial of Affiliated Enterprises

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

Hereby declare,

Company Name: Innodisk Corporation

Responsible Person: Chuan-Sheng Chien

February 23, 2023

- (III) Affiliation report: None.
- II. Private placement of marketable securities in the most recent year and the current year up till the publication date of this annual report: None.
- III. Holding or disposal of the Company's shares by its subsidiaries in the most recent year and the current year up to the publication date of this annual report: None.
- IV. Other matters that require additional explanation: None.
- V. Any of the situations listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholder equity or the price of the Company's securities, which has occurred during the most recent year or the current year up to the date of publication of the annual report: None.

## Independent Auditor's Report

(112) Cai-Shen-Bao-Zi #22003702

To the Board of Directors and Stockholders of Innodisk Corporation:

### **Opinion**

We have audited the parent company only balance sheets of Innodisk Corporation (the "Company") as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the aforementioned parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for opinion**

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

### **Key audit matters**

Key audit matters are those matters that were of most significance in our audit of the 2022 parent company only financial statements in our professional judgment. These matters were addressed in the context of our audit of the parent company only 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 2022 parent company only financial statements are 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 parent company only financial statements. For the uncertainty of accounting estimates and assumptions applied in inventory valuation, please refer to Note 5 (2). For the accounting entries of inventory, please refer to Note 6(5).

Innodisk Corporate 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 parent company only financial statements, we consider the inventory valuation as one of the key matters for audit.

### How our audit addressed the matter

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

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

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

### Description

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

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

## **Responsibilities of management and those charged with governance for the parent company only financial statements**

Management is responsible for the preparation and fair presentation of the parent company only 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 for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the parent company only 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 parent company only financial statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance means a high level of assurance, but an audit conducted in accordance with the Generally Accepted Auditing Standards of the Republic of China does not provide assurance that material misstatements in the parent company only financial statements can be detected. 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only 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 Innodisk'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 auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to

continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 parent company only financial statements. We are responsible for the direction, supervision and performance of the audit for the parent company. 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 Company's parent company only financial statements of 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yeh, Tsui Miao

Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

February 23, 2023

Innodisk Corporation  
Parent Company Only Balance Sheet  
December 31, 2022 and 2021

Expressed in Thousands of NTD

Assets	Note	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6 (1)	\$ 3,608,016	41	\$ 1,824,752	23
1136	Current financial assets at amortised cost	6 (3)	-	-	600,000	8
1150	Notes receivable	6 (4)	2,565	-	1,986	-
1170	Accounts receivable, net	6 (4)	1,101,024	12	1,178,044	15
1180	Accounts receivable -- related parties	6 (4) and 7 (2)	223,754	3	357,219	5
1200	Other receivables		1,763	-	2,879	-
1210	Other receivables -- related parties	7 (2)	808	-	279	-
1220	Current income tax assets	6 (26)	913	-	494	-
130X	Inventories	6 (5)	1,048,647	12	1,532,434	19
1410	Prepayments		41,239	-	87,465	1
11XX	<b>Current Assets</b>		<u>6,028,729</u>	<u>68</u>	<u>5,585,552</u>	<u>71</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6 (2)	27,839	-	-	-
1535	Non-current financial assets at amortized cost	6 (3) and 8	10,706	-	10,706	-
1550	Investments accounted for using equity method	6 (6)	560,864	6	469,476	6
1600	Property, plant and equipment	6 (7) and 8	1,751,178	20	1,324,833	17
1755	Right-of-use assets	6 (8)	179,933	2	182,889	2
1760	Investment property, net	6 (10) and 8	236,213	3	136,438	2
1780	Intangible assets		25,299	-	27,164	-
1840	Deferred income tax assets	6 (26)	68,722	1	56,350	1
1920	Refundable deposit		1,382	-	780	-
1990	Other non-current assets - others	6 (7)	-	-	82,761	1
15XX	<b>Non-current assets</b>		<u>2,862,136</u>	<u>32</u>	<u>2,291,397</u>	<u>29</u>
1XXX	<b>Total Assets</b>		<u>\$ 8,890,865</u>	<u>100</u>	<u>\$ 7,876,949</u>	<u>100</u>

(Continued)

Innodisk Corporation  
Parent Company Only Balance Sheet  
December 31, 2022 and 2021

Expressed in Thousands of NTD

Liabilities and Equity	Note	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2130	Current contract liabilities	6 (19)	\$ 35,857	-	\$ 8,184	-
2170	Accounts payable		675,442	8	923,937	12
2180	Accounts payable -- related parties	7 (2)	65	-	16,023	-
2200	Other payables	6 (11)	527,316	6	429,717	6
2220	Other payables -- related parties	7 (2)	8,292	-	8,124	-
2230	Current income tax liabilities	6 (26)	190,184	2	272,026	3
2250	Provisions for liabilities-current	6 (15)	68,289	1	59,600	1
2280	Current lease liabilities		7,915	-	7,959	-
2300	Other current liabilities		3,327	-	3,603	-
21XX	<b>Current Liabilities</b>		<u>1,516,687</u>	<u>17</u>	<u>1,729,173</u>	<u>22</u>
<b>Non-current liabilities</b>						
2540	Long-term loans	6 (12)	180,000	2	-	-
2570	Deferred income tax liabilities:	6 (26)	4,323	-	8,279	-
2580	Non-current lease liabilities		175,203	2	177,216	2
2645	Guarantee deposit received		1,785	-	1,292	-
25XX	<b>Non-current Liabilities</b>		<u>361,311</u>	<u>4</u>	<u>186,787</u>	<u>2</u>
2XXX	<b>Total liabilities</b>		<u>1,877,998</u>	<u>21</u>	<u>1,915,960</u>	<u>24</u>
<b>Equity attributable to owners of parent</b>						
Share capital						
3110	Share capital - common stock	6 (16)	865,531	10	826,680	11
Capital surplus						
3200	Capital surplus	6 (17)	1,356,462	15	1,213,829	15
Retained earnings						
3310	Legal reserve	6 (18)	766,831	9	610,743	8
3320	Special reserve		13,147	-	5,438	-
3350	Unappropriated retained earnings		4,011,820	45	3,317,446	42
Other equity interests						
3400	Other equity interests		( 924)	-	( 13,147)	-
3XXX	<b>Total equity</b>		<u>7,012,867</u>	<u>79</u>	<u>5,960,989</u>	<u>76</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet date						
3X2X	<b>Total Liabilities and Equity</b>		<u>\$ 8,890,865</u>	<u>100</u>	<u>\$ 7,876,949</u>	<u>100</u>

The accompanying notes are an integral part of the individual financial statements; please review them together.

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Hsiao, Wen-Kui

Innodisk Corporation  
Parent Company Only Statement of Comprehensive Income  
January 1 to December 31, 2022 and 2021

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

Item	Note	2022		2021	
		Amount	%	Amount	%
4000 Operating revenue	6 (19) and 7 (2)	\$ 9,258,869	100	\$ 9,427,772	100
5000 Operating costs	6 (5) and 7 (2)	( 6,318,605)	( 68)	( 6,752,343)	( 72)
5900 Gross profit before unrealized gross profit on sales to subsidiaries		2,940,264	32	2,675,429	28
5910 Unrealized profit from sales		( 7,095)	-	( 14,316)	-
5920 Realized profit on from sales		14,316	-	12,625	-
5950 Gross profit before unrealized gross profit on sales to subsidiaries		2,947,485	32	2,673,738	28
Operating expenses	6 (24) and 7 (2)				
6100 Selling expenses		( 420,502)	( 4)	( 323,578)	( 3)
6200 General and administrative expenses		( 346,141)	( 4)	( 364,014)	( 4)
6300 Research and development expenses		( 270,834)	( 3)	( 171,450)	( 2)
6450 Expected loss on credit impairment	12 (2)	( 21,045)	-	( 493)	-
6000 Total operating expenses		( 1,058,522)	( 11)	( 859,535)	( 9)
6900 Operating profit		1,888,963	21	1,814,203	19
Non-operating income and expenses					
7100 Interest income	6 (20)	13,174	-	4,844	-
7010 Other income	6 (21) and 7 (2)	29,693	-	16,647	-
7020 Other gains and losses	6 (22)	200,560	2	24,098	-
7050 Finance cost	6 (23)	( 5,269)	-	( 2,304)	-
7070 Share of profit/(loss) of associates and joint ventures accounted for using equity method	6 (6)	69,545	1	110,802	1
7000 Total non-operating income and expenses		307,703	3	105,891	1
7900 <b>Profit before income tax</b>		2,196,666	24	1,920,094	20
7950 Income tax expense	6 (26)	( 346,477)	( 4)	( 359,206)	( 4)
8200 <b>Profit for the year</b>		\$ 1,850,189	20	\$ 1,560,888	16
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8316 Unrealized appraisal gains and losses of equity instrument investment measured at fair value through other comprehensive income		( \$ 2,131)	-	\$ -	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		14,354	-	( 7,709)	-
8360 Components of other comprehensive loss that will be reclassified to profit or loss		12,223	-	( 7,709)	-
8500 <b>Total comprehensive income for the year</b>		\$ 1,862,412	20	\$ 1,553,179	16
Basic earnings per share					
9750 Profit for the year		\$ 1,850,189	21.46	\$ 1,560,888	18.39
Diluted earnings per share					
9850 Profit for the year		\$ 1,850,189	21.23	\$ 1,560,888	18.08

The accompanying notes are an integral part of the individual financial statements; please review them together.

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Hsiao, Wen-Kui

Innodisk Corporation  
Parent Company Only Statement of Changes in Equity  
January 1 to December 31, 2022 and 2021

Expressed in Thousands of NTD

	Note	Retained earnings				Other equity interests			Total equity
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized appraisal gains and losses of financial assets measured at fair value through other comprehensive income	
<u>2021</u>									
Balance as of January 1, 2021		\$ 813,240	\$ 1,082,702	\$ 517,734	\$ 4,080	\$ 2,403,928	(\$ 5,438 )	\$ -	\$ 4,816,246
Profit for the year		-	-	-	-	1,560,888	-	-	1,560,888
Other comprehensive profit and loss for the year		-	-	-	-	-	( 7,709 )	-	( 7,709 )
Total comprehensive profit and loss for the year		-	-	-	-	1,560,888	( 7,709 )	-	1,553,179
Appropriations and of 2020 earnings	6 (18)	-	-	-	-	-	-	-	-
Legal reserve		-	-	93,009	-	( 93,009 )	-	-	-
Special reserve		-	-	-	1,358	( 1,358 )	-	-	-
Cash dividends		-	-	-	-	( 553,003 )	-	-	( 553,003 )
Share-based payment	6 (14)	-	19,973	-	-	-	-	-	19,973
Exercise of employee share options	6 (16)	13,440	111,055	-	-	-	-	-	124,495
Share-based remuneration for employees of subsidiaries		-	99	-	-	-	-	-	99
Balance as of December 31, 2021		\$ 826,680	\$ 1,213,829	\$ 610,743	\$ 5,438	\$ 3,317,446	(\$ 13,147 )	\$ -	\$ 5,960,989
<u>2022</u>									
Balance as of January 1, 2022		\$ 826,680	\$ 1,213,829	\$ 610,743	\$ 5,438	\$ 3,317,446	(\$ 13,147 )	\$ -	\$ 5,960,989
Profit for the year		-	-	-	-	1,850,189	-	-	1,850,189
Other comprehensive profit and loss for the year		-	-	-	-	-	14,354	( 2,131 )	12,223
Total comprehensive profit and loss for the year		-	-	-	-	1,850,189	14,354	( 2,131 )	1,862,412
Appropriation and distribution of 2021 earnings	6 (18)	-	-	-	-	-	-	-	-
Legal reserve		-	-	156,088	-	( 156,088 )	-	-	-
Special reserve		-	-	-	7,709	( 7,709 )	-	-	-
Stock dividends		24,801	-	-	-	( 24,801 )	-	-	-
Cash dividends		-	-	-	-	( 967,217 )	-	-	( 967,217 )
Share-based payment	6 (14)	-	31,447	-	-	-	-	-	31,447
Exercise of employee share options	6 (16)	14,050	110,918	-	-	-	-	-	124,968
Share-based remuneration for employees of subsidiaries		-	268	-	-	-	-	-	268
Balance as of December 31, 2022		\$ 865,531	\$ 1,356,462	\$ 766,831	\$ 13,147	\$ 4,011,820	\$ 1,207	(\$ 2,131 )	\$ 7,012,867

The accompanying notes are an integral part of the individual financial statements; please review them together.

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Hsiao, Wen-Kui

Innodisk Corporation  
Parent Company Only Statement of Cash Flow  
January 1 to December 31, 2022 and 2021

Expressed in Thousands of NTD

	Note	January 1 to December 31, 2022	January 1 to December 31, 2021
<u>Cash flow from operating activities</u>			
Profit before income tax for the year		\$ 2,196,666	\$ 1,920,094
Adjustments:			
Adjustments to reconcile profit (loss)			
Depreciation charges on property, plant and equipment	6 (24)	86,622	60,532
Depreciation charges on right-of-use assets	6 (24)	9,170	9,315
Amortization charges on the intangible assets and deferred assets.	6 (24)	21,660	21,499
Depreciation charges on investment property	6 (22)	2,886	2,028
Expected loss (profit) on credit impairment	12 (2)	21,045	493
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	6 (5)	43,847	124,783
Loss on scrapping inventory	6 (5)	13,326	3,353
Share of profit/(loss) of associates accounted for under equity method	6 (6)	( 69,545 )	( 110,802 )
Gains on revaluation of investments accounted for using equity method	6 (22)	-	( 2,780 )
Loss (gain) on disposal of property, plant and equipment	6 (22)	-	( 388 )
Disposal of investment gains	6 (22)	( 4,228 )	-
Gain on lease modification	6 (8)	( 3 )	-
Interest expense	6 (23)	5,269	2,304
Interest income	6 (20)	( 13,174 )	( 4,844 )
Compensation cost of employee stock options	6 (14)	31,447	19,973
Unrealized profit from sales		7,095	14,316
Realized profit on from sales		( 14,316 )	( 12,625 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		( 579 )	( 1,728 )
Accounts receivable, net		55,975	( 596,197 )
Accounts receivable -- related parties		133,465	( 75,003 )
Other receivables		1,116	( 251 )
Other receivables - related parties		( 529 )	549
Inventories		426,614	( 923,334 )
Prepayments		46,226	( 42,899 )
Changes in operating liabilities			
Current contract liabilities		27,673	( 18,821 )
Accounts payable		( 248,495 )	386,924
Accounts payable -- related parties		( 15,958 )	13,970
Other payables		60,964	137,751
Other payables -- related parties		168	3,898
Provisions for liabilities-current		8,689	( 1,593 )
Other current liabilities		( 276 )	1,530
Cash inflow generated from operations		2,832,820	932,047
Interest received		13,174	4,843
Income tax paid		( 445,066 )	( 208,728 )
Net cash flows from operating activities		2,400,928	728,162

(Continued)

Innodisk Corporation  
Parent Company Only Statement of Cash Flow  
January 1 to December 31, 2022 and 2021

Expressed in Thousands of NTD

	Note	January 1 to December 31, 2022	January 1 to December 31, 2021
<u>Cash Flow from Investing Activities</u>			
Acquisition of non-current financial assets at fair value through other comprehensive income	6 (2)	(\$ 29,970)	\$ -
Decrease (increase) in current financial assets at amortized cost		600,000	( 200,000 )
Increase in non-current financial assets at amortized cost		-	( 3,000 )
Acquisition of investments accounted for using equity method	6 (6)	-	( 19,889 )
Proceeds from disposal of investments accounted for using equity method		4,228	-
Acquisition of property, plant and equipment	6 (29)	( 393,756 )	( 129,362 )
Disposal of property, plant and equipment		-	450
Acquisition of intangible assets		( 20,206 )	( 22,885 )
Acquisition of investment property	6 (10)	( 102,661 )	-
Increase in prepayments for equipment		-	( 68,802 )
Increase in refundable deposits		( 755 )	( 207 )
Decrease in refundable deposits		153	207
Decrease (increase) in other non-current assets		414	( 13,229 )
Net cash flows from (used in) investing activities		<u>57,447</u>	<u>( 456,717 )</u>
<u>Cash Flow from Financing Activities</u>			
Proceeds from long-term debt	6 (30)	180,000	-
Increase in guarantee deposits received		1,092	524
Decrease in guarantee deposits received		( 599 )	( 332 )
Cash dividends paid	6 (30)	( 967,217 )	( 553,003 )
Exercise of employee share options		124,968	124,495
Interest paid		( 5,087 )	( 2,304 )
Payment of lease liabilities	6 (30)	( 8,268 )	( 8,343 )
Net cash used in financing activities		<u>( 675,111 )</u>	<u>( 438,963 )</u>
Net increase (decrease) in cash and cash equivalents		1,783,264	( 167,518 )
Cash and cash equivalents at beginning of year		1,824,752	1,992,270
Cash and cash equivalents at end of year		<u>\$ 3,608,016</u>	<u>\$ 1,824,752</u>

The accompanying notes are an integral part of the individual financial statements; please review them together.

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Hsiao, Wen-Kui

Innodisk Corporation  
Notes to the Parent Company Only Financial Statements  
Years Ended December 31, 2022 and 2021

Expressed in Thousands of NTD  
(Except as otherwise indicated)

I. Company history

- (I) Innodisk Corporation (hereinafter referred to as the “Company”) was established in March 2005. The Company mainly engage in the research, development, manufacturing and sales of various types of industrial embedded storage devices.
- (II) The Taipei Exchange reviewed the Company’s application and approved its eligibility to be publicly traded in October, 2013 and the Company became officially on the OTC board on November 27, 2013.

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

The parent company only financial statements have been approved and authorized for issuance by the Board of Directors on February 23, 2023.

III. Application of new standards, amendments, and interpretations

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

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

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

The Company believes that the adoption of aforementioned standards and interpretations will not have a significant impact on the parent company only financial position and performance.

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

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

<u>New/Amended/Revised Standards and Explanations</u>	<u>Effective date of issuance by IASB</u>
Amendment to IAS 1 “Disclosure of accounting policies”	January 1, 2023
Amendment to IAS 8 “Definitions of accounting estimates”	January 1, 2023
Amendment to IAS 12 “Deferred tax related to assets and liabilities arising from a single transaction”	January 1, 2023

The Company believes that the adoption of aforementioned standards and interpretations will not have a significant impact on the parent company only financial position and performance.

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

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

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

The Company believes that the adoption of aforementioned standards and interpretations will not have a significant impact on the parent company only financial position and performance.

IV. Summary of significant accounting policies

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

(I) Compliance statement

These parent company only financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Statements by Securities Issuers.”

(II) Basis of preparation

1. Other than financial assets measured at fair value through other comprehensive income, the parent company only financial statements are prepared based on historical cost.
2. The preparation of financial statements in conformity with the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretation (hereinafter collectively referred to as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the individual financial statements are disclosed in Note 5.

(III) Foreign currency translation

Items included in the parent company only financial report of the Company are measured using the currency of the primary economic environment in which the Company operates (hereinafter referred to as “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency and reporting currency.

1. Foreign currency transactions and balances

- (1) Foreign currency transactions are translated into the functional currency using spot exchange rate at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (2) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated using spot exchange rate at the balance sheet date. Exchange differences arising from re-translation at the balance sheet date are recognized in profit or loss.
- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated using spot exchange rate at the balance sheet date. Their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated using spot exchange at the balance sheet date. Their translation differences are recognized in other comprehensive income. For those which are not measured at fair value, they measured by the historical exchange rate of the initial transaction date.
- (4) All foreign exchange gains and losses are presented in the parent company only statement of comprehensive income under “Other gains and losses.”

2. Translation of foreign operations

The operating results and financial position of all the company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
- (2) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.
- (3) All resulting exchange differences are recognized in other comprehensive income.

(IV) Classification of current and non-current items

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

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
- (2) Assets held mainly for trading purposes.
- (3) Assets that are expected to be realized within twelve months from the balance sheet date.
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

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

- (1) Liabilities that are expected to be paid off within the normal operating cycle.
- (2) Assets held mainly for trading purposes.
- (3) Liabilities that are to be paid off within twelve months from the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(V) Cash equivalents

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

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

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

(VII) Financial assets measured at amortized cost

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

(VIII) Accounts and notes receivable

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

(IX) Impairment of financial assets

Regarding the financial assets measured at amortized cost, the Company considers all reasonable and supportable information (including forward-looking ones) and measure the loss

allowance based on the 12-month expected credit losses for those that do not have their credit risk increased significantly since initial recognition. For those that have increased significantly since initial recognition, the loss allowance is measured based on the full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is also required for trade receivables that do not constitute a financing transaction.

(X) De-recognition of financial assets

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

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

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

(XII) Inventories

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

(XIII) Investments accounted for under equity method -- subsidiaries and associates

1. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. Unrealized gains or losses on transactions between Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company recognized the profit and loss upon the acquisition of subsidiaries as the current profit and loss. Other comprehensive profit and loss after the acquisition are recognized as the other comprehensive profit and loss. If the Company's recognized profit and loss of the subsidiaries equal to or exceed the equity in the subsidiaries, the Company will continue to recognize the loss in proportion to its shareholding.
4. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are equity transactions and they are considered as transactions with owners in their capacity as

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

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

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

12. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss during the period and other comprehensive income presented in the parent company only financial report shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial report prepared on a consolidated basis, and the owners' equity presented in the parent company only financial report shall be the same as the equity attributable to owners of the parent presented in the financial report prepared on a consolidated basis.

(XIV) Property, plant and equipment

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

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

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

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

1. Leases are recognized as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as expenses on a straight-line basis over the lease term.
2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments include fixed payments, less any lease incentives receivables.  
The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is re-measured and the amount of re-measurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
3. At the commencement date, the right-of-use asset is recognized at cost comprising the amount of initial measurement of lease liability.  
The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's service life or the end of lease term. When the lease liability is re-measured, the amount of re-measurement is recognized as an adjustment to the right-of-use asset.
4. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognizes the difference in profit or loss.

(XVI) Investment property

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

(XVII) Intangible assets

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

(XVIII) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal cost or value in use.

When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exists or diminishes, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(XIX) Borrowings

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

(XX) Accounts and notes payable

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

(XXI) De-recognition of financial liabilities

The Company de-recognizes financial liabilities when the obligations specified in the contract are fulfilled, cancelled or expired.

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

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

(XXIII) Provisions

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

(XXIV) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should

be recognized as expenses in that period when the employees render service.

2. Pension

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

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

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

(XXV) Employee share-based payment

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

(XXVI) Income tax

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

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

4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities. They are levied by the same taxation authority on either the same entities or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXVII) Share capital

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

(XXVIII) Dividend distribution

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

(XXIX) Revenue recognition

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

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

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

(XXX) Government grants

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

(XXXI) Business combinations

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

acquisition-date fair value.

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

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

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

##### (I) Important judgments adopted by the accounting policies

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

##### (II) Critical accounting estimates and assumptions

###### Inventory Evaluation

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

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

## VI. Statements of main accounting items

### (I) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash:		
Cash on hand and working capital	\$ 517	\$ 562
Checking deposits and demand deposits	2,271,999	1,688,690
Cash equivalents:		
Time deposits	1,335,500	135,500
	<u>\$ 3,608,016</u>	<u>\$ 1,824,752</u>

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

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

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

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

### (III) Financial assets measured at amortized cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Time deposits due in more than three months	\$ -	\$ 600,000
Non-current items:		
Pledged time deposits	<u>\$ 10,706</u>	<u>\$ 10,706</u>

1. Please refer to Note 6(20) for the recognized interest income from financial assets measured at amortized cost.

2. Please refer to Note 8 for the Company's provision of financial assets at amortized cost as pledged collateral.

(IV) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 2,565	\$ 1,986
Less: Loss allowance	-	-
	<u>\$ 2,565</u>	<u>\$ 1,986</u>
Accounts receivable	\$ 1,123,261	\$ 1,179,236
Accounts receivable - related parties	223,754	357,219
	<u>1,347,015</u>	<u>1,536,455</u>
Less: Loss allowance	( 22,237)	( 1,192)
	<u>\$ 1,324,778</u>	<u>\$ 1,535,263</u>

1. For the aging analysis and the related credit risk information on notes and accounts receivable, please refer to Note 12 (2).
2. As of December 31, 2022 and 2021, notes receivable and accounts receivable were from contracts with customers. The balances of notes and accounts receivable as of January 1, 2021 were NT\$865,513.
3. The Company does not hold any collateral for the aforementioned notes and accounts receivable.

(V) Inventories

	<u>December 31, 2022</u>		
	Cost	Loss allowance for falling prices	Book value
Raw materials	\$ 746,347	(\$ 187,122)	\$ 559,225
Work in process	220,742	( 13,232)	207,510
Finished products	319,069	( 37,210)	281,859
Products	570	( 517)	53
	<u>\$ 1,286,728</u>	<u>(\$ 238,081)</u>	<u>\$ 1,048,647</u>

	<u>December 31, 2021</u>		
	Cost	Loss allowance for falling prices	Book value
Raw materials	\$ 1,253,468	(\$ 171,133)	\$ 1,082,335
Work in process	193,162	( 10,482)	182,680
Finished products	279,849	( 12,527)	267,322
Products	189	( 92)	97
	<u>\$ 1,726,668</u>	<u>(\$ 194,234)</u>	<u>\$ 1,532,434</u>

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

	2022	2021
Cost of inventory sold	\$ 6,241,776	\$ 6,598,428
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	43,847	124,783
Loss on scrapping of inventory	13,326	3,353
Others	19,656	25,779
	<u>\$ 6,318,605</u>	<u>\$ 6,752,343</u>

(VI) Investments accounted for using equity method

	December 31, 2022		December 31, 2021	
	Amount	Shareholding percentage	Amount	Shareholding percentage
Subsidiaries:				
Innodisk USA Corporation	\$ 115,751	100%	\$ 91,662	100%
Innodisk Japan Corporation	9,767	100%	8,513	100%
Innodisk Europe B.V.	42,783	100%	33,118	100%
Innodisk Global-M Corporation	40,667	100%	73,883	100%
Antzer Tech Co., Ltd.	32,549	100%	28,545	100%
Aetina Corporation	306,394	74.20%	215,017	74.78%
	<u>547,911</u>		<u>450,738</u>	
Affiliates:				
AccelStor Inc.	-	-	-	40.37%
Millitronic Co.,Ltd.	6,134	33.55%	10,501	33.55%
Sysinno Technology Inc.	6,819	43.00%	8,237	43.00%
	<u>12,953</u>		<u>18,738</u>	
	<u>\$ 560,864</u>		<u>\$ 469,476</u>	

Note: In 2022 and 2021, the Company's share of (losses) profits from affiliates recognized by the equity method was NT\$69,545 and NT\$110,802, respectively, based on the financial statements audited by the Company's independent auditors.

1. Subsidiaries

For information on the Company's subsidiaries, please refer to Note 4 (3) of 2022 consolidated financial statements.

2. Affiliates:

(1) AccelStor Inc.

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

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

	<u>2022</u>	<u>2021</u>
Net loss from continuing operations	(\$ 5,785)	(\$ 7,854)
Other comprehensive income or loss (net after tax)	-	-
Total comprehensive profit and loss for the year	<u>(\$ 5,785)</u>	<u>(\$ 7,854)</u>

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

(VII) Property, plant and equipment

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machines and equipment</u>	<u>Office equipment</u>	<u>Unfinished construction and equipment pending acceptance</u>	<u>Others</u>	<u>Total</u>
<u>January 1, 2022</u>							
Cost	\$ 480,076	\$ 740,469	\$ 259,792	\$ 31,174	\$ 55,500	\$ 73,064	\$ 1,640,075
Accumulated depreciation and impairments	-	( 94,868)	( 153,852)	( 21,336)	-	( 45,186)	( 315,242)
	<u>\$ 480,076</u>	<u>\$ 645,601</u>	<u>\$ 105,940</u>	<u>\$ 9,838</u>	<u>\$ 55,500</u>	<u>\$ 27,878</u>	<u>\$ 1,324,833</u>
<u>2022</u>							
January 1	\$ 480,076	\$ 645,601	\$ 105,940	\$ 9,838	\$ 55,500	\$ 27,878	\$ 1,324,833
Addition	99,803	73,242	16,019	17,492	206,010	17,643	430,209
Reclassification	41,826	26,974	47,685	13,959	( 48,553)	867	82,758
Depreciation expense	-	( 23,283)	( 36,805)	( 17,194)	-	( 9,340)	( 86,622)
December 31	<u>\$ 621,705</u>	<u>\$ 722,534</u>	<u>\$ 132,839</u>	<u>\$ 24,095</u>	<u>\$ 212,957</u>	<u>\$ 37,048</u>	<u>\$ 1,751,178</u>
<u>December 31, 2022</u>							
Cost	\$ 621,705	\$ 840,685	\$ 323,496	\$ 62,625	\$ 212,957	\$ 91,574	\$ 2,153,042
Accumulated depreciation and impairments	-	( 118,151)	( 190,657)	( 38,530)	-	( 54,526)	( 401,864)
	<u>\$ 621,705</u>	<u>\$ 722,534</u>	<u>\$ 132,839</u>	<u>\$ 24,095</u>	<u>\$ 212,957</u>	<u>\$ 37,048</u>	<u>\$ 1,751,178</u>
	<u>Land</u>	<u>Buildings and construction</u>	<u>Machines and equipment</u>	<u>Office equipment</u>	<u>Unfinished construction and equipment pending acceptance</u>	<u>Others</u>	<u>Total</u>
<u>January 1, 2021</u>							
Cost	\$ 480,076	\$ 706,574	\$ 227,410	\$ 29,813	\$ -	\$ 56,879	\$ 1,500,752
Accumulated depreciation and impairments	-	( 78,617)	( 132,774)	( 16,115)	-	( 39,114)	( 266,620)
	<u>\$ 480,076</u>	<u>\$ 627,957</u>	<u>\$ 94,636</u>	<u>\$ 13,698</u>	<u>\$ -</u>	<u>\$ 17,765</u>	<u>\$ 1,234,132</u>
<u>2021</u>							
January 1	\$ 480,076	\$ 627,957	\$ 94,636	\$ 13,698	\$ -	\$ 17,765	\$ 1,234,132
Addition	-	34,117	37,615	1,515	55,500	16,963	145,710
Reclassification	-	3,680	1,425	-	-	480	5,585
Disposal	-	-	-	( 8)	-	( 54)	( 62)
Depreciation expense	-	( 20,153)	( 27,736)	( 5,367)	-	( 7,276)	( 60,532)
December 31	<u>\$ 480,076</u>	<u>\$ 645,601</u>	<u>\$ 105,940</u>	<u>\$ 9,838</u>	<u>\$ 55,500</u>	<u>\$ 27,878</u>	<u>\$ 1,324,833</u>
<u>December 31, 2021</u>							
Cost	\$ 480,076	\$ 740,469	\$ 259,792	\$ 31,174	\$ 55,500	\$ 73,064	\$ 1,640,075
Accumulated depreciation and impairments	-	( 94,868)	( 153,852)	( 21,336)	-	( 45,186)	( 315,242)
	<u>\$ 480,076</u>	<u>\$ 645,601</u>	<u>\$ 105,940</u>	<u>\$ 9,838</u>	<u>\$ 55,500</u>	<u>\$ 27,878</u>	<u>\$ 1,324,833</u>

1. Please refer to note 8 for the information on the collateral provided by the Company with its property, plant and equipment.
2. The Company had no capitalization of interest for property, plant and equipment in 2022 and 2021.
3. The abovementioned property, plant and equipment are all held and used by the Company.
4. As of December 31, 2022 and 2021, the Company's prepayments for business facilities (recognized in "other non-current assets - others") that have not been reclassified were NT\$0 and NT\$68,802, respectively.

(VIII) Leasing arrangements - lessee

1. The underlying assets leased by the Company include land, buildings and company vehicles. Leasing contracts for buildings and company vehicles are typically made for periods of 1 to 4 years. The land for the plant site in Taiwan is leased from Hsinchu Science Park for a lease contract period of 20 years; the Company enjoys the priority of lease and the expected lease period is 50 years. Lease contracts are negotiated separately and include a variety of terms and conditions. There are no restrictions for the leased assets, except that they cannot be used as loan collateral.
2. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Company vehicles</u>	<u>Total</u>
January 1, 2022	\$ 178,850	\$ 3,138	\$ 901	\$ 182,889
Addition	3,020	4,731	327	8,078
Contract revision	-	( 1,864)	-	( 1,864)
Depreciation expense	( 6,610)	( 2,007)	( 553)	( 9,170)
December 31, 2022	<u>\$ 175,260</u>	<u>\$ 3,998</u>	<u>\$ 675</u>	<u>\$ 179,933</u>

	<u>Land</u>	<u>Buildings</u>	<u>Company vehicles</u>	<u>Total</u>
January 1, 2021	\$ 185,386	\$ 1,162	\$ 300	\$ 186,848
Addition	-	5,576	1,161	6,737
Contract revision	-	( 1,068)	-	( 1,068)
Early termination of leases	-	( 313)	-	( 313)
Depreciation expense	( 6,536)	( 2,219)	( 560)	( 9,315)
December 31, 2021	<u>\$ 178,850</u>	<u>\$ 3,138</u>	<u>\$ 901</u>	<u>\$ 182,889</u>

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

<u>Items affecting current profit and loss</u>	<u>2022</u>	<u>2021</u>
Interest expenses on lease liabilities	\$ 2,200	\$ 2,243
Lease modification loss (gain)	( 3)	-

4. In 2022 and 2021, other than the cash outflow from lease-related expenses mentioned in Note 6(8)3 above, please refer to Note 6(30) for details of the amount of cash outflow arising from the repayment of principal of lease liabilities.

(IX) Leasing arrangements - lessor

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

2. Please refer to 6(21) for the rental income recognized by the Company based on operating lease contracts.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
2022	\$ -	\$ 8,087
2023	4,215	1,625
2024	332	-
	<u>\$ 4,547</u>	<u>\$ 9,712</u>

(X) Investment property

	<u>Land</u>	<u>Buildings and construction</u>	<u>Total</u>
<u>January 1, 2022</u>			
Cost	\$ 99,301	\$ 53,888	\$ 153,189
Accumulated depreciation and impairments	-	( 16,751)	( 16,751)
	<u>\$ 99,301</u>	<u>\$ 37,137</u>	<u>\$ 136,438</u>
<u>2022</u>			
January 1	\$ 99,301	\$ 37,137	\$ 136,438
Addition	63,630	39,031	102,661
Depreciation expense	-	( 2,886)	( 2,886)
December 31	<u>\$ 162,931</u>	<u>\$ 73,282</u>	<u>\$ 236,213</u>
<u>December 31, 2022</u>			
Cost	\$ 162,931	\$ 92,919	\$ 255,850
Accumulated depreciation and impairments	-	( 19,637)	( 19,637)
	<u>\$ 162,931</u>	<u>\$ 73,282</u>	<u>\$ 236,213</u>

	Land	Buildings and construction	Total
<u>January 1, 2021</u>			
Cost	\$ 99,301	\$ 53,888	\$ 153,189
Accumulated depreciation and impairments	-	( 14,723)	( 14,723)
	<u>\$ 99,301</u>	<u>\$ 39,165</u>	<u>\$ 138,466</u>
<u>2021</u>			
January 1	\$ 99,301	\$ 39,165	\$ 138,466
Depreciation expense	-	( 2,028)	( 2,028)
December 31	<u>\$ 99,301</u>	<u>\$ 37,137</u>	<u>\$ 136,438</u>
<u>December 31, 2021</u>			
Cost	\$ 99,301	\$ 53,888	\$ 153,189
Accumulated depreciation and impairments	-	( 16,751)	( 16,751)
	<u>\$ 99,301</u>	<u>\$ 37,137</u>	<u>\$ 136,438</u>

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

	<u>2022</u>	<u>2021</u>
Rental income from investment property	\$ 11,116	\$ 7,466
Direct operating expenses incurred by investment property that generates rental income for the period	<u>\$ 3,614</u>	<u>\$ 3,512</u>

2. The fair value of the investment property held by the Company as of December 31, 2022 and 2021 were NT\$282,510 and NT\$201,413, respectively. The abovementioned fair value is obtained from the market price assessments of similar properties in the vicinity of the relevant assets.

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

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

(XI) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payroll and bonus payable	\$ 263,690	\$ 227,143
Employees' remuneration and directors' and supervisors' remuneration payable	141,225	123,400
Accrued expenses	54,905	51,067
Payable on equipment	52,801	16,348
Others	14,695	11,759
	<u>\$ 527,316</u>	<u>\$ 429,717</u>

(XII) Long-term loans

<u>Type of borrowing</u>	<u>Borrowing period and payment method</u>	<u>Range of interest rate</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowing				
Chinatrust Commercial Bank secured loan	The borrowing period is from January 7, 2022 to January 7, 2042; the grace period for principal repayment is two years, and the interest is paid monthly.	0.82%~1.07%	Please see Note 8 for details.	\$ 67,343
Chinatrust Commercial Bank secured loan	The borrowing period is from January 13, 2022 to January 13, 2042; the grace period for principal repayment is two years, and the interest is paid monthly.	0.82%~1.07%	Please see Note 8 for details.	112,657
				180,000
Less: Long-term loans due within one year or one business cycle				-
				<u>\$ 180,000</u>

December 31, 2021: None.

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

(XIII) Pensions

The Company has established a defined contribution pension plan under the Labor Pension Act covering all regular employees with domestic citizenship. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were NT\$25,024 and NT\$20,606, respectively.

(XIV) Share-based payment

1. Share-based payment agreement of the Company

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

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

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

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

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

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

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

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

3. The Company's weighted-average share prices of the stock options exercised in 2022 and 2021 were NT\$185.69 and NT\$189.78, respectively on the date of exercise.
4. The expiration date and exercise price of stock options outstanding at the balance sheet date are as follows:

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

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

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

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

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

	2022	2021
Equity delivery	\$ 31,447	\$ 19,973

#### (XV) Provisions

	2022	2021
Balance on January 1	\$ 59,600	\$ 61,193
Provision for liabilities used in the period	( 9,828)	( 6,579)
Provision for liabilities added in this period	18,517	4,986
Balance on December 31	\$ 68,289	\$ 59,600

The analysis of provisions is as follows:

	December 31, 2022	December 31, 2021
Current	\$ 68,289	\$ 59,600

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

(XVI) Share capital

1. As of December 31, 2022, the Company's authorized capital was NT\$1,000,000, consisting of 100,000 thousand shares (including 10,000 thousand shares which can be subscribed to as employee stock options). The paid-in capital was NT\$865,531 with a par value of NT\$10. All proceeds from shares issued have been collected.

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

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

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

(XVII) Capital surplus

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

deficit unless the legal reserve is insufficient.

2022						
	Issue premium	Difference between the price of acquiring or disposing of equities of a subsidiary and the book value	Recognition of changes in ownership in subsidiaries	Employee stock options	Others	Total
January 1	\$ 1,157,494	\$ 802	\$ 24,538	\$ 30,321	\$ 674	\$ 1,213,829
Share-based payment	-	-	-	31,447	-	31,447
Share-based remuneration for employees of subsidiaries	-	-	268	-	-	268
Exercise of employee share options	145,335	-	-	( 34,417)	-	110,918
Expired options	-	-	-	( 4,031)	4,031	-
December 31	<u>\$ 1,302,829</u>	<u>\$ 802</u>	<u>\$ 24,806</u>	<u>\$ 23,320</u>	<u>\$ 4,705</u>	<u>\$ 1,356,462</u>
2021						
	Issue premium	Difference between the price of acquiring or disposing of equities of a subsidiary and the book value	Recognition of changes in ownership in subsidiaries	Employee stock options	Others	Total
January 1	\$ 1,013,516	\$ 802	\$ 24,439	\$ 43,945	\$ -	\$ 1,082,702
Share-based payment	-	-	-	19,973	-	19,973
Share-based remuneration for employees of subsidiaries	-	-	-	-	-	-
Exercise of employee share options	143,978	-	-	( 32,923)	-	111,055
Expired options	-	-	-	( 674)	674	-
Share-based remuneration for employees of subsidiaries	-	-	99	-	-	99
December 31	<u>\$ 1,157,494</u>	<u>\$ 802</u>	<u>\$ 24,538</u>	<u>\$ 30,321</u>	<u>\$ 674</u>	<u>\$ 1,213,829</u>

**(XVIII) Retained earnings / subsequent event**

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

- (1) Withholding taxes.
- (2) Make up for past losses.
- (3) Allocate 10% as legal reserve. If the legal reserve has reached the total share capital, no further allocations will be conducted. Special reserve is then allocated or reversed in accordance with the law or regulations of the authority.
- (4) With respect to the balance and the accumulated undistributed surplus of the previous year, the board proposes a surplus distribution to the shareholders meeting for

resolution.

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

2. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purposes. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
3. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
4. The Company's distribution of profits
  - (1) The appropriations of 2021 and 2020 earnings were resolved at the shareholders' meeting on May 31, 2022 and July 8, 2021, respectively. Details are summarized below:

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

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

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

(XIX) Operating revenue

1. Segmentation of revenue from contracts with customers

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

	<u>Industrial storage devices and memory modules</u>					
<u>2022</u>	<u>Taiwan</u>	<u>Asia</u>	<u>Americas</u>	<u>Europe</u>	<u>Others</u>	<u>Total</u>
Revenue from contracts with customers	<u>\$ 2,977,132</u>	<u>\$ 2,404,601</u>	<u>\$ 1,542,995</u>	<u>\$ 2,088,653</u>	<u>\$ 245,488</u>	<u>\$ 9,258,869</u>
	<u>Industrial storage devices and memory modules</u>					
<u>2021</u>	<u>Taiwan</u>	<u>Asia</u>	<u>Americas</u>	<u>Europe</u>	<u>Others</u>	<u>Total</u>
Revenue from contracts with customers	<u>\$ 2,924,669</u>	<u>\$ 2,625,605</u>	<u>\$ 1,756,930</u>	<u>\$ 1,933,502</u>	<u>\$ 187,066</u>	<u>\$ 9,427,772</u>

2. Contract liabilities

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities - Product sales contracts	<u>\$ 35,857</u>	<u>\$ 8,184</u>	<u>\$ 27,005</u>

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

	<u>2022</u>	<u>2021</u>
Product sales contracts	<u>\$ 8,120</u>	<u>\$ 26,988</u>

(XX) Interest income

	<u>2022</u>	<u>2021</u>
Income from bank deposits and other interests	\$ 10,298	\$ 2,372
Interest income on financial assets at amortized cost	2,876	2,472
	<u>\$ 13,174</u>	<u>\$ 4,844</u>

(XXI) Other income

	<u>2022</u>	<u>2021</u>
Rental income	\$ 11,409	\$ 7,812
Government grants	2,283	2,848
Others	16,001	5,987
	<u>\$ 29,693</u>	<u>\$ 16,647</u>

(XXII) Other gains and losses

	<u>2022</u>	<u>2021</u>
Net foreign exchange gain (loss)	\$ 199,140	(\$ 24,820)
Gain (loss) on disposal of property, plant and equipment	-	388
Disposal of investment gains	4,228	-
Gains (losses) on revaluation of fair value of investments accounted for using equity method	-	2,780
Depreciation charges on investment property	( 2,886)	( 2,028)
Others	78	( 418)
	<u>\$ 200,560</u>	<u>(\$ 24,098)</u>

(XXIII) Finance cost

	<u>2022</u>	<u>2021</u>
Interest expense on bank borrowings	\$ 3,061	\$ 61
Interest expenses on lease liabilities	2,200	2,243
Others	8	-
	<u>\$ 5,269</u>	<u>\$ 2,304</u>

(XXIV) Expenses by nature

	<u>2022</u>	<u>2021</u>
Employee benefits expense	\$ 990,582	\$ 857,532
Depreciation charges on property, plant and equipment	\$ 86,622	\$ 60,532
Depreciation charges on right-of-use assets	\$ 9,170	\$ 9,315
Amortization charges on the intangible assets and deferred assets.	\$ 21,660	\$ 21,499

(XXV)Employee benefits expense

	<u>2022</u>	<u>2021</u>
Payroll expenses	\$ 821,394	\$ 720,635
Employee stock options	31,447	19,973
Labor and health insurance fees	56,311	46,586
Pension costs	25,024	20,606
Directors' remuneration	22,746	19,925
Other employee benefit expenses	33,660	29,807
	<u>\$ 990,582</u>	<u>\$ 857,532</u>

1. According to the Company's Articles of Incorporation, the no more than 2% of the net profit before tax is allocated as remunerations for directors and supervisors and no less than 3% of the net profit before tax is allocated as employees' bonuses when distributing profits.
2. The estimated amount of employees' remuneration for 2022 and 2021 is NT\$120,225 and NT\$105,000, respectively; the estimated amount of directors' and supervisors' remuneration is NT\$21,000 and NT\$18,400, respectively; these amounts are recorded as salary expenses.

The remuneration to employees and directors and supervisors was estimated and accrued at 5.14% and 0.90%, respectively, based on the profitability of 2022. The actual amounts to be distributed based on the board's resolution were NT\$120,225 and NT\$21,000, respectively, of which employee remuneration would be paid in cash.

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

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

(XXVI) Income tax

1. Income tax expense

(1) Components of income tax expense

	<u>2022</u>	<u>2021</u>
Current income tax:		
Current income tax liabilities and (assets)	\$ 189,271	\$ 271,532
Amount of income tax not paid in the previous year		
Tax underestimate (overestimate) in the previous year	( 21,540)	( 11,940)
Withholding and provisional tax	195,074	112,957
Additional tax on undistributed earnings	( 20,254)	( 14,215)
Total current income tax	<u>342,551</u>	<u>358,334</u>
Deferred income tax:		
Origination and reversal of temporary differences	( 16,328)	( 13,343)
Others:		
Additional tax on undistributed earnings	20,254	14,215
Income tax expense	<u>\$ 346,477</u>	<u>\$ 359,206</u>

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

2. Reconciliation between income tax expense and accounting profit

	<u>2022</u>	<u>2021</u>
Income tax calculated based on net profit before tax and statutory tax rate	\$ 439,333	\$ 384,019
Impact of income tax of investment tax credits	( 30,000)	( 16,000)
Realized investment loss on domestic operations	( 45,052)	-
Unrealized investment gain on domestic operations	( 17,865)	( 11,004)
Impact that cannot be recognized according to laws and regulations	806	( 421)
Tax underestimate (overestimate) in the previous year	( 21,540)	( 11,940)
Additional tax on undistributed earnings	20,254	14,215
Others	541	337
Income tax expense	<u>\$ 346,477</u>	<u>\$ 359,206</u>

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

	2022		
	January 1	Recognized in profit or loss	December 31
Deferred income tax assets:			
Loss on falling prices of inventory and inventory obsolescence	\$ 38,846	\$ 8,770	\$ 47,616
Deferred unrealized sales benefits	2,863	( 1,444)	1,419
Provisions for after-sales services	11,920	1,738	13,658
Attendance bonus	2,314	511	2,825
Unrealized exchange loss	407	2,797	3,204
Subtotal	<u>56,350</u>	<u>12,372</u>	<u>68,722</u>
Deferred income tax liabilities:			
Unrealized investment loss on foreign operations	( 8,279)	3,956	( 4,323)
Total	<u>\$ 48,071</u>	<u>\$ 16,328</u>	<u>\$ 64,399</u>

	2021		
	January 1	Recognized in profit or loss	December 31
Deferred income tax assets:			
Loss on falling prices of inventory and inventory obsolescence	\$ 13,890	\$ 24,956	\$ 38,846
Deferred unrealized sales benefits	2,525	338	2,863
Provisions for after-sales services	12,239	( 319)	11,920
Attendance bonus	1,974	340	2,314
Unrealized investment loss on foreign operations	2,878	( 2,878)	-
Unrealized exchange loss	1,222	( 815)	407
Subtotal	<u>34,728</u>	<u>21,622</u>	<u>56,350</u>
Deferred income tax liabilities:			
Unrealized investment loss on foreign operations		( 8,279)	( 8,279)
Total	<u>\$ 34,728</u>	<u>\$ 13,343</u>	<u>\$ 48,071</u>

4. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.



fair value of the assets acquired and the liabilities assumed on the acquisition date, and the fair value of the non-controlling interests on the acquisition date is as follows:

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

- The fair value of the identifiable intangible assets acquired (including trademark rights and patent rights) is NT\$9,000.
- The Company had held 31.89% of equity interests in Antzer Tech Co., Ltd. before the business combination, and the gains recognized after remeasurement at fair value were NT\$2,780.

(XXIX) Supplemental cash flow information

- Investing activities with partial cash payments:

	<u>2022</u>	<u>2021</u>
Purchase of property, plant and equipment	\$ 430,209	\$ 145,710
Add: Opening balance of payable on equipment	16,348	-
Less: Ending balance of payable on equipment	( 52,801)	( 16,348)
Cash paid during the year	<u>\$ 393,756</u>	<u>\$ 129,362</u>

2. Financing activities with no cash flow effects:

	<u>2022</u>	<u>2021</u>
Stock dividends	<u>\$ 24,801</u>	<u>\$ -</u>

(XXX) Changes in liabilities from financing activities

	<u>2022</u>			
	<u>Other payables - Cash dividends payable</u>	<u>Long-term loans (including current portion)</u>	<u>Lease liabilities (current/non- current)</u>	<u>Guarantee deposit received</u>
January 1	\$ -	\$ -	\$ 185,175	\$ 1,292
Increase in borrowings	-	180,000	-	-
Repayment of borrowings	-	-	-	-
Declared cash dividends	967,217	-	-	-
Cash dividends paid	( 967,217)	-	-	-
Increase in principal of lease liabilities	-	-	8,078	-
Payment of lease liabilities	-	-	( 8,268)	-
Other non-cash transactions	-	-	( 1,867)	-
Increase in guarantee deposits received	-	-	-	1,092
Decrease in guarantee deposits received	-	-	-	( 599)
December 31	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 183,118</u>	<u>\$ 1,785</u>

	<u>2021</u>			
	<u>Other payables - Cash dividends payable</u>	<u>Short-term loans</u>	<u>Lease liabilities (current/non- current)</u>	<u>Guarantee deposit received</u>
January 1	\$ -	\$ -	\$ 188,162	\$ 1,100
Increase in borrowings	-	185,743	-	-
Repayment of borrowings	-	( 185,743)	-	-
Declared cash dividends	553,003	-	-	-
Cash dividends paid	( 553,003)	-	-	-
Increase in principal of lease liabilities	-	-	6,737	-
Payment of lease liabilities	-	-	( 8,343)	-
Other non-cash transactions	-	-	( 1,381)	-
Increase in guarantee deposits received	-	-	-	524
Decrease in guarantee deposits received	-	-	-	( 332)
December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,175</u>	<u>\$ 1,292</u>

## VII. Related-party transactions

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

<u>Name of the related party</u>	<u>Relationship with the Company</u>
<u>Subsidiaries:</u>	
Innodisk USA Corporation	The Company's 100% owned subsidiary
Innodisk Japan Corporation	The Company's 100% owned subsidiary
Innodisk Europe B.V.	The Company's 100% owned subsidiary
Innodisk Global-M Corporation	The Company's 100% owned subsidiary
Aetina Corporation	The Company's 100% owned subsidiary
Antzer Tech Co., Ltd.	The Company acquired its control and it became a subsidiary of the Company in the second quarter of 2021.
Innodisk Shenzhen Corporation	The Company's 100% owned sub-subsiidiary
<u>Affiliates:</u>	
Millitronic Co.,Ltd.	An entity over which the Company has a significant influence
Sysinno Technology Inc.	An entity over which the Company has a significant influence
<u>Other related parties:</u>	
I-Media Tech Co., Ltd.	The chairman of that company and one of the Company's directors are the same person.
Innodisk Foundation	The amount donated by the Company and the directors is more than one-third of the total fund received by the foundation.
Key management of Aetina Corporation	Subsidiary's key management and governance unit
All directors, the general manager and key executives.	The Company's key executives and governance unit

### (II) Significant transactions with the related parties

#### 1. Sales and processing transactions

##### (1) Operating revenue

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

	<u>2022</u>	<u>2021</u>
<u>Subsidiaries:</u>		
Innodisk USA Corporation	\$ 1,116,708	\$ 1,401,964
Innodisk Shenzhen Corporation	511,711	748,434
Others	25,664	12,542
An entity over which the Company has a significant influence	213	330
	<u>\$ 1,654,296</u>	<u>\$ 2,163,270</u>

The prices of products sold and services provided to the related parties from the Company are based on the agreements between the parties. The payment terms are net 25 to net 60. There are no significant differences with the non-related parties. The payment terms for non-related parties are payment in advance and net 30 to 90 days.

(2) Accounts receivable

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

	December 31, 2022	December 31, 2021
Subsidiaries:		
Innodisk USA Corporation	\$ 139,295	\$ 270,261
Innodisk Shenzhen Corporation	79,320	85,534
Others	5,030	1,422
An entity over which the Company has a significant influence	109	2
	<u>\$ 223,754</u>	<u>\$ 357,219</u>

2. Purchase transaction

(1) Operating costs

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

	2022	2021
Subsidiary		
Innodisk USA Corporation	\$ 26,916	\$ 73,589
Antzer Tech Co., Ltd.	40	5,232
Other related parties	92	312
An entity over which the Company has a significant influence	620	232
	<u>\$ 27,668</u>	<u>\$ 79,365</u>

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

(2) Accounts payable

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

	December 31, 2022	December 31, 2021
Subsidiary	\$ -	\$ 15,761
Other related parties	53	147
An entity over which the Company has a significant influence	12	115
	<u>\$ 65</u>	<u>\$ 16,023</u>

3. Leases and services

(1) Other income

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

	2022		2021	
	Rental income	Other income	Rental income	Other income
Subsidiaries:				
Innodisk Japan Corporation	\$ 3,740	\$ 52	\$ 3,336	\$ 58
Aetina Corporation	1,757	5,856	-	1,761
Innodisk USA Corporation	-	5,240	-	217
Antzer Tech Co., Ltd.	110	240	-	70
An entity over which the Company has a significant influence:				
Entity:				
Others	960	360	127	779
	<u>\$ 6,567</u>	<u>\$ 11,748</u>	<u>\$ 3,463</u>	<u>\$ 2,885</u>

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

(2) Other receivables

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

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Subsidiaries:		
Aetina Corporation	\$ 504	\$ 232
Innodisk Japan Corporation	-	5
Antzer Tech Co., Ltd.	252	-
An entity over which the Company has a significant influence	<u>52</u>	<u>42</u>
	<u>\$ 808</u>	<u>\$ 279</u>

(3) Other non-current liabilities

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

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Subsidiaries:		
Innodisk Japan Corporation	<u>\$ 209</u>	<u>\$ 166</u>

4. Marketing promotion services and miscellaneous purchases

(1) Operating expenses

The Company's expenses incurred by marketing promotion services provided by the related parties and miscellaneous purchases are as follows:

	<u>2022</u>	<u>2021</u>
	<u>Selling expenses</u>	<u>Selling expenses</u>
Subsidiaries:		
Innodisk Japan Corporation	\$ 39,434	\$ 35,755
Innodisk USA Corporation	3,836	-
Innodisk Europe B.V.	69,944	61,832
Aetina Corporation	75	-
	<u>\$ 113,289</u>	<u>\$ 97,587</u>

(2) Other payables

The Company's other payables from the above transactions are shown as follows:

	December 31, 2022	December 31, 2021
Subsidiary		
Innodisk Japan Corporation	\$ 3,707	\$ 4,332
Innodisk Europe B.V.	4,543	3,792
Actina Corporation	42	-
	<u>\$ 8,292</u>	<u>\$ 8,124</u>

5. Provision of endorsements and guarantees

Endorsements and guarantees provided to related parties:

	December 31, 2022	December 31, 2021
Subsidiaries:		
Innodisk Europe B.V.	<u>\$ 22,904</u>	<u>\$ 21,924</u>

6. Donations / operating expenses

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

	2022	2021
Innodisk Foundation	<u>\$ 4,000</u>	<u>\$ 4,000</u>

(III) Compensation of key management personnel

	2022	2021
Short-term employee benefits	\$ 103,972	\$ 71,819
Post-employment benefits	835	745
Share-based payment	7,390	4,228
	<u>\$ 112,197</u>	<u>\$ 76,792</u>

### VIII. Pledged assets

Assets pledged by the Company as collateral are as follows:

Assets	Book value		Purpose of guarantee
	December 31, 2022	December 31, 2021	
Other non-current assets - pledge of time deposits	\$ 10,706	\$ 10,706	Provide pledged time deposits for lease and customs tax guarantee
Land and buildings	295,555	-	Long-term loans
Investment property Land and buildings	32,839	-	Long-term loans
	<u>\$ 339,100</u>	<u>\$ 10,706</u>	

### IX. Significant contingent liabilities and unrecognized contract commitments

#### (I) Major contingent liabilities

Not applicable.

#### (II) Significant unrecognized contract commitments

1. As of December 31, 2022 and 2021, the amount of endorsements and guarantees for individual entities in the Company was NT\$22,904 and NT\$21,924, respectively, and the amount used was NT\$14,397 and NT\$15,973, respectively.
2. Capital expenditures with contracts signed that have not yet been incurred

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	\$ 383,940	\$ 268,544

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

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

### X. Losses due to major disasters

Not applicable.

### XI. Significant events after the balance sheet date

The appropriation of 2022 earnings was resolved by the board meeting on February 23, 2023. Details are summarized in Note 6(18).

## XII. Others

### (I) Capital management

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

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

### (II) Financial instruments

#### 1. Types of financial instrument

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

#### 2. Risk management policies

- (1) The Company's activities are exposed to a variety of financial risks, including market risk (exchange rate risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and performance.
- (2) Risk management is carried out by the Company's central treasury department under policies approved by the senior executives, and it primarily identifies, evaluates and hedges financial risks.

#### 3. Significant financial risks and degrees of financial risks

(1) Market risk

A. Foreign exchange risk

- (A) The Company is a multinational operation and therefore is subject to exchange rate risk arising from transactions between the different currencies of the Company and its subsidiaries, mainly in USD, RMB, JPY and Euro. The related exchange risk from future business transactions have been recognized in assets and liabilities.
- (B) The Company's management has set up policies to require companies within the Company to manage their foreign exchange risk against their functional currency. The Company hedges its overall exchange rate risk through its treasury department. Exchange rate risk arises when future business transactions and recognized assets or liabilities are denominated in foreign currencies that are not the entity's function currency.
- (C) The Company's operations involve certain non-functional currencies (the Company's functional currency is the New Taiwan dollar (NTD)), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values that would be materially affected by exchange rate fluctuations are as follows:

(foreign currency: functional currency)	December 31, 2022		
	Foreign currency (in thousands)	Exchange rate	Book value (NT\$)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	75,173	30.7100	\$ 2,308,563
RMB : NTD	9,799	4.4080	43,194
JPY : NTD	125,816	0.2324	29,240
EUR : NTD	383	32.7200	12,532
<u>Non-monetary items</u>			
- Investment in subsidiaries			
USD : NTD	5,093	30.7100	156,418
RMB : USD	8,920	0.1435	39,309
JPY : NTD	42,027	0.2324	9,767
EUR : NTD	1,374	32.7200	44,949
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD : NTD	10,024	30.7100	307,837
EUR : NTD	1,964	32.7200	64,262
JPY : NTD	18,580	0.2324	4,318

	December 31, 2021		
(foreign currency: functional currency)	Foreign currency (in thousands)	Exchange rate	Book value (NT\$)
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD : NTD	87,455	27.6800	\$ 2,420,754
RMB : NTD	22,086	4.3440	95,942
JPY : NTD	224,092	0.2405	53,894
EUR : NTD	204	31.3200	6,389
<u>Non-monetary items</u>			
- Investment in subsidiaries			
USD : NTD	5,981	27.6800	165,544
RMB : USD	16,715	0.1569	72,595
JPY : NTD	35,397	0.2405	8,513
EUR : NTD	1,078	31.3200	33,777
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD : NTD	29,479	27.6800	815,979
EUR : NTD	4	31.3200	125
JPY : NTD	5,837	0.2405	1,404

(D) Please refer to Note 6(22) for the total exchange gain (loss) (realized and unrealized) due to significant foreign exchange rate fluctuations on monetary items held by the Company in 2022 and 2021.

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

	2022		
	Sensitivity Analysis		
	Fluctuation	Impact on profit or loss	Impact on other comprehensive income
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 23,086	\$ -
RMB : NTD	1%	432	-
JPY : NTD	1%	292	-
EUR : NTD	1%	125	-
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	( 3,078)	-
EUR : NTD	1%	( 643)	-
JPY : NTD	1%	( 43)	-

	2021		
	Sensitivity Analysis		
	Fluctuation	Impact on profit or loss	Impact on other comprehensive income
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 24,208	\$ -
RMB : NTD	1%	959	-
JPY : NTD	1%	539	-
EUR : NTD	1%	64	-
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	( 8,160)	-
EUR : NTD	1%	( 1)	-
JPY : NTD	1%	( 14)	-

#### B. Price risk

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

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

#### C. Cash flow and fair value interest rate risk

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

(B) On December 31, 2022 and 2021, if the borrowing rate increased by 1% with all other reasons remained unchanged, the net profit before tax in 2022 and 2021 would decrease by NT\$1,800 and NT\$0 respectively, mainly due to the increase

of borrowing interest caused by floating interest rates.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments under contract obligations, and the defaults are accounts receivable and the contract cash flow from debt instruments measured at amortized cost.
- B. The management of credit risk is established with a Company perspective. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored.
- C. The credit risk of the Company's investment in debt instrument measured at amortized cost refers to counterparties defaulting on contractual obligations, leading to the Company's financial losses. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- D. In considering the past experience, if the contract payment is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk of the financial asset is significantly increased since the original recognition.
- E. In considering the past experience with payment collection, if a contract payment is overdue for more than 180 days in accordance with the agreed payment terms, it is considered a breach of contract.
- F. The Company categorizes the accounts receivable from customers based on their evaluation ratings. The loss rate method is adopted as the basis for estimating the expected credit loss.
- G. The Company has included the economic indicators and signals of the National Development Council and Basel Committee on Banking Supervision's forward-looking considerations to adjust the loss rate based on historical and current information for a specific period.
- H. The Company uses the following indicators to determine the status of credit impairments of debt instruments:

- (A) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.
- (B) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.
- (C) The issuer delays or does not pay for the interest or principal.
- (D) Unfavorable changes in the national- or regional-level economic situation resulting in the issuer's default.
- I. The Company will continue the recourse for financial assets that have defaulted to protect the rights of the claims. The Company may write off the amount of financial assets that cannot be reasonably expected to be recovered after recourse.
- J. The Company has incorporated forward-looking considerations to adjust the loss rate built according to historical and current data in order to estimate the loss allowance notes and accounts receivables. The loss rates are shown as follows:

	Not past due	Less than 30 days past due	31 to 60 days past due	61 to 180 days past due	More than 181 days past due	Total
<u>December 31, 2022</u>						
Expected loss rate	0.05%	1.12%	7.64%	23.30%-78.96%	100.00%	
Notes receivable	\$ 2,565	\$ -	\$ -	\$ -	\$ -	\$ 2,565
Accounts receivable	1,277,836	41,567	4,256	11,686	11,670	1,347,015
Total book value	\$ 1,280,401	\$ 41,567	\$ 4,256	\$ 11,686	\$ 11,670	\$ 1,349,580
Loss provision	(\$ 550)	(\$ 465)	(\$ 325)	(\$ 9,227)	(\$ 11,670)	(\$ 22,237)
<u>December 31, 2021</u>						
Expected loss rate	0.05%	0.95%	6.46%	1 9.67%-81.53%	100%	
Notes receivable	\$ 1,986	\$ -	\$ -	\$ -	\$ -	\$ 1,986
Accounts receivable	1,518,734	11,758	5,963	-	-	1,536,455
Total book value	\$ 1,520,720	\$ 11,758	\$ 5,963	\$ -	\$ -	\$ 1,538,441
Loss provision	(\$ 695)	(\$ 112)	(\$ 385)	\$ -	\$ -	(\$ 1,192)

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

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

	2022	2021
	Accounts receivable	Accounts receivable
January 1	\$ 1,192	\$ 699
Expected loss on credit impairment	21,045	493
December 31	\$ 22,237	\$ 1,192

### (3) Liquidity risk

- A. Cash flow forecasting is performed by the various departments of the Company and aggregated by the Company's treasury department. It monitors rolling forecasts of liquidity requirements to ensure the Company has sufficient cash to meet operational needs.
- B. The treasury department of the Company invests the remaining funds in interest-bearing demand deposits and domestic money market funds, as the instruments chosen have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. For the years ended December 31, 2022 and 2021, the position of the money market held by the Company is expected to generate immediate cash flow to manage liquidity risk.
- C. The Company does not have derivative financial liabilities. The table below analyzes the non-derivative financial liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. Except for those listed in the table, others mature within a year. The undiscounted cash flow amount is equivalent to the amount listed in the balance sheet. The remaining undiscounted cash flow of non-derivative financial liabilities is shown as follows:

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative Financial Liabilities:</u>					
Lease liabilities (current/non-current)	\$ 10,628	\$ 9,459	\$ 24,138	\$ 177,376	\$ 221,601
Long-term loans	1,478	10,614	33,850	149,028	194,970
	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>December 31, 2021</u>					
<u>Non-derivative Financial Liabilities:</u>					
Lease liabilities (current/non-current)	\$ 10,136	\$ 9,228	\$ 23,585	\$ 182,208	\$ 225,157

### (III) Fair value information

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

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

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

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

2. For fair value information of investment property measured at cost, please refer to Note 6 (10).
3. Financial instruments not measured at fair value

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

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

- (1) The Company classifies its assets and liabilities according to their nature, and the relevant information is as follows

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

December 31, 2021: None.

- (2) The methods and assumptions used by the Company to measure fair value are as follows:
  - A. Where the Company adopts market quotation as the fair value input (i.e., Level 1), the closing price of the shares of TWSE and TPEX listed companies on the balance sheet date shall be adopted.
  - B. The Company includes the adjustment of credit risk evaluation into the calculation of fair value of financial instruments and non-financial instruments to reflect the credit risk of counterparties and the credit quality of the Company.
5. The Company did not have any transfer between Level 1 and Level 2, and there was no change in Level 3 and no transfer into and out of Level 3 in 2022 and 2021.

(IV) Additional information

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

XIII. Additional disclosures

(I) Significant transactions information

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

(II) Information on investees

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

(III) Information on investments in China

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

(IV) Information on major shareholders

Information on major shareholders: Please refer to Schedule 10.

XIV. Operating Segments Information

Not applicable

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

Schedule 1

Expressed in Thousands of NTD  
(Except as otherwise indicated)

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

Note 1: The numbers to be filled in the number column is explained as follows:

- (1). Fill in 0 for the issuer.
- (2). The invested companies are numbered in order starting from 1.

Note 2: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are classified into the following seven categories; fill in the number of the category:

- (1). A company with business dealings.
- (2). A company in which the Company directly or indirectly holds more than 50% of its voting shares.
- (3). A company which directly or indirectly holds more than 50% of the voting shares of the Company.
- (4). A company in which the Company directly or indirectly holds more than 90% of its voting shares.
- (5). A company with mutual guarantees in accordance with the contract which is in the same industry or a joint constructor for the purpose of contracting the project.
- (6). A company jointly endorsed/guaranteed by all its shareholders in proportion to their ownerships due to joint venture.
- (7). Performance guarantee and joint guarantee by industry peers engaging in a house pre-sale contract in accordance with the Consumer Protection Act.

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

Note 4: The total amount of endorsements and guarantees by a subsidiary shall not exceed 50% of the subsidiary's net worth, and the total amount to a single enterprise shall not exceed 20% of the subsidiary's net worth.

Note 5: Maximum outstanding balance of endorsements/guarantees in the current year.

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

Schedule 2

Expressed in Thousands of NTD

(Except as otherwise indicated)

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

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

Innodisk Corporation  
Acquisition of real estate reaching NTS300 million or 20% of the paid-in capital or more  
January 1 to December 31, 2022

Schedule 3

Expressed in Thousands of NTD

(Except as otherwise indicated)

The company which acquired the real estate	Property name	Date of fact	Transaction			Relations hip with the endorser/ guarantor	Previous transfer information if the counterparty is a related party				Reference for price determination	Purpose of acquisition and status of use	Other agreed matters
			amount (Note)	Payment status	Counterparty		Owner	Issuer	Transfer date	Amount			
Innodisk Corporation	Real estate in Xizhi District, New Taipei City	November 2021	\$ 337,346	2021: Paid the price of the first to the third installment totaling NTS68,802; 2022: Paid the balance of NTS268,544. Paid NTS337,346 in total.	Kingfisher Technology Corporation	-	-	-	-	-	In accordance with the contract.	For the Company's operation.	No

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

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

Schedule 4

Expressed in Thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty name	Relationship with the endorser/ guarantor	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms of general transactions and reasons			Notes/accounts receivable (payable) Balance	Percentage of total notes/accounts receivable (payable)	Remarks
			Purchase/Sales	Amount			Unit Price	Credit term				
Innodisk Corporation	Innodisk USA Corporation	Subsidiary	(Sales)	( \$ 1,116,708 )	(12%)	Net 60	None	None	\$ 139,295	10%		
Innodisk Corporation	Innodisk Shenzhen Corporation	Subsidiary	(Sales)	( 511,711 )	(6%)	Net 60	None	None	79,320	6%		
Innodisk USA Corporation	Innodisk Corporation	Parent company	Purchase	1,116,708	19%	Net 60	None	None	( 139,295 )	(21%)		
Innodisk Shenzhen Corporation	Innodisk Corporation	Parent company	Purchase	511,711	9%	Net 60	None	None	( 79,320 )	(12%)		

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

Schedule 5

Expressed in Thousands of NTD  
 (Except as otherwise indicated)

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

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

Schedule 6

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

Expressed in Thousands of NTD

(Except as otherwise indicated)

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

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

(1). Parent company is "0".

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

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

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

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

Schedule 7

Expressed in Thousands of NTD  
(Except as otherwise indicated)

Name of Investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as of the end of period			Net profit (loss) of the investee for the current period	Investment income(loss) recognized by the Company for the current period	Remarks
				Balance at the end of period	End of the previous year	Number of Shares	Percentage	Book value			
Innodisk Corporation	Innodisk USA Corporation	United States	Industrial embedded storage devices	\$ 140,499	\$ 140,499	2,046,511	100	\$ 115,751	\$ 6,144	\$ 5,440	
Innodisk Corporation	Innodisk Japan Corporation	Japan	After-sales services and support of industrial embedded storage devices	3,533	3,533	196	100	9,767	1,544	1,506	
Innodisk Corporation	Innodisk Europe B.V.	Netherlands	After-sales services and support of industrial embedded storage devices	17,802	17,802	50,000,100	100	42,783	7,844	7,844	
Innodisk Corporation	Innodisk Global-M Corporation	Mauritius	Investment holdings	20,154	20,154	665,000	100	40,667	(34,568 )	(34,571 )	
Innodisk Corporation	Aetina Corporation	Taiwan	Manufacturing and sales of industrial graphics cards	24,091	24,091	19,107,283	74.20	306,394	122,272	91,108	
Innodisk Corporation	Antzer Tech Co., Ltd.	Taiwan	Electronic parts and components manufacturing.	57,133	57,133	58,400,000	100.00	32,549	5,787	4,003	
Innodisk Corporation	AccelStor Inc.	Taiwan	Computers and computing peripheral equipment manufacturing	-	225,318	-	-	-	-	-	Note 2
Innodisk Corporation	Millitronic Co., Ltd.	Taiwan	Electronic parts and components manufacturing.	54,157	54,157	5,415,720	33.55	6,134	( 11,046 )	( 4,366 )	
Innodisk Corporation	Sysinno Technology Inc.	Taiwan	Electronic parts and components manufacturing.	12,900	12,900	645,000	43.00	6,819	( 3,299 )	( 1,419 )	
Innodisk Europe B.V.	Innodisk France SAS	France	After-sales services and support of industrial embedded storage devices	175	175	5,000	100.00	2,166	1,416	1,416	
Aetina Corporation	Aetina USA Corporation	United States	After-sales service and support for industrial graphics cards	-	-	-	100.00	104	104	104	Note 3
Aetina Corporation	Aetina Europe B.V.	Netherlands	After-sales service and support for industrial graphics cards	-	-	-	100.00	267	267	267	Note 4

Note 1: Disclosed at the historical exchange rate

Note 2: The liquidation of AccelStor Inc. was completed on May 19, 2022,

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

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

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

Schedule 8

Expressed in Thousands of NTD

(Except as otherwise indicated)

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

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

- (1). Directly invest in a company in China.
- (2). Re-investment in China through a company in a third area (please specify the company in the third area)
- (3). Other methods

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

Note 3: Disclosed at the historical exchange rate

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

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

Note 5: Disclosed at the historical exchange rate

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

Schedule 9

Expressed in Thousands of NTD

(Except as otherwise indicated)

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

Innodisk Corporation  
Information on major shareholders  
December 31, 2022

Schedule 10

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

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

The number of shares recorded in the Company's financial statements and the actual number of shares registered and delivered in non-physical form may differ depending on the basis of preparation of the calculations.

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

## Independent Auditor's Report

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

To the Board of Directors and Stockholders of Innodisk Corporation:

### **Opinion**

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

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

### **Basis for opinion**

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

### **Key audit matters**

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

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

## **Key audit matter –Inventory Evaluation**

### Description

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

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

### How our audit addressed the matter

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

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

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

### Description

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

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

### How our audit addressed the matter

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

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

### **Other Matters -- Individual Financial Report**

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

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

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

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

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

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

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

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

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

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

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

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

Yeh, Tsui Miao

Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

February 23, 2023

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

Expressed in Thousands of NTD

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

(Continued)

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

Expressed in Thousands of NTD

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

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

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Hsiao, Wen-Kui

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

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

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

(Continued)

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

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

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

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

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Hsiao, Wen-Kui

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

Expressed in Thousands of NTD

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

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

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Hsiao, Wen-Kui

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

Expressed in Thousands of NTD

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

(Continued)

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

Expressed in Thousands of NTD

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

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

Chairman: Chien, Chuan-Sheng

Manager: Chien, Chuan-Sheng

Head of Accounting: Hsiao, Wen-Kui

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

Expressed in Thousands of NTD  
(Except as otherwise indicated)

I. Company history

- (I) Innodisk Corporation (hereinafter referred to as the “Company”) was established in March 2005. The Company and its subsidiaries (hereinafter referred to as the “Group”) mainly engage in the research, development, manufacturing and sales of various types of industrial embedded storage devices.
- (II) The Taipei Exchange reviewed the Company’s application and approved its eligibility to be publicly traded in October, 2013 and the Company became officially on the OTC board on November 27, 2013.

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

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

III. Application of new standards, amendments, and interpretations

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

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

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

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

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

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

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

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

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

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

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

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

IV. Summary of significant accounting policies

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

(I) Compliance statement

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

(II) Basis of preparation

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

(III) Basis of consolidation

1. The basis for preparation of consolidated financial statements
  - (1) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (3) The profit and loss and the components of other comprehensive income attribute to the owners of the parent company and non-controlling interest. The total comprehensive income also attributes to the owners of the parent company and non-controlling interest, even if this results in the non-controlling interests having a deficit balance.
  - (4) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are equity transactions, and they are considered as transactions with owners in their capacity as owners. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is directly recognized in equity.

## 2. Subsidiaries included in the consolidated financial statements:

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

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

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

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

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

been included in the consolidated entities since the date of acquisition.

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

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

3. Subsidiaries not included in the consolidated financial report: none.
4. Adjustments for subsidiaries with different balance sheet dates: none.
5. Significant restrictions: none.
6. Subsidiaries that have non-controlling interests that are material to the Group: none.

#### (IV) Foreign currency translation

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

##### 1. Foreign currency transactions and balances

- (1) Foreign currency transactions are translated into the functional currency using spot exchange rate at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (2) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated using spot exchange rate at the balance sheet date. Exchange differences arising from re-translation at the balance sheet date are recognized in profit or loss.
- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated using spot exchange rate at the balance sheet date. Their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated using spot exchange at the balance sheet date. Their translation differences are recognized in other comprehensive income. For those which are not measured at fair value, they measured by the historical exchange rate of the initial transaction date.
- (4) All foreign exchange gains and losses are presented in the statement of consolidated comprehensive income within "Other gains and losses."

##### 2. Translation of foreign operations

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

currency as follows:

- A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
  - B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.
  - C. All resulting exchange differences are recognized in other comprehensive income.
- (2) Goodwill and fair value adjustments arising on acquisition of a foreign entity are regarded as assets and liabilities of the foreign entity, and are translated at the closing rate.

(V) Classification of current and non-current items

1. Assets that meet one of the following criteria are classified as current assets:
- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
  - (2) Assets held mainly for trading purposes.
  - (3) Assets that are expected to be realized within twelve months from the balance sheet date.
  - (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

2. Liabilities that meet one of the following criteria are classified as current liabilities:
- (1) Liabilities that are expected to be paid off within the normal operating cycle.
  - (2) Assets held mainly for trading purposes.
  - (3) Liabilities that are to be paid off within twelve months from the balance sheet date.
  - (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(VI) Cash equivalents

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

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

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

(VIII) Financial assets measured at amortized cost

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

(IX) Accounts and notes receivable

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

(X) Impairment of financial assets

Regarding the financial assets measured at amortized cost, the Group considers all reasonable and supportable information (including forward-looking ones) and measures the loss allowance

based on the expected 12-month credit losses for those that do not have their credit risk increased significantly since initial recognition. For those with their credit risk increasing significantly since initial recognition, the loss allowance is measured based on the expected full lifetime credit losses. For accounts receivable that do not contain significant financial components, the loss allowance is measured based on the expected amount of credit loss during the duration.

(XI) De-recognition of financial assets

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

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

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

(XIII) Inventories

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

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

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

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

(XV) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost model and are

depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

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

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

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

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

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

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

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

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

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

(XVII) Investment property

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

(XVIII) Intangible assets

1. Computer software

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

2. Trademarks and patent rights

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

3. Goodwill

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

(XIX) Impairment of non-financial assets

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

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

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

(XX) Borrowings

Refers to long- and short-term funds borrowed from banks. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the

redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(XXI) Accounts and notes payable

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

(XXII) De-recognition of financial liabilities

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

(XXIII) Offset between financial assets and liabilities

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

(XXIV) Provisions

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

(XXV) Employee benefits

1. Short-term employee benefits

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

2. Pension

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

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

Employees' bonuses and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any differences

between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(XXVI) Employee share-based payment

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

(XXVII) Income tax

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

utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

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

(XXVIII) Share capital

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

(XXIX) Dividend distribution

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

(XXX) Revenue recognition

1. Our Group develops, manufactures and sells various products related to industrial storage devices and memory modules. Sales revenue is recognized when the control of products is transferred to customers. That is, once products are delivered to customers, the customers have discretion on the channel and price of product sales, and the Group has no outstanding performance obligations that may affect customers' acceptance of the products. The delivery of products occurs when products are shipped to a designated location and the risk of obsolescence and loss has been transferred to customers, and the customers accept the products in accordance with the sales contract or have objective evidence that all criteria have been met.
2. The payment terms of sales transactions are usually payment in advance or net 30 to 90. With respect to the contracts signed between the Group and customers, the time interval between the transfer products or services promised to customers and the customers' payment has not exceeded one year, so the Group has not adjusted the transaction price to reflect the time value of money.
3. Sales revenue is recognized as the net from subtracting sales discounts from the contract price. The Group estimates possible sales discounts based on past experience and different

contract conditions, and recognizes the refund liabilities accordingly.

4. The Group provides warranty for products sold, and has the obligation to repair product defects, which are recognized as liability provisions when goods are sold.
5. Accounts receivable are recognized when goods are delivered to customers. The Group has unconditional rights to the contract price, and will be able to collect the amount from the customers after the time has passed.

#### (XXXI) Government grants

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

#### (XXXII) Business combinations

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

#### (XXXIII) Operating segments

Operating segments are reported in a manner consistent with the internal reporting

provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

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

(I) Important judgments adopted by the accounting policies

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

(II) Critical accounting estimates and assumptions

Inventory Evaluation

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

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

VI. Statements of main accounting items

(I) Cash and cash equivalents

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

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

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

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

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

(III) Financial assets measured at amortized cost

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

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

(IV) Notes and accounts receivable

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

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

(V) Inventories

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

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

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

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

(VI) Investments accounted for using equity method

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

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

1. The liquidation of AccelStor Inc. was completed on May 19, 2022,
2. As of December 31, 2022 and 2021, the Group had no significant affiliates, and the consolidated book values of individual non-significant affiliates were NT\$12,953 and NT\$18,738, respectively. Their operating results are summarized as follows:

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

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

(VII) Property, plant and equipment

	2022						
	Land	Buildings and construction	Machines and equipment	Office equipment	Unfinished construction and equipment pending acceptance	Others	Total
<u>January 1</u>							
Cost	\$ 624,621	\$ 910,262	\$ 260,429	\$ 36,098	\$ 55,500	\$ 81,976	\$ 1,968,886
Accumulated depreciation and impairments	-	( 121,302)	( 154,334)	( 24,997)	-	( 51,467)	( 352,100)
	<u>\$ 624,621</u>	<u>\$ 788,960</u>	<u>\$ 106,095</u>	<u>\$ 11,101</u>	<u>\$ 55,500</u>	<u>\$ 30,509</u>	<u>\$ 1,616,786</u>
January 1	\$ 624,621	\$ 788,960	\$ 106,095	\$ 11,101	\$ 55,500	\$ 30,509	\$ 1,616,786
Addition	142,908	101,115	16,273	21,618	213,210	21,208	516,332
Reclassification	49,598	32,496	47,685	14,198	( 48,553)	867	96,291
Disposal	-	( 9)	-	( 130)	-	-	( 139)
Depreciation expense	-	( 31,158)	( 36,914)	( 18,286)	-	( 11,116)	( 97,474)
Net exchange difference	1,531	5,147	3	6	-	27	6,714
December 31	<u>\$ 818,658</u>	<u>\$ 896,551</u>	<u>\$ 133,142</u>	<u>\$ 28,507</u>	<u>\$ 220,157</u>	<u>\$ 41,495</u>	<u>\$ 2,138,510</u>
<u>December 31</u>							
Cost	\$ 818,658	\$ 1,042,912	\$ 324,396	\$ 72,245	\$ 220,157	\$ 102,344	\$ 2,580,712
Accumulated depreciation and impairments	-	( 146,361)	( 191,254)	( 43,738)	-	( 60,849)	( 442,202)
	<u>\$ 818,658</u>	<u>\$ 896,551</u>	<u>\$ 133,142</u>	<u>\$ 28,507</u>	<u>\$ 220,157</u>	<u>\$ 41,495</u>	<u>\$ 2,138,510</u>
	2021						
	Land	Buildings and construction	Machines and equipment	Office equipment	Unfinished construction and equipment pending acceptance	Others	Total
<u>January 1</u>							
Cost	\$ 528,288	\$ 820,165	\$ 227,965	\$ 33,827	\$ -	\$ 63,622	\$ 1,673,867
Accumulated depreciation and impairments	-	( 101,849)	( 133,212)	( 19,137)	-	( 44,675)	( 298,873)
	<u>\$ 528,288</u>	<u>\$ 718,316</u>	<u>\$ 94,753</u>	<u>\$ 14,690</u>	<u>\$ -</u>	<u>\$ 18,947</u>	<u>\$ 1,374,994</u>
January 1	\$ 528,288	\$ 718,316	\$ 94,753	\$ 14,690	\$ -	\$ 18,947	\$ 1,374,994
Addition	97,153	96,623	37,700	2,375	55,500	19,130	308,481
Reclassification	-	3,680	1,425	-	-	480	5,585
Acquisition from merger	-	-	-	59	-	123	182
Disposal	-	( 9)	-	( 25)	-	( 54)	( 88)
Depreciation expense	-	( 25,418)	( 27,782)	( 5,992)	-	( 8,082)	( 67,274)
Net exchange difference	( 820)	( 4,232)	( 1)	( 6)	-	( 35)	( 5,094)
December 31	<u>\$ 624,621</u>	<u>\$ 788,960</u>	<u>\$ 106,095</u>	<u>\$ 11,101</u>	<u>\$ 55,500</u>	<u>\$ 30,509</u>	<u>\$ 1,616,786</u>
<u>December 31</u>							
Cost	\$ 624,621	\$ 910,262	\$ 260,429	\$ 36,098	\$ 55,500	\$ 81,976	\$ 1,968,886
Accumulated depreciation and impairments	-	( 121,302)	( 154,334)	( 24,997)	-	( 51,467)	( 352,100)
	<u>\$ 624,621</u>	<u>\$ 788,960</u>	<u>\$ 106,095</u>	<u>\$ 11,101</u>	<u>\$ 55,500</u>	<u>\$ 30,509</u>	<u>\$ 1,616,786</u>

1. Please refer to note 8 for the information on the collateral provided by the Group with its property, plant and equipment.
2. The Group had no capitalization of interest for property, plant and equipment in 2022 and

2021.

3. The abovementioned property, plant and equipment are all held and used by the Group.
4. As of December 31, 2022 and 2021, the Group's prepayments for business facilities (recognized in "other non-current assets-others") that have not been reclassified were NT\$0 and NT\$68,802, respectively.

(VIII) Leasing arrangements - lessee

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

	<u>Land</u>	<u>Buildings</u>	<u>Company vehicles</u>	<u>Total</u>
January 1, 2022	\$ 178,850	\$ 23,968	\$ 3,283	\$ 206,101
Addition	3,020	35,361	3,775	42,156
Early termination of leases	-	( 10,952)	-	( 10,952)
Depreciation expense	( 6,610)	( 20,660)	( 2,557)	( 29,827)
Effects of changes in foreign exchange rates	-	( 15)	20	5
December 31, 2022	<u>\$ 175,260</u>	<u>\$ 27,702</u>	<u>\$ 4,521</u>	<u>\$ 207,483</u>
	<u>Land</u>	<u>Buildings</u>	<u>Company vehicles</u>	<u>Total</u>
January 1, 2021	\$ 185,386	\$ 25,154	\$ 2,816	\$ 213,356
Addition	-	20,602	2,875	23,477
Contract revision	-	( 1,068)	-	( 1,068)
Early termination of leases	-	( 598)	-	( 598)
Depreciation expense	( 6,536)	( 19,795)	( 2,235)	( 28,566)
Effects of changes in foreign exchange rates	-	( 327)	( 173)	( 500)
December 31, 2021	<u>\$ 178,850</u>	<u>\$ 23,968</u>	<u>\$ 3,283</u>	<u>\$ 206,101</u>

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

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

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

(IX) Leasing arrangements - lessor

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

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

(X) Investment property

	2022		
	<u>Land</u>	<u>Buildings and construction</u>	<u>Total</u>
<u>January 1</u>			
Cost	\$ 73,690	\$ 37,316	\$ 111,006
Accumulated depreciation and impairments	-	( 11,655)	( 11,655)
	<u>\$ 73,690</u>	<u>\$ 25,661</u>	<u>\$ 99,351</u>
January 1	\$ 73,690	\$ 25,661	\$ 99,351
Addition	16,343	9,893	26,236
Reclassification	( 3,590)	( 1,821)	( 5,411)
Depreciation expense	-	( 1,398)	( 1,398)
Net exchange difference	245	295	540
December 31	<u>\$ 86,688</u>	<u>\$ 32,630</u>	<u>\$ 119,318</u>
<u>December 31</u>			
Cost	\$ 86,688	\$ 44,153	\$ 130,841
Accumulated depreciation and impairments	-	( 11,523)	( 11,523)
	<u>\$ 86,688</u>	<u>\$ 32,630</u>	<u>\$ 119,318</u>
	2021		
	<u>Land</u>	<u>Buildings and construction</u>	<u>Total</u>
<u>January 1</u>			
Cost	\$ 74,337	\$ 38,244	\$ 112,581
Accumulated depreciation and impairments	-	( 10,365)	( 10,365)
	<u>\$ 74,337</u>	<u>\$ 27,879</u>	<u>\$ 102,216</u>
January 1	\$ 74,337	\$ 27,879	\$ 102,216
Depreciation expense	-	( 1,383)	( 1,383)
Net exchange difference	( 647)	( 835)	( 1,482)
December 31	<u>\$ 73,690</u>	<u>\$ 25,661</u>	<u>\$ 99,351</u>
<u>December 31</u>			
Cost	\$ 73,690	\$ 37,316	\$ 111,006
Accumulated depreciation and impairments	-	( 11,655)	( 11,655)
	<u>\$ 73,690</u>	<u>\$ 25,661</u>	<u>\$ 99,351</u>

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

	2022	2021
Rental income from investment property	<u>\$ 6,840</u>	<u>\$ 5,002</u>
Direct operating expenses incurred by investment property that generates rental income for the period	<u>\$ 2,351</u>	<u>\$ 2,008</u>

2. The fair values of the investment property held by the Group as of December 31, 2022 and 2021 were NT\$181,673 and NT\$155,848, respectively. The abovementioned fair value is obtained from the market price assessments and actual transaction prices of similar properties in the vicinity of the relevant assets.
3. Please refer to Note 8 for the information on the collateral provided by the Group with its property, plant and equipment.
4. The Group had no capitalization of interest for investment property in 2022 and 2021.

(XI) Intangible assets

	2022				
	Patent	Computer software	Trademark rights	Goodwill	Total
<u>January 1</u>					
Cost	\$ 6,000	\$ 77,776	\$ 3,000	\$ 11,386	\$ 98,162
Accumulated amortization and impairments	( 1,333)	( 49,025)	( 667)	-	( 51,025)
	<u>\$ 4,667</u>	<u>\$ 28,751</u>	<u>\$ 2,333</u>	<u>\$ 11,386</u>	<u>\$ 47,137</u>
January 1	\$ 4,667	\$ 28,751	\$ 2,333	\$ 11,386	\$ 47,137
Additions - from separate acquisition	-	21,974	-	-	21,974
Amortization expenses	( 2,000)	( 23,074)	( 1,000)	-	( 26,074)
Net exchange difference	-	-	-	1,080	1,080
December 31	<u>\$ 2,667</u>	<u>\$ 27,651</u>	<u>\$ 1,333</u>	<u>\$ 12,466</u>	<u>\$ 44,117</u>
<u>December 31</u>					
Cost	\$ 6,000	\$ 99,750	\$ 3,000	\$ 12,466	\$ 121,216
Accumulated amortization and impairments	( 3,333)	( 72,099)	( 1,667)	-	( 77,099)
	<u>\$ 2,667</u>	<u>\$ 27,651</u>	<u>\$ 1,333</u>	<u>\$ 12,466</u>	<u>\$ 44,117</u>
	2021				
	Patent	Computer software	Trademark rights	Goodwill	Total
<u>January 1</u>					
Cost	\$ -	\$ 53,213	\$ -	\$ 11,671	\$ 64,884
Accumulated amortization and impairments	-	( 35,957)	-	-	( 35,957)
	<u>\$ -</u>	<u>\$ 17,256</u>	<u>\$ -</u>	<u>\$ 11,671</u>	<u>\$ 28,927</u>
January 1	\$ -	\$ 17,256	\$ -	\$ 11,671	\$ 28,927
Additions - from separate acquisition	-	24,564	-	-	24,564
Additions- business merger	6,000	-	3,000	-	9,000
Amortization expenses	( 1,333)	( 13,069)	( 667)	-	( 15,069)
Net exchange difference	-	-	-	( 285)	( 285)
December 31	<u>\$ 4,667</u>	<u>\$ 28,751</u>	<u>\$ 2,333</u>	<u>\$ 11,386</u>	<u>\$ 47,137</u>
<u>December 31</u>					
Cost	\$ 6,000	\$ 77,776	\$ 3,000	\$ 11,386	\$ 98,162
Accumulated amortization and impairments	( 1,333)	( 49,025)	( 667)	-	( 51,025)
	<u>\$ 4,667</u>	<u>\$ 28,751</u>	<u>\$ 2,333</u>	<u>\$ 11,386</u>	<u>\$ 47,137</u>

1. Breakdown of intangible assets amortization:

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Innodisk USA Corporation	\$ 10,935	\$ 9,855
Others	1,531	1,531
	<u>\$ 12,466</u>	<u>\$ 11,386</u>

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

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

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

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

(XII) Other payables

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

(XIII) Long-term loans

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

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

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

(XIV) Pensions

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

(XV) Share-based payment

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

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

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

- (2) The board meeting determined by resolution on July 6, 2022 the issuance of employee stock option certificates for the first time in 2022 and the stock option measures; it is

proposed to issue 3,500,000 units of employee stock option certificates, and the number of shares that may be subscribed to by each unit of stock option certificate is one share. The above will come into effect on July 26, 2022 upon filing, and the Company will issue employee stock option certificates on August 5, 2022.

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

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

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

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

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

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

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

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

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

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

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

	2022	2021
Equity delivery	\$ 31,447	\$ 19,973

(XVI) Provisions

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

The analysis of provisions is as follows:

	December 31, 2022	December 31, 2021
Current	\$ 69,111	\$ 59,851

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

(XVII)Share capital

1. As of December 31, 2022, the Company's authorized capital was NT\$1,000,000, divided into 100,000 thousand shares (including 10,000 thousand shares for the subscription by employee stock options). The paid-in capital was NT\$865,531 with a par value of NT\$10. All proceeds from shares issued have been collected. The movements in the number of the Company's common stocks outstanding are as follows: (Unit: Share)

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

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

(XVIII)Capital surplus

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

2022						
	<u>Issue premium</u>	<u>Difference between the price of acquiring or disposing of equities of a subsidiary and the book value</u>	<u>Recognition of changes in ownership in subsidiaries</u>	<u>Employee stock options</u>	<u>Others</u>	<u>Total</u>
January 1	\$ 1,157,494	\$ 802	\$ 24,538	\$ 30,321	\$ 674	\$ 1,213,829
Share-based payment	-	-	-	31,447	-	31,447
Share-based remuneration for employees of subsidiaries	-	-	268	-	-	268
Exercise of employee share options	145,335	-	-	( 34,417)	-	110,918
Expired options	-	-	-	( 4,031)	4,031	-
December 31	<u>\$ 1,302,829</u>	<u>\$ 802</u>	<u>\$ 24,806</u>	<u>\$ 23,320</u>	<u>\$ 4,705</u>	<u>\$ 1,356,462</u>
2021						
	<u>Issue premium</u>	<u>Difference between the price of acquiring or disposing of equities of a subsidiary and the book value</u>	<u>Recognition of changes in ownership in subsidiaries</u>	<u>Employee stock options</u>	<u>Others</u>	<u>Total</u>
January 1	\$ 1,013,516	\$ 802	\$ 24,439	\$ 43,945	\$ -	\$ 1,082,702
Share-based payment	-	-	-	19,973	-	19,973
Share-based remuneration for employees of subsidiaries	-	-	99	-	-	99
Exercise of employee share options	143,978	-	-	( 32,923)	-	111,055
Expired options	-	-	-	( 674)	674	-
December 31	<u>\$ 1,157,494</u>	<u>\$ 802</u>	<u>\$ 24,538</u>	<u>\$ 30,321</u>	<u>\$ 674</u>	<u>\$ 1,213,829</u>

**(XIX) Retained earnings / subsequent event**

1. According to the Company's Articles of Incorporation, the surplus income after the final accounts is distributed to the following accounts in their respective order:
  - (1) Withholding taxes.
  - (2) Make up for past losses.
  - (3) Allocate 10% as legal reserve. If the legal reserve has reached the total share capital, no further allocations will be conducted. Special reserve is then allocated or reversed in accordance with the law or regulations of the authority.
  - (4) With respect to the balance and the accumulated undistributed surplus of the previous year, the board proposes a surplus distribution to the shareholders meeting for resolution.

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

stock dividends. The Company's surplus distribution and shareholders' equity shall not be less than 30% of the current year's surplus.

2. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purposes. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
3. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
4. The Company's distribution of profits

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

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

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

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

(XX) Operating revenue

1. Segmentation of revenue from contracts with customers

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

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

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

2. Contract liabilities

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

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

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

	2022	2021
Product sales contracts	\$ 30,267	\$ 40,577

(XXI) Interest income

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

(XXII) Other income

	2022	2021
Government grants (note)	\$ 2,283	\$ 40,547
Rental income	7,910	5,676
Others	6,378	5,522
	<u>\$ 16,571</u>	<u>\$ 51,745</u>

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

(XXIII)Other gains and (losses)

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

(XXIV)Finance cost

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

(XXV)Expenses by nature

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

(XXVI) Employee benefits expense

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

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

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

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

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

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

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

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

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

(XXVII) Income tax

1. Income tax expense

(1) Components of income tax expense

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

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

2. Reconciliation between income tax expense and accounting profit

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

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

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

	2022			
	January 1	Recognized in profit or loss	Business combinations	December 31
Deferred income tax assets:				
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	\$ 44,087	\$ 10,648	\$ -	\$ 54,735
Deferred unrealized sales benefits	4,232	( 2,130)	-	2,102
Provisions for after-sales services	11,970	1,852	-	13,822
Attendance bonus	2,454	612	-	3,066
Unrealized exchange loss	406	2,798	-	3,204
Tax loss	13,190	( 4,962)	-	8,228
Subtotal	<u>76,339</u>	<u>8,818</u>	<u>-</u>	<u>85,157</u>
Deferred income tax liabilities:				
Unrealized investment gain on foreign operations	( 8,279)	3,882	-	( 4,397)
Total	<u>\$ 68,060</u>	<u>\$ 12,700</u>	<u>\$ -</u>	<u>\$ 80,760</u>
		2021		
	January 1	Recognized in profit or loss	Business combinations	December 31
Deferred income tax assets:				
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	\$ 17,617	\$ 26,470	\$ -	\$ 44,087
Deferred unrealized sales benefits	3,749	483	-	4,232
Provisions for after-sales services	12,289	( 319)	-	11,970
Attendance bonus	2,098	356	-	2,454
Unrealized investment loss on foreign operations	2,878	( 2,878)	-	-
Unrealized exchange loss	1,224	( 818)	-	406
Tax loss	3,852	( 108)	9,446	13,190
Subtotal	<u>43,707</u>	<u>23,186</u>	<u>9,446</u>	<u>76,339</u>
Deferred income tax liabilities:				
Unrealized investment loss on foreign operations	-	( 8,279)	-	( 8,279)
Total	<u>\$ 43,707</u>	<u>\$ 14,907</u>	<u>\$ 9,446</u>	<u>\$ 68,060</u>

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

		December 31, 2022			
	Occurring year	Declared amount/approved amount	Amount not yet deducted	Income from unrecognized deferred income tax assets	Last deduction year
Antzer Tech Co., Ltd.	2016 (approved amount)	\$ 8,217	\$ 2,126	\$ -	2026
	2017 (approved amount)	19,055	19,055	-	2027
	2018 (approved amount)	21,381	21,381	1,425	2028
	2019 (approved amount)	16,927	16,927	16,927	2029
	2020 (approved amount)	14,317	14,317	14,317	2030
	2021 (declared amount)	3,283	3,283	3,283	2031
			<u>\$ 83,180</u>	<u>\$ 77,089</u>	<u>\$ 35,952</u>
		December 31, 2021			
	Occurring year	Declared amount/approved amount	Amount not yet deducted	Income from unrecognized deferred income tax assets	Last deduction year
Antzer Tech Co., Ltd.	2016 (approved amount)	\$ 8,217	\$ 8,217	\$ -	2026
	2017 (approved amount)	19,055	19,055	-	2027
	2018 (approved amount)	21,381	21,381	1,425	2028
	2019 (approved amount)	16,927	16,927	16,927	2029
	2020 (declared amount)	14,317	14,317	14,317	2030
	2021 (declared amount)	3,283	3,283	3,283	2031
	2020 (declared amount)	17,828	17,828	-	No deadline
Innodisk USA		<u>\$ 101,008</u>	<u>\$ 101,008</u>	<u>\$ 35,952</u>	

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

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

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

(XXVIII) Earnings per share

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

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

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

(XXIX) Business combinations

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

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

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

(XXX) Supplemental cash flow information

1. Investing activities with partial cash payments

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

2. Financing activities with no cash flow effects

	<u>2022</u>	<u>2021</u>
Stock dividends	<u>\$ 24,801</u>	<u>\$ -</u>

(XXXI) Changes in liabilities from financing activities

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

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

## VII. Related-party transactions

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

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

(II) Significant transactions with the related parties

1. Sales of goods

(1) Operating revenue

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

	<u>2022</u>	<u>2021</u>
An entity over which the Group has significant influence	\$ 213	\$ 362

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

(2) Accounts receivable

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
An entity over which the Group has significant influence	\$ 109	\$ 2

2. Purchase transaction

(1) Operating costs

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

	<u>2022</u>	<u>2021</u>
An entity over which the Group has significant influence	\$ 633	\$ 349
Other related parties	92	312
	<u>\$ 725</u>	<u>\$ 661</u>

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

(2) Accounts payable

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
An entity over which the Group has significant influence	\$ 53	\$ 238
Other related parties	12	147
	<u>\$ 65</u>	<u>\$ 385</u>

3. Donations / operating expenses

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

	2022	2021
Innodisk Foundation	\$ 4,000	\$ 4,000

4. Leases and services

(1) Other income

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

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

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

(2) Other receivables

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

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

(III)Compensation of key management personnel

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

### VIII. Pledged assets

Assets pledged by the Group as collateral are as follows:

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

### IX. Significant contingent liabilities and unrecognized contract commitments

#### (I) Major contingent liabilities

Not applicable.

#### (II) Significant unrecognized contract commitments

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

	December 31, 2022	December 31, 2021
Property, plant and equipment	<u>\$ 383,940</u>	<u>\$ 268,544</u>

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

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

### X. Losses due to major disasters

Not applicable.

### XI. Significant events after the balance sheet date

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

## XII. Others

### (I) Capital management

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

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

### (II) Financial instruments

#### 1. Types of financial instrument

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

#### 2. Risk management policies

- (1) The Group's operations are exposed to a variety of financial risks, including market risk (exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and performance.
- (2) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the senior executives. The Group's treasury department primarily identifies, evaluates and hedges financial risks.

#### 3. Significant financial risks and degrees of financial risks

##### (1) Market risk

##### A. Foreign exchange risk

- (A) The Group is a multinational operation and therefore is subject to exchange rate risk arising from transactions between the different currencies of the Company and its subsidiaries, mainly in USD, RMB, JPY and Euro. The related exchange risk from future business transactions have been recognized in assets and liabilities.
- (B) The Group's management has set up policies to require companies within the Group to manage their foreign exchange risk against their functional currency. Each company hedges its overall exchange rate risk through its treasury department. Exchange rate risk arises when future business transactions and recognized assets or liabilities are denominated in foreign currencies that are not the entity's function currency.
- (C) The Group's operations involve certain non-functional currencies (the Company's and certain subsidiaries' functional currency is the New Taiwan dollar (NTD), and for other certain subsidiaries, the functional currency is Euro, USD, JPY and Renminbi (RMB)), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values that would be materially affected by exchange rate fluctuations are as follows:

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

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

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

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

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

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

#### B. Price risk

- (A) The Group's equity instruments exposed to price risk are financial assets held and recognized at fair value through other comprehensive income. In order to manage the price risk of equity instrument investment, the Group dispersed its investment portfolio in accordance with the limits set by the Group.
- (B) The Group mainly invests in equity instruments issued by domestic companies, and the price of such equity instruments will be affected by the uncertainty of the future values of the investment objects. If the price of such instruments rises or falls by 1%, while all other factors remain unchanged, the other comprehensive income classified as equity investments measured at fair value through other comprehensive income in 2022 and 2021 will increase or decrease by NT\$278 and NT\$0 respectively.

#### C. Cash flow and fair value interest rate risk

- (A) The Group's interest rate risk arises from long-term loans. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at floating rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at floating rates. The Group's borrowings at floating rates in 2022 and 2021 were denominated in NTD and EUR.
- (B) On December 31, 2022 and 2021, if the borrowing rate increased by 1% with all other reasons remained unchanged, the net profit before tax in 2022 and 2021

would decrease by NT\$3,211 and NT\$1,427 respectively, mainly due to the increase of borrowing interest caused by floating interest rates.

(2) Credit risk

- A. The credit risk of the Group is the risk of financial loss of the Group due to the inability of customers or counterparties of financial instruments to perform their contractual obligations, mainly due to the inability of counterparties to pay off the notes and accounts receivable according to the terms of collection, and the contractual cash flow classified as debt instrument investment measured at amortized cost.
- B. The management of credit risk is established with a Group perspective. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored.
- C. The credit risk of the Group's investment in debt instrument measured at amortized cost refers to counterparties defaulting on contractual obligations, leading to the Group's financial losses. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- D. In considering the past experience, if the contract payment is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk of the financial asset is significantly increased since the original recognition.
- E. In considering the past experience with payment collection, if a contract payment is overdue for more than 180 days in accordance with the agreed payment terms, it is considered a breach of contract.
- F. The Group categorizes the accounts receivable from customers based on their evaluation ratings. The loss rate method is adopted as the basis for estimating the expected credit loss.
- G. The Group has included the economic indicators and signals of the National Development Council and Basel Committee on Banking Supervision's forward-looking considerations to adjust the loss rate based on historical and current information for a specific period.

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

- (A) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.
- (B) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.
- (C) The issuer delays or does not pay for the interest or principal.
- (D) Unfavorable changes in the national- or regional-level economic situation resulting in the issuer's default.

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

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

	Not past due	Less than 30 days past due	31 to 60 days past due	61 to 180 days past due	More than 181 days past due	Total
<u>December 31, 2022</u>						
Expected loss rate	0.03%~0.08%	0.03%~1.12%	0.03%~13.46%	0.03%~82.66%	100%	
Notes receivable	\$ 2,565	\$ -	\$ -	\$ -	\$ -	\$ 2,565
Accounts receivable	1,330,860	82,406	4,885	11,686	11,671	1,441,508
Total book value	<u>\$ 1,333,425</u>	<u>\$ 82,406</u>	<u>\$ 4,885</u>	<u>\$ 11,686</u>	<u>\$ 11,671</u>	<u>\$ 1,444,073</u>
Loss provision	<u>(\$ 703)</u>	<u>(\$ 603)</u>	<u>(\$ 401)</u>	<u>(\$ 9,227)</u>	<u>(\$ 11,671)</u>	<u>(\$ 22,605)</u>
	Not past due	Less than 30 days past due	31 to 60 days past due	61 to 180 days past due	More than 181 days past due	Total
<u>December 31, 2021</u>						
Expected loss rate	0.03%~0.08%	0.03%~0.95%	0.03%~12.82%	0.03%~81.53%	100%	
Notes receivable	\$ 1,986	\$ -	\$ -	\$ -	\$ -	\$ 1,986
Accounts receivable	1,472,521	72,779	10,907	877	-	1,557,084
Total book value	<u>\$ 1,474,507</u>	<u>\$ 72,779</u>	<u>\$ 10,907</u>	<u>\$ 877</u>	<u>\$ -</u>	<u>\$ 1,559,070</u>
Loss provision	<u>(\$ 884)</u>	<u>(\$ 364)</u>	<u>(\$ 578)</u>	<u>(\$ 619)</u>	<u>\$ -</u>	<u>(\$ 2,445)</u>

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

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

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

### (3) Liquidity risk

- A. Cash flow forecasting is performed by the operating entities of the Group and aggregated by the Group's treasury department. It monitors rolling forecasts of liquidity requirements to ensure the Group has sufficient cash to meet operational needs.
- B. The Finance Department of the Group invests the remaining funds in interest-bearing demand deposits and equity securities; the instruments chosen have appropriate maturities or sufficient liquidity to respond to the forecasts above and provide sufficient funds required in the future. As of December 31, 2022 and 2021, the Group's positions in the currency and securities markets are expected to generate immediate cash flow for the management of liquidity risk.
- C. The Group does not have derivative financial liabilities. The table below analyzes the non-derivative financial liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. Except for those listed in the table, others mature within a year. The undiscounted cash flow amount is equivalent to the amount listed in the balance sheet. The remaining undiscounted cash flow of non-derivative financial liabilities is shown as follows:

<u>December 31, 2022</u>	<u>Less than 1</u>				<u>Total</u>
<u>Non-derivative Financial</u>	<u>year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>	
<u>Liabilities:</u>					
Lease liabilities (current/non-current)	\$ 24,596	\$ 14,461	\$ 28,669	\$ 180,528	\$ 248,254
Long-term loans (including current portion)	13,364	22,234	56,897	255,942	348,437
<u>December 31, 2021</u>	<u>Less than 1</u>				<u>Total</u>
<u>Non-derivative Financial</u>	<u>year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>	
<u>Liabilities:</u>					
Lease liabilities (current/non-current)	\$ 24,510	\$ 17,390	\$ 24,708	\$ 182,208	\$ 248,816
Long-term loans (including current portion)	3,629	11,967	26,817	114,597	157,010

(III) Fair value information

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

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

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

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

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

3. Financial instruments not measured at fair value

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

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

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

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

December 31, 2021: None.

- (2) The methods and assumptions used by the Group to measure fair value are as follows:  
A. Where the Group adopts market quotation as the fair value input (i.e., Level 1),

the closing price of the shares of TWSE and TPEX listed companies on the balance sheet date shall be adopted.

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

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

(IV) Additional information

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

XIII. Additional disclosures

(I) Significant transactions information

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

(II) Information on investees

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

China): Please refer to Schedule 7.

(III) Information on investments in China

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

(IV) Information on major shareholders

Information on major shareholders: Please refer to Schedule 10.

XIV. Operating Segments Information

(I) General information

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

(II) Measurement of segment information

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

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

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

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

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

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

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

(V) Information on products and services

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

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

(VI) Geographical information

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

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

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

(VII) Major customer information

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

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

Schedule 1

Expressed in Thousands of NTD  
(Except as otherwise indicated)

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

Note 1: The numbers to be filled in the number column is explained as follows:

(3). Fill in 0 for the issuer.

(4). The invested companies are numbered in order starting from 1.

Note 2: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are classified into the following seven categories; fill in the number of the category:

(8). A company with business dealings.

(9). A company in which the Company directly or indirectly holds more than 50% of its voting shares.

(10). A company which directly or indirectly holds more than 50% of the voting shares of the Company.

(11). A company in which the Company directly or indirectly holds more than 90% of its voting shares.

(12). A company with mutual guarantees in accordance with the contract which is in the same industry or a joint constructor for the purpose of contracting the project.

(13). A company jointly endorsed/guaranteed by all its shareholders in proportion to their ownerships due to joint venture.

(14). Performance guarantee and joint guarantee by industry peers engaging in a house pre-sale contract in accordance with the Consumer Protection Act.

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

Note 4: The total amount of endorsements and guarantees by a subsidiary shall not exceed 50% of the subsidiary's net worth, and the total amount to a single enterprise shall not exceed 20% of the subsidiary's net worth.

Note 5: Maximum outstanding balance of endorsements/guarantees in the current year.

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

Schedule 2

Expressed in Thousands of NTD  
(Except as otherwise indicated)

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

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

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

Schedule 3

Expressed in Thousands of NTD  
(Except as otherwise indicated)

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

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

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

Schedule 4

Expressed in Thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty name	Relationship with the endorser/guarantor	Transaction				Differences in transaction terms of general transactions and reasons		Notes/accounts receivable (payable)		Remarks
			Purchase/Sales	Amount	Percentage of total purchases (sales)	Credit term	Unit Price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Innodisk Corporation	Innodisk USA Corporation	Subsidiary	(Sales)	( \$ 1,116,708 )	(12%)	Net 60	None	None	\$ 139,295	10%	
Innodisk Corporation	Innodisk Shenzhen Corporation	Subsidiary	(Sales)	( 511,711 )	(6%)	Net 60	None	None	79,320	6%	
Innodisk USA Corporation	Innodisk Corporation	Parent company	Purchase	1,116,708	19%	Net 60	None	None	( 139,295 )	(21%)	
Innodisk Shenzhen Corporation	Innodisk Corporation	Parent company	Purchase	511,711	9%	Net 60	None	None	( 79,320 )	(12%)	

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

Schedule 5

Expressed in Thousands of NTD  
 (Except as otherwise indicated)

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

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

Schedule 6

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

Expressed in Thousands of NTD  
 (Except as otherwise indicated)

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

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

(3). Parent company is "0".

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

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

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

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

Schedule 7

Expressed in Thousands of NTD  
(Except as otherwise indicated)

Name of Investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as of the end of period			Net profit (loss) of the investee for the current period	Investment income(loss) recognized by the Company for the current period	Remarks
				Balance at the end of period	End of the previous year	Number of Shares	Percentage	Book value			
Innodisk Corporation	Innodisk USA Corporation	United States	Industrial embedded storage devices	\$ 140,499	\$ 140,499	2,046,511	100	\$ 115,751	\$ 6,144	\$ 5,440	
Innodisk Corporation	Innodisk Japan Corporation	Japan	After-sales services and support of industrial embedded storage devices	3,533	3,533	196	100	9,767	1,544	1,506	
Innodisk Corporation	Innodisk Europe B.V.	Netherlands	After-sales services and support of industrial embedded storage devices	17,802	17,802	50,000,100	100	42,783	7,844	7,844	
Innodisk Corporation	Innodisk Global-M Corporation	Mauritius	Investment holdings	20,154	20,154	665,000	100	40,667	(34,568 )	(34,571 )	
Innodisk Corporation	Aetina Corporation	Taiwan	Manufacturing and sales of industrial graphics cards	24,091	24,091	19,107,283	74.20	306,394	122,272	91,108	
Innodisk Corporation	Antzer Tech Co., Ltd.	Taiwan	Electronic parts and components manufacturing.	57,133	57,133	58,400,000	100.00	32,549	5,787	4,003	
Innodisk Corporation	AccelStor Inc.	Taiwan	Computers and computing peripheral equipment manufacturing	-	225,318	-	-	-	-	-	Note 2
Innodisk Corporation	Millitronic Co.,Ltd.	Taiwan	Electronic parts and components manufacturing.	54,157	54,157	5,415,720	33.55	6,134	( 11,046 )	( 4,366 )	
Innodisk Corporation	Sysinno Technology Inc.	Taiwan	Electronic parts and components manufacturing.	12,900	12,900	645,000	43.00	6,819	( 3,299 )	( 1,419 )	
Innodisk Europe B.V.	Innodisk France SAS	France	After-sales services and support of industrial embedded storage devices	175	175	5,000	100.00	2,166	1,416	1,416	
Aetina Corporation	Aetina USA Corporation	United States	After-sales service and support for industrial graphics cards	-	-	-	100.00	104	104	104	Note 3
Aetina Corporation	Aetina Europe B.V.	Netherlands	After-sales service and support for industrial graphics cards	-	-	-	100.00	267	267	267	Note 4

Note 1: Disclosed at the historical exchange rate

Note 2: The liquidation of AccelStor Inc. was completed on May 19, 2022,

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

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

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

Schedule 8

Expressed in Thousands of NTD  
(Except as otherwise indicated)

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

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

- (4). Directly invest in a company in China.
- (5). Re-investment in China through a company in a third area (please specify the company in the third area)
- (6). Other methods

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

Note 3: Disclosed at the historical exchange rate

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

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

Note 5: Disclosed at the historical exchange rate

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

Schedule 9

Expressed in Thousands of NTD  
 (Except as otherwise indicated)

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

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

Schedule 10

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

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

The number of shares recorded in the Company's financial statements and the actual number of shares registered and delivered in non-physical form may differ depending on the basis of preparation of the calculations.

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

Innodisk Corporation

Chairman: Chien, Chuan-Sheng