Stock Code: 5289

Innodisk Corporation

2023 Annual report

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The Company’s website: http://www.innodisk.com

I. Name, title, contact telephone number and e-mail address of the spokesperson and acting spokesperson

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Acting spokesperson: Yang, Fu-Ting — Title: Assistant Project Manager
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II. Address and telephone number of head office, branch and plant

Head Office Address: 5F, No. 237, Section 1, Datong Road, Xizhi District, New Taipei City Tel: (02) 7703-3000
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III. Name, address, website and telephone number of the stock transfer agency

Name: KGI Securities Co., Ltd. — Address: 5F, No. 2, Section 1, Chongqing South Road, Taipei City
Website: https://www.kgi.com.tw — Tel.: (02)2389-2999

IV. Name, firm, address, website and telephone number of the CPA attesting the most recent annual financial statements.

CPAs: Tsui-Miao Yeh and Shih-Chun Huang
Firm name: PwC Taiwan — Address: 27F, No. 333, Sec. 1, Keelung Road, Taipei City
Website: https//www.pwc.tw — Tel.: (02)2729-6666

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’s website: http://www.innodisk.com

Innodisk Corporation

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Letter to Shareholders

Dear shareholders:

In 2023, the global market had to deal with the restructuring and reform after the pandemic, including the impacts posed on the market, such as sluggish demand, raw materials & supplies price volatility and changes in regional conditions, all testing an enterprise's ability to respond to the situation rapidly and also physical strength. The Company continued to sprout the industrial control applications market, relationship with the global customers and stable shipment. Meanwhile, the Company also engaged in developing the brand new AI applications market proactively, in order to continue creating multi-faceted development opportunities. In early 2023, the AI wave made the artificial intelligence launch onto the stage of industry. Being optimistic toward AI's development potential and considering it as an important long-term development policy of the Group, the Company worked with international leading manufacturers to promote the launch of AI Solutions into the vertical markets, including smart manufacturing, smart cities, and smart retail, and expand the production capacity proactively, in order to continue the advanced deployment for the huge market demand driven by AI (Edge AI), stabilize the physical strength and forward-looking vision to respond to the market changes. Looking forward to 2024, the Company will improve its three major competitive strengths in "Extreme Integration, Sprouting & Application and Smart Empowerment" and achieve the comprehensive brand upgrading this year, in order to promote the upgrading of its brand value and industrial influence in the world. Externally, the Company will also deepen the partnership with global technology manufacturers and cross-industry partners, and work with them to promote the interdisciplinary AI applications.

The Company's operating results for 2023 and outlook for 2024 are described as follows:

I. The previous year's business plan implementation results:

(I) The previous year's business plan implementation results:

In the context of the corporate vision for "Building an Intelligent World," the Company has transformed in the IPC and memory module market, from a traditional business model for sale of hardware to a software and hardware integrated solution provider to help the industrial control applications customers implement the AI applications. The strategic transformation not only helps drive the global industries' AI transformation and upgrading but also becomes an important turning point of the Company's positioning. In 2023, the Company worked with its subsidiary, Aetina Corporation, and the global technology giant, NVIDIA, to research and develop AI solutions, and took the initiative to implement the smart factory. Meanwhile, it took the chance to continue to deepen the partnership, hoping to extend the successful cooperation model to more vertical application markets. Meanwhile, the Company's R&D and Manufacturing Center-Phase II Factory Premises in Yilan is expected to increase production capacity for AI projects. The park occupying an area nearly 10,000 *pings* is also expected to become the largest smart green building landscape corridor in Yilan.

Meanwhile, in response to the Company's long-term AI development strategic layout, and in order to improve customers' connection with the Company's brand and AI positioning and shape the solution program leading brand image, the Company showcases a series of the "AI World"-themed AI solutions build jointly with its industrial partners at the global large-size exhibitions, such as smart charging, technological law enforcement, smart industrial safety, and smart retail, in order to demonstrate to overseas industries its latest R&D results and strength in integration of software/hardware. Internally, in order to improve the common consensus on development of AI and encourage the industry's application end to innovate, the Company organized the first Innodisk AI training competition within the Group. More than two hundred colleagues worked with each other to research the innovative AI solutions that may resolve the industry's pain point practically and attend the competition based on the AI model self-trained by them. The participating solutions may serve as the reference for future business development to accelerate the implementation of applications.

In terms of industrial control storage products, when dealing with the market supply and demand fluctuations, price rebounds in the post-epidemic era, or the demand for server memory driven by AI, the Company always uses the best effort to provide customers with stable supply, and the high support for various customized solutions. H Meanwhile, the Company also provides the full integration service for customers' application scenario. The Company's industrial-grade SSD secures the market share ranking 1st place in the world, and keeps rising in the global top 10 DRAM brand list, reflecting its growth momentum stable. The Company's also increased 25 global sales and service locations in 2023, in order to provide the full supporting service for the growing overseas market and to satisfy customers' needs.

Meanwhile, in response to the ESG issue valued by the world increasingly, the Company announced the launch of 3-year sustainable influence plans at the beginning of 2023. Among them, the "Hand Value-Creating Renewal Camp" project combining the repairing of second-hand home appliances and rural education issues won the "PwC's Sustainability Impact Awards-Silver Award" in that year. The Company also aims to be aligned with the international Net-Zero goal proactively, including practicing of the green production from the source of supplies, construction of a supplies acknowledgment management system, implementation of halogen-free and lead-free processes, management of hazardous substances, and fulfillment of the green supply chain via the supplier evaluation mechanism. In terms of corporate governance, the Company ranked in the top 20% among TPEx listed companies in 9th Corporate Governance Evaluation organized by TWSE/TPEx, and was included into TIP TPEx ESG 30 Index.

(II) Budget implementation status:

The Company didn't disclose its financial forecast in 2023. Therefore, it is not necessary to disclose the budget implementation status.

(III)Analysis on financial revenue & expenditure and profitability:

Last year, the Company's operating revenue was NT$8,313,778 thousand, a decrease of 19% from the previous year, and the net profit attributed to shareholders of the parent company as NT$1,147,616 thousand, with earnings per share of NT$12.98, showing that the Company maintained solid profitability. The Company's net receivables was NT$1,333,627 thousand at the end of last year, a decrease by NT$85,167 thousand from the end of the year before last year. In response to the increasing up-stream chip price and demand in Q4 of last year, the Company started to increase its inventories. The inventories amounted to NT$1,159,248 thousand at the end of last year, almost the same at the end of the year before last year. The Company's current liabilities were reduced mildly at the end of last year, while its long-term liabilities were increased mildly due to the construction of the R&D and Manufacturing Center-Phase II in Yilan, causing its liability rate to increase by 1% and become 24% from the previous year. Apparently, the Company has maintained stable financial structure and normal financial revenue and expenditure. Generally speaking, although the external environmental changes resulted in the decrease in operating revenue and profit from the previous year, the Company was still able to respond to the changes in a timely manner, seize business opportunities, take into account all colleagues' work-life balance, and create the maximum interest for all stakeholders at the same time.

(IV) R&D:

The Company promotes AI applications and R&D of innovative products based on its core strength, i.e. "professional integration and high-performance implementation." It breaks through for innovation of the technology end, and also emphasizes the R&D team's ability to respond to the market focusing on the ability to be aligned with the market and also the customization and integration ability for customers' smart empowerment. The Company invests in the R&D and innovation proactively and keeps increasing the proportion of the Company's R&D personnel. It has a lot of R&D engineers engaged in providing strong software, hardware and firmware development and supporting services in the world. Meanwhile, the Company also implements the TIPS and arrange the complete IP management and strategic layout, in order to improve the Company's innovation and knowledge management ability, upgrade the patent quality and R&D performance, and enhance the corporate competitiveness.

So far, the Company has practiced more than 1,000 smart application projects with customers and partners in the diversified vertical application markets, including smart cities, smart retail, and smart manufacturing, and applied the software tools researched and developed by itself, such as iVIT software development kit and iCAP cloud management platform, to help enterprises accelerate AI model training and streamline Edge AI deployment and management manpower. Meanwhile, with respect to specific industrial application scenarios, the Company uses a series of AI Solutions to help enterprises implement AI into their current operating procedures painlessly, including production line AOI AI defect detection, work wear identification and other smart factory solutions, as well as the air quality smart management system in response to the application scenarios including ESG, advanced manufacturing and smart medical care. In response to the changing environment in which Edge AI devices are installed, the Company also researched and developed the products, such as ultra-large-capacity SSDs that support wide temperature range, DRAM anti-vibration solutions that can withstand high-intensity vibrations, and nanoSSDs, in order to support the stable implementation of various AI applications to the edge end with the solid hardware infrastructure.

II. The business plan of this year is outlined as following:

(I) The current business policy:

This year, the Company will continue to deepen its AI layout and drive the corporate transformation and, by upholding "professional integration and high-performance implementation" as the focus of its development, emphasize the assistance to the global industry's application of smart transformation via AI, and expand the AI operations globally based on the high-performance software and hardware integration services. In the meantime, the Company's R&D and Manufacturing Center-Phase II in Yilan will be completed and activated officially in Q2 this year. The new factory will provide sufficient space and production capacity to develop the AI projects, so as to provide strong supports for the Group's global layout for Edge AI. Also, the Company is implementing AI proactively to improve the entire operating performance of production lines and enterprises and become a model factory engaged in smart manufacturing.

For the brand management, the Company has established a solid image in the industrial storage field. Following the Group's AI strategic development, the current key problem is to upgrade the market's existing impression on the Company's brand, and rebuild and shape the brand's AI professional positioning on the past basis. Therefore, the Company promoted the "Innodisk AI Brand Upgrading Plan" from 2023 to 2024, in order to promote the upgrading of brand value, expect to set a model example for Taiwan-based enterprise's transformation into the international AI brand, and drive its global business to another level with the professional positioning and visibility.

(II) Expected sales volume and basis thereof, and important production and marketing policy:

Subject to the past product lines and sales performance in various regional markets, the Company took into account the existing orders, and the delivery plan and project needs provided by customers, compiled the sales forecast for 2023 and had the same approved by the board of directors. The Company's manufacturing units will arrange the production capacity and schedule based on said expected sales target.

The Company continues to expand the layout and investment in the global Edge AI, 5G and AIoT industrial applications, combines the professional insights of its industry partners in various application fields to strive to create the AI Solutions that fit the first-line scenarios, with low threshold, and deployed and managed easily, in order to expand the market type to the vertical markets other than the industrial control and manufacturing to promote the AI applications everywhere. For the global business layout, the Company will provide customized services via its 25 business locations across Asia, Europe and America. Meanwhile, in response to the market demand and growth trend, it will expand its regional manpower proactively. For example, it will set up a new office in Germany to accelerate the business promotion in Europe, strengthen the investment in resources in the emerging markets including Vietnam, Thailand and

India in the Asia-Pacific Region, and work with the local professional advisors at the marketing end, in order to collect the market insights timely and adjust communication strategies at any time to satisfy the promotion and management in line with the local requirements, improve the strength and precision of brand exposure, combine with the digital tools to cultivate potential customer bases to help the global market development.

III. The Company's future development strategies:

In order to take the chance and continue to consolidate the forward-looking AI layout, the Company will use Edge AI as the main force for smart transformation at the industrial application end. Meanwhile, based on "professional integration and high-performance implementation" as the development core, the Company will enable AI to solve various industries' pain points beyond technology and theories and in line with the actual application field. The R&D and Manufacturing Center-Phase II in Yilan, which will be completed this year, will facilitate the AI production capacity upgrading and become the strongest backup for the Group's development of the edge layout.

Meanwhile, following the announcement of the important results generated from the cooperation with leading technology manufacturers in the smart manufacturing field last year, the Company will continue to work with the othe subsidiaries of the Group to keep sprouting the partnership. With the rich industrial customization experience, ecosystem network and software and hardware integration strength, the Company expands the width of the AI application market, provide architectural integration and support hardware infrastructure for the AI projects implemented by the Group, in order to drive the Group's advancement and expand the competitive strength.

At the same time when the global market is recovering and tends to be stable after the pandemic, the industry expects that the market will be promising in the memory and storage fields this year. The Company will continue to invest capital in R&D resources and sprout the industrial control market, keep expanding its product line in response to the technology trend, and provide the customized storage solutions with its software and hardware integration strength, in order to ensure its leading strength in market and technology ends. Meanwhile, based on the full brand transformation strategy, the Company aims to become one of the international fine-quality corporate brands.

IV. Impact from competitive environment, regulatory environment and overall operating environment:

In addition to business and profit growth, the Company 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. Meanwhile, 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 Roadmap 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: General Manager: Accounting Manager:

Two. Company Introduction

I. Date of establishment: March 16, 2005

II. Company history:

Year	Month	Important events
2005	March	• Innodisk Corporation was established with a paid-in capital of NT$53 million.
	August	• Increased capital by cash of $27 million, resulting in a paid-in capital of $80 million.
2006	April	• Increased capital by cash of $30 million, resulting in a paid-in capital of $2021 million.
	May	• Relocated to Nangang and expanded operations.
	September	• Implemented ERP systems
2007	June	• 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.
	August	• Increased capital by cash of $20 million, resulting in a paid-in capital of $134 million.
2008	July	• Increased capital by cash of $26 million, resulting in a paid-in capital of $160 million.
	October	• Established the U.S. subsidiary.
	October	• Obtained ISO 9001.
	November	• Constructed SMT line to expand production capacity.
2009	March	• nanoUSB won the Taiwan Excellence Award.
	June	• SATA DOM won Computex Best Choice.
	November	• Relocated to Xizhi Oriental Science Park.
	December	• Converted stock options of $10 million, resulting in a paid-in capital of $170 million after conversion.
2010	February	• Established the Japanese subsidiary.
	August	• Converted $45.86 million in shares from 2009 earnings and employee bonuses, resulting in paid-in capital of $215.86 million after conversion.
	October	• Increased capital and converted stock options of $40 million, resulting in a paid-in capital of $255.86 million.
	December	• EverGreen Series SSD won the 19th Taiwan Excellence Award. nanoUSB Dual won the 19th Taiwan Excellence Award.
2011	January	• Established the Mainland subsidiary, Innodisk Shenzhen Corporation
	April	• Acquired Actica Inc.
	May	• Increased capital by cash of $36 million, resulting in a paid-in capital of $291.86 million.
	May	• PCIeDOM II won Computex Best Choice.
	August	• Converted $86.72 million in shares from 2010 earnings and employee bonuses, resulting in paid-in capital of $378.58 million after conversion.
2012	January	• Converted stock options of $15 million, resulting in a paid-in capital of $393.58 million after conversion.

Year	Month	Important events
	April	• Established the Netherlands preparatory office.
	June	• 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.
	August	• Public offering of stock
	October	• Stock registered on the Emerging Stock Market.
2013	August	• Increased capital in 2012 from earnings of $23.73 million, resulting in a paid-in capital of $498.35 million.
	November	• Stock listed on the TPEx and increased capital in cash by $49.69 million, resulting in a paid-in capital of $548.04 million.
2014	May	• Relocated to Xizhi Taiwan Science Park.
	September	• Increased capital in 2013 from earnings of $43.84 million, resulting in a paid-in capital of $591.88 million.
2015	January	• The Netherlands preparatory office was changed to the Netherlands subsidiary. • ServerDOM™ won Taiwan Excellence Award
	August	• Increased capital in 2014 from earnings of $29.59 million, resulting in a paid-in capital of $621.47 million.
2016	May	• 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.
	August	• 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.
	September	• Increased capital in 2015 from earnings of $31.07 million, resulting in a paid-in capital of $657.03 million.
	November	• 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.
2017	February	• 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. • Industrial Solid State Drive SATADOM 3ME4 Received 2017 Taiwan Excellence Award
	May	• 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.
	August	• 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.
	September	• Increased capital in 2017 from earnings of $32.97 million, resulting in a paid-in capital of $698.17 million.
	November	• 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.
2018	February	• 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

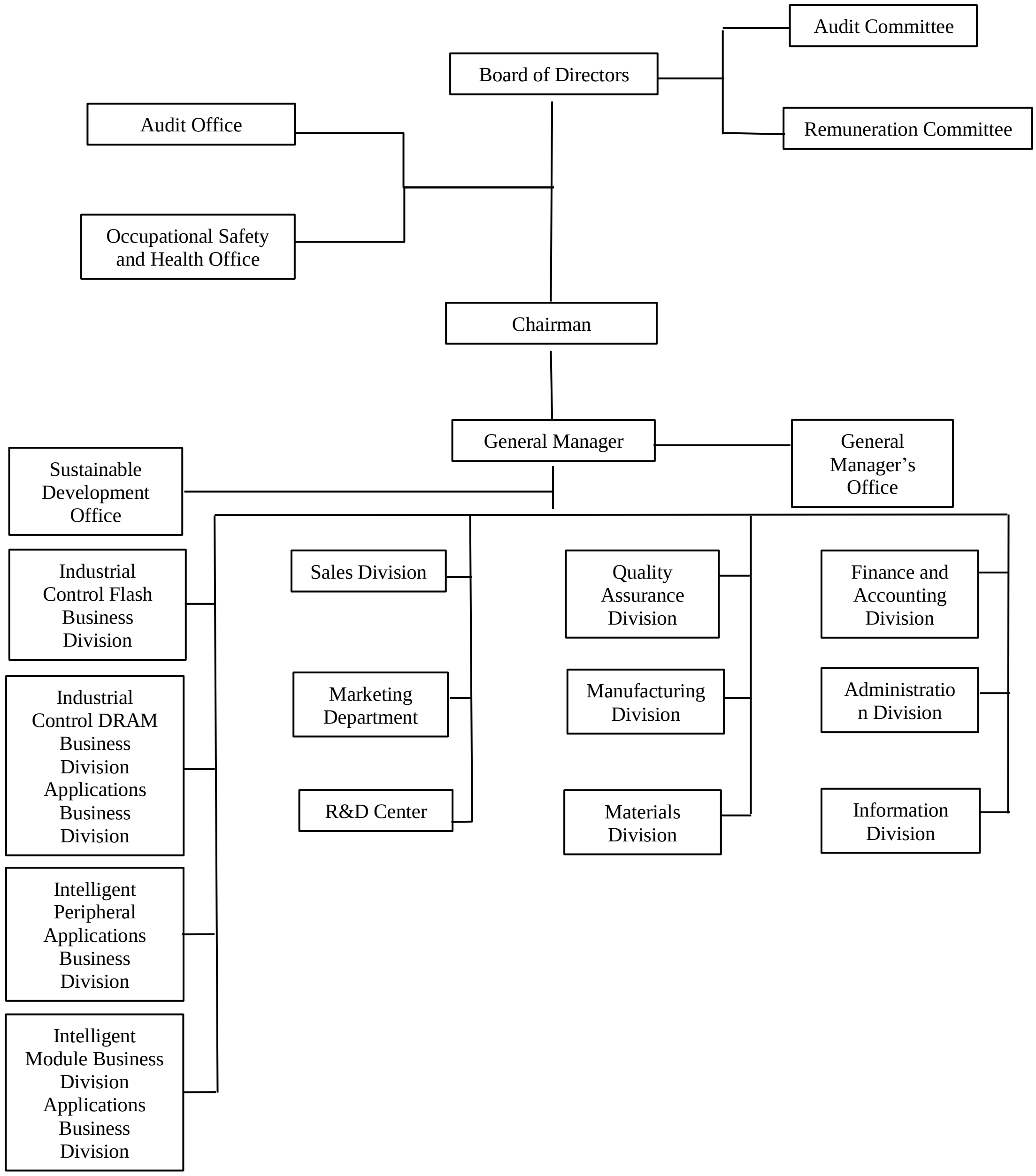
Year	Month	Important events
	May	capital increase, resulting in a paid-in capital of $738.79 million after the capital increase. • Carried out the 1st employee stock options and 1st domestic unsecured convertible bonds of 2013 with the issuance of 1,102,045 new shares for capital increase, resulting in a paid-in capital of $749.81 million after the capital increase. • The construction of Yilan R&D and manufacturing center was completed.
	August	• 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.
	September	• Increased capital in 2018 from earnings of $22.34 million, resulting in a paid-in capital of $777.75 million.
	November	• 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. • Won the Best International Brands in Taiwan.
2019	February	• 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.
	August	• Increased capital in 2019 from earnings of $15.63 million, resulting in a paid-in capital of $797.29 million.
	December	• Won the Best International Brands in Taiwan.
2020	February	• Flame-Resistant Solid State Drive 3.5” Fire Shield SSD Received the 2020 Taiwan Excellence Award
	August	• Increased capital in 2020 from earnings of $15.95 million, resulting in a paid-in capital of $813.24 million.
	November	• Won the Best International Brands in Taiwan.
2021	February	• InnoAGE 2.5” SATA SSD/InnoAGE Received the 2021 Taiwan Excellence Award
	May	• 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. • Selected by Gartner as the Industrial-Grade SSD Supplier with the highest market share worldwide
	July	• InnoAGE SSD won Computex: Best Choice Award Gold
	August	• 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.
	September	• Selected by TrendForce as the top-10 DRAM Suppliers worldwide
	November	• 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.
	December	• Won the Best International Brands in Taiwan.
2022	February	• 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.
	May	• 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.

Year	Month	Important events
	June	• Selected by Gartner as the Industrial-Grade SSD Supplier with the highest market share worldwide.
	July	• 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.
	August	• Increased capital in 2022 from earnings of NT$24.8 million, resulting in a paid-in capital of NT$863.75 million. • Selected by TrendForce as one of the top-10 DRAM Suppliers worldwide.
	November	• 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. • Won the Best International Brands in Taiwan.
2023	January	• Held the Innodisk Impact Event ｜ i Earth I +1 event, and launched the 3-year sustainable influence plan • 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.
	May	• Carried out the 1st employee stock options of 2018 with the issuance of 113,500 new shares for a capital increase, resulting in a paid-in capital of $837.23 million after the capital increase. • Selected by Gartner as the Industrial-Grade SSD Supplier with the highest market share worldwide.
	September	• Increased capital in 2023 from earnings of NT$17.31 million, resulting in a paid-in capital of NT$883.97 million.
	October	• Selected by TrendForce as one of the top-10 DRAM Suppliers worldwide.

Three. Corporate Governance Report

I. Organizational system:

(i) Organizational structure of the Company:



(II) Businesses of each major department:

Unit	Responsibility
Audit Office	A. The establishment, amendment, and execution of the internal audit enforcement rules of the Company and the subsidiaries; B. The formulation, execution, and follow-up of annual audit or project audit plans; 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; D. The follow-up, inspection, and suggested improvements for nonconformities;
Occupational Safety and Health Office	A. Draft up an occupational disaster prevention plan and instruct the relevant departments to have it executed. B. Plan and supervise each department to conduct safety and health audits and management. C. Plan and supervise the checking points and inspection of the safety and health facilities. D. Plan and implement the operating environment monitoring plan, monitor the results, and take corrective actions. E. Plan and supervise the relevant personnel in performing inspections, regular inspections, key inspections, and hazard communication. F. Plan and implement occupational safety and health education and training. G. Plan labor health checkups and implement health management. H. Plan and supervise the investigation, processing, and statistical analysis of occupational disasters, such as labor diseases, injuries, disability, and death. I. Implement safety and health performance management and assessment; also, provide occupational safety and health consulting services. J. Provide information and advice on occupational safety and health management.
Sustainable Development Office	A. Identify sustainable issues and formulate response action plans B. Integrate and implement cross-departmental sustainability issues C. Track the practice of sustainable issues from all aspects and create a continuous improvement plan D. Greenhouse gas inventory integration and report production E. Sustainability report production F. Identification and communication of organizational stakeholders G. Application for Sustainable Enterprise Evaluation
Industrial Control Flash Business Division Industrial Control DRAM Business Division Intelligent Peripheral Applications Business Division Intelligent Module Business Division Vice President	A. Collection of market information and analysis of market competition; B. The formulation and execution of new product development plans, and the product life cycle management; C. Professional education and training of the Company’s internal technology and products; D. Price policy development;
Sales Division	A. Investigate and collect business information from market peers, market size and supply/demand situation. B. Analysis of relevant product marketing and sales forecasts, preparation and execution of business plans and budgets; C. Development, investigation, and contact of relevant customers; D. Channel policy development; E. Organize, compile and collect customer information; F. Survey and communicate with customers about their product needs.
Quality Assurance Division	A. Product compatibility test and verification; 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. C. Promote various quality/HSF/environmental improvement work to prevent quality/HSF/environmental nonconformities and customer complaints from occurring. D. Convene quality/HSF/environmental meetings regularly to track relevant situations and performance of countermeasures. E. Perform sampling inspection on raw materials, substances, and finished products to prevent nonconforming materials from flowing into the factory and shipping. F. Process customer’s complaints about nonconforming quality jointly. G. Repair and maintenance plans for equipment and instrument, calibration plans for test instruments, and the execution of the plans;

Unit	Responsibility
Marketing Department	A. Plan for new product launch and draft up marketing strategies. B. Execute product packaging design, and execute marketing and advertising plan. C. Arrange product exhibition operation. D. Maintenance of marketing content on the Company website.
R&D Center	A. Planning, analysis, and evaluation of new product launches, as well as the development and evaluation of product renewal plans; B. Collect, organize, and analyze information on product plans of competing companies; C. Analysis, judgment and correction of market acceptability; D. Research, analysis and development of domestic and international technical data and related product content information; E. Collect and organize information and reports on HSF/environmental requirements of materials/products; F. Confirm feasibility of commercialization and production; G. Research and analysis reports on customer issues; H. Failure product analysis and customer product analysis report response. I. Handling customer complaints; J. Respond to customer and business technical questions. K. Provide customer with technical service reports.
Manufacturing Division	A. Plant planning, design and process development; B. Evaluation, planning and analysis of peripheral equipment for production equipment. C. Technical guidance and data collection from manufacturers of production equipment; D. Production planning execution and production data compilation, analysis and reporting; E. Inventory management of materials, work-in-progress, semi-finished products, and finished products, accounting entries, preparation of inventory reports, and their analysis; F. Relevant procedures and transportation handling of semi-finished products and finished products; G. Perform sampling inspection on raw materials, substances, and finished products to prevent nonconforming materials from flowing into the factory and shipping. H. Quality management of suppliers and outsourcing quality;
Materials Division	A. Outsource vendor development, evaluation and management of third-party vendors and supervision of delivery. B. Preparation, execution and control of annual procurement plan; C. Ensure that supplies from material suppliers or outsource vendors meet our HSF (Green) management standards. D. The execution of the requisition and purchase and the review of the payment process. E. Handling of defective products and slow moving products.
Information Division	A. Responsible for information operation planning, promotion, and management and maintenance of computer software, hardware and network; B. Information security mechanism planning and implementation; C. Major information technology introduction and professional technical services.
Administration Division	A. Plan and formulate various operating measures; B. Document receiving and sending management; C. The preparation and implementation of the general affairs plan and the preparation and execution of the general affairs budget; D. Construction contracting, procurement of common service equipment and payment requests; E. Asset management; F. Examination and processing of personnel selection, appointment, arrival, attendance, appraisal, reward and punishment, promotion, welfare, resignation, retirement and other matters. G. Preparation and execution of salary and other personnel expense budgets; H. Announcement of personnel arrangements and compiling of personnel related records. I. Employee insurance matters and the explanation of questions regarding labor and health insurance. J. Legal advisor window and contract management;
Finance and Accounting Division	A. Preparation and implementation of accounting system, preparation of financial statements and financial budgets; B. Planning, analysis, and scheduling of mid-term and short-term financial capital operations; 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.

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, 2024

Title	Nationality or place of registration	Name	Gender Age	**Date elected or appointed**	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%	1,502,443	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%	1,982,298	2.24%	710,202	0.80%	-	-	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 of Aetina Corporation	-	-	-	-
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 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%	1,690,499	1.91%	14,033	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.	Adjunt Professor of the Department of Management Science, National Yang-Ming Chiao Tung University Director of Aetina Corporation Executive Director of Association Leader of Small & Medium Enterprise	-	-	-	-
Corporate director	ROC	Rui Ding Investment Co., Ltd.	-	2021.07.08	3 years	2010.06.08	6,107,037	7.41%	6,821,307	7.72%	-	-	-	-	-	-	-	-	-	-
	ROC	Wu, Hsi-Hsi	Male 51~60	2021.07.08	3 years	2021.07.08	349,387	0.42%	137,691	0.16%	-	-	-	-	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	Professor of the Department of Mechanical and Electrical Engineering and 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 CSO (Chief Strategy Officer) of The Cayman Islands NUWA Robotics Corp. Hong Kong Subsidiary – Taiwan Branch	-	-	-	-

Title	Nationality or place of registration	Name	Gender Age	**Date elected or appointed**	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 and CDIB Venture Capital Corporation	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	-	-	-	-

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, 2024

Names of corporate shareholders	Major shareholders of corporate shareholders
Rui Ding Investment Co., Ltd.	Lee, Chung-Liang (27.97%), Huang, Su-Fen (23.74%), Li, Li-Hsuan (16.15%), Li, Tai-Ju (15.99%), and Li, Cheng-Jui (16.15%)

3. Information on directors and supervisors

(1) Information on directors and supervisors

<table>
<tr><th>Criteria / Name</th><th>Professional qualification and experience</th><th>Independence</th><th>Number of other public companies in which the individual is concurrently serving as an independent director</th></tr>
<tr><td>Chien, Chuan-Sheng</td><td>1. Possess leadership (Chairman) and experience that needs by the Board of Directors and more than five years of experience in business operation. (See P.13-14Director Profile)
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.
3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.</td><td rowspan="5">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 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).
4. Please refer to P13-14for Director Information on the shareholding and shareholding ratio of the principal, spouse, and relatives within the second degree of kinship.</td><td>1</td></tr>
<tr><td>Lee, Chung-Liang</td><td>1. Possess leadership (Chairman) and experience that needs by the Board of Directors and more than five years of experience in business operation. (See P. 13-14Director Profile)
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.
3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.</td><td>0</td></tr>
<tr><td>Hsu, Shan-Ke</td><td>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 P.13–14Director Information)
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.
3. There is no occurrence of any of the circumstances as stated in Article 30 of the Company Act.</td><td>2</td></tr>
<tr><td>Jhu, Cing-Jhong</td><td>1. Possess leadership and experience that needs by the Board of Directors and more than five years of experience in business operation. (see P.13–14Director Information)
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.</td><td>0</td></tr>
<tr><td>Rui Ding Investment Co., Ltd. Representative: Wu, Xi-Xi</td><td>1. Possess leadership and experience in business operation for more than 5 years. (See P.13-14Director Profile)
2. Possess the ability and professional experience in business judgment, business management, crisis management, industry knowledge, international market perspective, leadership, and decision-making.</td><td>0</td></tr>
</table>

	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 P.13-14Director 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 P.13-14Director 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.13-14Director 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 P.13-14Director 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	51~60	61~70	Under 3 years	3~9 years	More than 9 years								
Chien, Chuan-Sheng	ROC	Male	ˇ		ˇ					ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ
Lee, Chung-Liang	ROC	Male				ˇ				ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ
Rui Ding Investment Co., Ltd. Representative: Wu, Xi-Xi	ROC	Male	ˇ		ˇ					ˇ		ˇ	ˇ	ˇ	ˇ	ˇ	ˇ
Jhu, Cing-Jhong	ROC	Male			ˇ					ˇ	ˇ	ˇ	ˇ		ˇ	ˇ	ˇ
Hsu, Shan-Ke	ROC	Male				ˇ				ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ
Wang, Yin-Tien	ROC	Male				ˇ	ˇ			ˇ		ˇ	ˇ	ˇ	ˇ	ˇ	ˇ
Lin, Wei-Li	ROC	Male			ˇ		ˇ			ˇ		ˇ	ˇ	ˇ	ˇ	ˇ	ˇ
Young, Kai-Charn	ROC	Female				ˇ	ˇ			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ
Lo, Su-Shun	ROC	Male				ˇ	ˇ			ˇ		ˇ	ˇ		ˇ	ˇ	ˇ

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, 2024; 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	1,502,443	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	37,718	0.04%	69,307	0.08%	-	-	Non completion - Chung Yuan Christian University Business Administration Institute Department of Industrial Engineering, Xinpu Industrial College Marketing Vice president of Innodisk Corporation Sales Division - Vice President Overseas Operations Center Manager and Peripheral Products Sales Division Manager of Advantech Co., Ltd. Peripheral Products Sales Division Manager 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	20,434	0.02%	-	-	-	-	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	None	-	-	-	-
Industrial Control Flash Business Division - Vice president	ROC	Wu, Yang-Hsi	Male	2012.08.01	137,691	0.16%	-	-	-	-	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	77,652	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	None	-	-	-	-
Industrial Control DRAM Business Division - Vice president	ROC	Zhang, Wei-Min	Male	2014.02.10	122,116	0.14%	7,843	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.	None	-	-	-	-

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	31,565	0.04%	17,998	0.02%	175,000	0.20%	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	None	-	-	-	-
Manufacturing Division Vice president	ROC	Tsai, Han-Tsang	Male	2011.06.27	64,572	0.07%	19,905	0.02%	-	-	Department of Motivation, Tsinghua University Institute of Mechanical Engineering, National Central University Manager of UNIFORM INDUSTRIAL CORP. Assistant Vice Manager of TRANSCEND INFORMATION INC.	None	-	-	-	-
Vice president of Materials Division	ROC	Ke, Yu-Jun	Male	2005.03.22	303,035	0.34%	119,556	0.14%	-	-	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 WALSIN TECHNOLOGY CORP. Senior Sales Specialist of Nankang Rubber Tire Corp., Ltd.	None	-	-	-	-
Vice president of Intelligent Module Business Division	ROC	Wei, Ting-Huang	Male	2021.05.10	25,920	0.03%	-	-	-	-	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	166,987	0.19%	234,416	0.27%	-	-	Department of Information Management, Chung Yuan Christian University Sales division manager of GIGABYTE Technology	None	-	-	-	-
Finance Division / Administration Division Vice president Corporate Governance	ROC	Wang, Li-Cheng	Male	2012.04.14	121,840	0.14%	52,505	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	Hsiao, Wen-Kuei	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	None	-	-	-	-

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, 2023; Unit: Thousand NTD / Thousand shares

Title	Name	Directors' remuneration								A, B, C, and D as a % of the net profits after tax		Remuneration for a concurrent position as an employee								A, B, C, D, E, F and G 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	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	Chien, Chuan-Sheng	0	0	-	-	9,786	9,786	132	132	0.86	0.86	18,116	18,116	108	108	3,657	-	3,657	-	2.77	2.77	None
Director	Lee, Chung-Liang																					
Director	Jhu, Cing-Jhong																					
Corporate director	Rui Ding Invest Co., Ltd.																					
Representative of Corporate Director	Wu, Hsi-Hsi																					
Director	Hsu, Shan-Ke																					
Independent Director	Wang, Yin-Tien	1,440	1,440	-	-	3,914	3,914	114	114	0.48	0.48	-	-	-	-	-	-	-	-	0.48	0.48	None
Independent Director	Lin, Wei-Li																					
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 in the financial statements I	The Company	All companies 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)	Lee, Chung-Liang Jhu, Cing-Jhong Hsu, Shan-Ke Rui Ding Investment Co., Ltd. Wang, Yin-Tien Lin, Wei-Li Young, Kai-Charn Lo, Su-Shun	Lee, Chung-Liang Jhu, Cing-Jhong Hsu, Shan-Ke Rui Ding Investment Co., Ltd. Wang, Yin-Tien Lin, Wei-Li Young, Kai-Charn Lo, Su-Shun	Lee, Chung-Liang Jhu, Cing-Jhong Hsu, Shan-Ke Rui Ding Investment Co., Ltd. Wang, Yin-Tien Lin, Wei-Li Young, Kai-Charn Lo, Su-Shun	Lee, Chung-Liang Jhu, Cing-Jhong Hsu, Shan-Ke Rui Ding Investment Co., Ltd. Wang, Yin-Tien Lin, Wei-Li Young, Kai-Charn Lo, Su-Shun
NT$2,000,000 (inclusive)–NT$3,500,000 (exclusive)	Chien, Chuan-Sheng	Chien, Chuan-Sheng		
NT$3,500,000 (inclusive)–NT$5,000,000 (exclusive)	-	-	-	-
NT$5,000,000 (inclusive)–NT$10,000,000 (exclusive)	-	-	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, 2023; 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 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	Stock amount	Cash amount	Stock amount			
General Manager	Chien, Chuan-Sheng	20,430	20,430	963	963	47,271	47,271	11,192	-	11,192	-	6.96	6.96	None
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 in the financial statements
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	-	-
Total	10	10

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, 2023; unit: NTD Thousand

<table>
<tr><th colspan="2">Title</th><th>Name</th><th>Stock amount</th><th>Cash amount</th><th>Total</th><th>Total amount as a % of the net profits after tax (%)</th></tr>
<tr><td rowspan="13">Managerial Officer</td><td>General Manager</td><td>Chien, Chuan-Sheng</td><td rowspan="13">0</td><td rowspan="13">12,884</td><td rowspan="13">12,884</td><td rowspan="13">1.12</td></tr>
<tr><td>Chief Operating Officer</td><td>Wang, Chia-Ying</td></tr>
<tr><td>Vice president</td><td>Wu, Hsi-Hsi</td></tr>
<tr><td>Vice president</td><td>Liao, Te-Chang</td></tr>
<tr><td>Vice president</td><td>Zhang, Wei-Min</td></tr>
<tr><td>Vice president</td><td>Tsai, Han-Tsang</td></tr>
<tr><td>Vice president</td><td>Wei, Ting-Huang</td></tr>
<tr><td>Vice president</td><td>Ke, Yu-Jun</td></tr>
<tr><td>Vice president</td><td>Fu, Hao</td></tr>
<tr><td>Vice president (Supervisor of Finance Division / Administration Division / Corporate Governance)</td><td>Wang, Li-Cheng</td></tr>
<tr><td>Accounting Manager</td><td>Hsiao, Wen-Kuei</td></tr>
<tr><td>Senior Assistant Vice Manager</td><td>Guo, Jin-Zhong</td></tr>
<tr><td>Assistant Vice Manager</td><td>Yu, Li-Yin</td></tr>
</table>

(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, 2023; unit: NTD Thousand

Title \ Item	The Company				All companies in the consolidated financial statements			
	2022		2023		2022		2023	
		Total amount as a % of the net profits after tax (%)		Total amount as a % of the net profits after tax (%)		Total amount as a % of the net profits after tax (%)		Total amount as a % of the net profits after tax (%)
Directors' remuneration	22,706	1.23%	15,386	1.34%	22.706	1.23%	15,386	1.34%
Total remuneration for general managers and vice presidents	85,455	4.62%	79,857	6.96%	85,455	4.62%	79,857	6.96%

Explanation on the relevance and reasonableness of net profits after tax and remuneration change: The Company's total net profits after tax in 2023 decreased comparing to 2022, and in relation, the total remuneration amount decreased proportionally.

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) Policy, criteria and composition for the payment of remuneration, and the procedures for setting remuneration:

A. Directors: The Company has remuneration paid to the directors in accordance with Article 19 of the Articles of Incorporation. If any surplus remains after making up for any accumulated losses, remuneration shall be paid to directors at an amount that is, at most, 2% of the total net income before tax, Meanwhile, the weight ratio system is adopted based on the Company's "Measures for the Distribution of Directors' Remuneration." Different weights are assigned according to the position and the engagement in Company affairs to calculate the distributable remuneration. Furthermore, a reasonable remuneration shall be given depending on the personal contribution to the Company's operations, the Company's overall operational performance, and the future operational needs and development of the industry 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.

B. Total remuneration for general managers and vice presidents: 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 seven meetings (A) in the most recent year (2023) 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	7	0	100%	
Director	Lee, Chung-Liang	5	2	71.43%	
Director	Jhu, Cing-Jhong	7	0	100%	
Director	Rui Ding Investment Co., Ltd. Representative: Wu, Xi-Xi	7	0	100%	
Director	Hsu, Shan-Ke	7	0	100%	
Independent Director	Wang, Yin-Tien	7	0	100%	
Independent Director	Lin, Wei-Li	7	0	100%	
Independent Director	Young, Kai-Charn	7	0	100%	
Independent Director	Lo, Su-Shun	6	1	85.71%	

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 64for 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
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	

2023.08.04	Chien, Chuan-Sheng Wu, Hsi-Hsi	Proposal to pass the 2022 remuneration to the managerial officers and auditing 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.
		Plan to pass the proposal for the adjustment of remuneration to the managerial officers and auditing officers of the Company		
2024.02.02	Chien, Chuan-Sheng Wu, Hsi-Hsi	Passed the proposal for the 2023 year-end bonus to the managerial officers and auditing 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	2023/01/01 to 2023/12/31	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
		Audit 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
		Remuneration 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) Audit Committee: The overall operation of the Audit Committee is satisfactory and meets the requirements of corporate governance that help effectively enhance the functions of the Board of Directors.

(IV) Remuneration Committee: The overall operation of the Audit Committee 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 2023 in the preceding paragraph was reported by the Board of Directors on February 22, 2024, 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

Date (meeting) / Name	2023/01/13 (1st meeting)	2023/02/23 (2nd meeting)	2023/05/05 (3rd meeting)	2023/08/04 (4th meeting)	2023/11/03 (5th meeting)	2024/02/22 (1st meeting)	2024/02/22 (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 six meetings (A) in the most recent year (2023) 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	6	0	100%	
Independent Director	Lin, Wei-Li	6	0	100%	
Independent Director	Young, Kai-Charn	6	0	100%	
Independent Director	Lo, Su-Shun	5	1	83.33%	
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
2023/01/13 4th term-9th meeting	1. Set the Company's 4th quarter 2022 employee stock option certificates to implement the new share issuance base date for capital increase. 2. Assessing the independence and suitability of CPAs.	Passed unanimously.	Not applicable.	Passed as proposed.
2023/02/23 4th term-10th meeting	1. Proposal to amend the Company's "Internal control system." 2. The Company's issuing the 2022 "Statement of Internal Control System." 3. The Company's 2022 financial statements. 4. The Company's 2022 business report. 5. The Company's 2022 earnings distribution proposal. 6. The Company's increased capital in 2022 from earnings with new shares issued. 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.	Passed unanimously.	Not applicable.	Passed as proposed.
2023/05/05 4th term-11th meeting	1. The Company's 2023 1st quarter financial report. 2. Set the Company's 1st quarter 2023 employee stock option certificates to implement the new share issuance base date for capital increase. 2. The Company plans to purchase real estate.	Passed unanimously.	Not applicable.	Passed as proposed.
2023/08/04 4th term-12th meeting	1. The Company's 2023 2nd quarter financial report proposal. 2. Set the Company's 2023 profit transfer to capital increase, new share issuance allotment base date, and cash dividend distribution base date. 3. Proposal to amend the Company's "Internal control system." 4. Proposal for the subsidiary Innodisk Europe BV to invest in and establish a subsidiary in Germany.	Passed unanimously.	Not applicable.	Passed as proposed.
2023/11/03 4th term-13th meeting	1. The Company's 2023 3rd quarter financial report proposal. 2. Drafted the Company's 2024 audit plan. 3. Proposal regarding amount adjustment for the subsidiary Innodisk Europe BV to invest in and establish a subsidiary in Germany.	Passed unanimously.	Not applicable.	Passed as proposed.
2024/02/22 4th term-14th meeting	1. The Company's issuing the 2023 "Statement of Internal Control System." 2. The Company's 2023 financial statements. 3. Proposal to replace the appointed CPAs of PwC Taiwan through internal rotation adjustment. 4. Assessing the independence and suitability of CPAs. 5. The Company's 2023 business report. 6. The Company's 2023 earnings distribution proposal. 7. The Company's capital increase from earnings with new shares issued in 2023 8. The stock release planning proposed in response to the future application for listing on TWSE/TPEx by the subsidiary, Aetina Corporation	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.

Date	Communication unit	Communication items	Result of communication
2023/05/05	Audit officer's report and communication with independent directors	2023 OTC Internal Control Audit Report	Please proceed accordingly.
2024/02/22	CPA's report and communication with independent directors	1. According to No. 260 "Communication with the governing body of the auditee" of the ROC Auditing Standard, the audit results for 2024 were discussed. 2. The next communication meeting is scheduled for the audit and certification of the 2024 financial statements.	1. Independent Director informed. 2. Independent Director informed.

(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?	V		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? (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? (III) Has the Company established and implemented risk control and firewall mechanisms between affiliated companies? (IV) Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market?	 V V V V		(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. (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) 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 relevant matters. (IV) The Company has established the "Procedures for Handling Material Insider Information" and requires those with access to material insider information to refrain from	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	
			disclosing it to others or using it to trade in marketable securities. It also requires employees to sign a non-disclosure agreement and provides training to employees and directors at least once a year (the 2023 training day was December 22, 2023). When an entity subject to Article 3 of the Operational Procedures learns of material insider information that affects the price of the Company's stock, they are prohibited to trade the Company's stocks or other securities traded in the nature of shares before the information has been made public or within the first 18 hours after the information has been made public. The Company's directors (including independent directors) are not allowed to trade in the Company's shares 30 days prior to the announcement of the annual financial statements or during the closure period 15 days prior to the announcement of the quarterly financial statements.	
III. Composition and Responsibilities of the Board of Directors (I) Does the board of directors formulate diversified policies, and specific management objectives and implementation? (II) Does the Company voluntarily establish functional committees other than the Remuneration Committee and the Audit Committee?	 V V		 (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.16of the annual report. (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.	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	
(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? (IV) Does the Company regularly evaluate the independence of the attesting CPAs?	V V		(III) The Company has established the “Board of Directors’ Performance Evaluation Measures.” Please refer to P.25(iii.) Listed OTC companies should disclose the evaluation cycle and period, evaluation scope, methods, and evaluation contents of the board of directors’ self-evaluation (or peer-evaluation) and other information] for the evaluation items and results, which together with the directors’ self-assessment are used as a reference for nominating directors and determining their salary and remuneration; also, it was reported to the Board of Directors on February 22, 2024. (IV) The Company’s Audit Committee and the Board of Directors independently assessed the CPAs on 02/22/2024, 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.	In compliance with the Corporate Governance Best Practice Principles
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	V		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.	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	
(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.)?			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.	
V. Has the Company established communication channels with 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?	V		The Company has a spokesperson and an acting spokesperson. It has identified 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.	In compliance with the Corporate Governance Best Practice Principles
VI. Has the Company appointed a professional stock affairs agency to handle matters for shareholder meetings?	V		The Company's stock affairs agency is KGI Securities Co., Ltd.	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	
VII. Information Disclosure (I) Has the Company set up a website to disclose finance and business matters and corporate governance information?	V		(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.	In compliance with the Corporate Governance Best Practice Principles
(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.)?	V		(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) 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?	V		(III) The Company had the 2023 financial statements announced and reported on February 22, 2024, including financial statements for the first, second, and third quarters and the monthly operating status before the prescribed deadline.	
VIII. Is there any further information 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)?	V		(I) Employee rights and benefits: The 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 biennial government-funded health checkups, etc., emphasizing labor relations and providing equal employment opportunities.	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	
			(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 biennial employee satisfaction survey and provides one-to-one care for new recruits twice 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. (III) Investor relations: The Company has information disclosure made honestly in accordance with the governing laws and regulations to protect the basic rights and interests of investors. 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 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. (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. (V) Stakeholders' rights: Maintain smooth communication channels	

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	
			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.	
			(VI) Advanced study of directors and supervisors: The Company's directors (including independent directors) completed 6 hours of advanced study in 2023. Please see (Note 4) for details. (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. (VIII) Implementation of customer policy: The company upholds high quality and high efficiency to serve customers and create maximum benefits for customers. (IX) The Company is a computer peripheral manufacturer and is engaged in downstream assembly, which is a non-polluting industry and has not polluted the environment and has fulfilled its corporate social responsibility. (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	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	
			Board of Directors in November 2023.	

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:

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:

(I) Enhance the comprehensiveness of the disclosure of corporate governance matters in English on the official website.

The Company intends to continue to improve and propose the following:

(I) Enhance the disclosure of corporate governance matters in the annual report and official website.

(II) Strengthen the disclosure of ESG-related issues in the annual report and sustainability report.

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 judgments are handled, independent quality control reviews, and management of risk?	Yes	Yes
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 in 2023:

Name	Advanced study date	Course organizer	Course name	Training hours
Wang, Li-Cheng	06.07.2023	Taipei Exchange (TPEx)	2023 TPEx ESG Elite Workshop	3
	11.15.2023	Republic of China Accounting Research and Development Institute	2023 ESG Summit - Digital Technology and Sustainable Transition	3
	12.07.2023	Chinese Association of Business and Intangible Assets Valuation	Evaluation of intangible assets damage compensation and reading and application of intangible assets valuation report	6

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

Stakeholder	Issues of concern	Channels of communication and response.	The 2023 Stakeholder Communication Performance
Customer	● Completed annual satisfaction surveys in response to customer requests ● 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. ● Implemented confidential information protection measures as required by customers ● Made Declaration of Prohibition of Child Labor and Declaration of Product Origin as requested by the customer ● Conducted Audits of suppliers as requested by customers ● Customer factory production flow guide	● Google questionnaire annual customer satisfaction survey ● Impromptu meetings for unexpected issues ● Conference calls for specific issues ● External communication mailbox ● Regular customer visits every year ● Computex VIP conference ● Customer field audits/visits Contact Information: sales@innodisk.com	● Visiting customers from time to time ● Accepted 14 customer on-site factory audits so far ● Completed communication questionnaire survey in March 2023
Employees	● Set up staff suggestion boxes in the cafeteria for staff to provide feedback at any time ● Organized labor-management meetings	● Recurring settings ● Quarterly meetings with representatives from both management and employees Contact Information: inno_members@innodisk.com	● Held 8 labor-management meetings (Taipei + Yilan), on a quarterly basis ● Employee satisfaction statistics of all anonymous employees ● Promoted employee health promotion program and shared and interacted with employees through the company intranet platform
Investors/ Shareholders	● 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. ● Financial statements and significant financial business information of the Company announced and disclosed on the Market Observation Post System	● Convene regular shareholders' meetings every year ● Regular disclosure of finance and business information ● Disclosure of significant information on the "Market Observation Post System" from time to time ● Established a spokesperson system to answer shareholders' questions Contact Information: inno_shareholders@innodisk.com	● Held 1 shareholders' meeting ● Invited to participate in two corporate presentations ● Completed communication questionnaire survey in March 2023
Suppliers	● Qualified supplier certification ● Green Supply Chain GPM ● IQC inspection status	● New product acknowledgement ● Related quality document updates ● Occasional phone and email communication ● Field audits/year ● Audit of questionnaires/semi-annually Contact Information: inno_vendor@innodisk.com	● Completed communication questionnaire survey in March 2023 ● 15 on-site audits of suppliers
Outsourcers	● Quality control of outsourced products ● Trial production of new models ● Output confirmation ● Technical Exchange	● Quality meeting/month ● Factory on-site audits/year ● Occasional phone and email communication Contact Information: inno_vendor@innodisk.com	●Occasional phone and email communication
Government agencies	● Filed work safety practices and occupational safety and health personnel ● Reporting of waste cleanup plans	● Environmental Protection Bureau/Labor Inspection Department Occasional Official Documents Contact Information: inno_members@innodisk.com	● Environmental Protection Bureau/Labor Inspection Department Occasional Official Documents and communications
Local area Building	● Power outage. Construction. Machinery room. Notification of specific conditions such as fire drills ● Participated in community affairs as a member of the management committee	● Occasional phone and email communication ● Regular participation in meetings and events Contact information: walker_chiu@innodisk.com	● Attended 6 Management Committee meetings ● Attended 1 owner meetings ● Held one blood donation activity in the park ● Completed communication questionnaire survey in March 2023
Media	● Product information release (including new products and technologies) ●Release of company information (relocation, awards, social welfare, etc.)	● From time to time, interview and have dinner with the media. ● On average, a press release is issued once a month to the relevant media. Contact information: andy_chen@innodisk.com	● Issued 10 press releases

Note 4: The advanced study of directors (including independent directors) in 2023:

Title	Name	Advanced study date	Course organizer	Course name	Training hours
Chairman	Chien, Chuan-Sheng	06.07.2023	Taipei Exchange (TPEx)	2023 TPEx ESG Elite Workshop	3
		08.09.2023	Taiwan Corporate Governance Association	Corporate mergers and acquisitions practices	3
Director	Lee, Chung-Liang	11.21.2023	The Institute of Internal Auditors	Changes in practice of the materiality basis of financial misstatement and determination of directors' and supervisors' responsibilities	3
				Legal liability and legal investigation practice procedure for corporate fraud	3
Director	Jhu, Cing-Jhong	11.22.2023	Republic of China Accounting Research and Development Institute	Corporate governance competency required by internal auditors and financial statement risk assessment practices	6
Director	Hsu, Shan-Ke	07.05.2023	Securities and Futures Institute	CPC's political economy, international situation, and cross-strait relations	3
		10.26.2023	Taiwan Corporate Governance Association	Cultural inclusion and social innovation of contemporary architecture, and the development and implication of the international carbon border adjustment mechanism	3
				The rise of Southeast Asia and the changing new Indo-Pacific: Geopolitical risk and regional economic resilience	1.5
Director	Rui Ding Investment Co., Ltd. Representative: Wu, Hsi-Hsi	10.04.2023	Securities and Futures Institute	How do non-accounting specialists, directors, and supervisors review financial statements.	3
		10.13.2023		Carbon trading mechanism and business management application	3
Independent Director	Wang, Yin-Tien	8.25.2023	Securities and Futures Institute	From CSR to ESG, business management tips	3
				Discussion on M&A integration issues in the process of enterprise mergers and acquisitions	3
Independent Director	Lin, Wei-Li	08.09.2023	Securities and Futures Institute	Starting from the amended Article 14 of the Securities and Exchange Act	3
		8.11.2023		Benefits and business model of circular economy	3
Independent Director	Young, Kai-Charn	1.12.2023	Taiwan Corporate Governance Association	Corporate Ethics and ESG International Forum	6
		8.10.2023	Taiwan Institute Of Directors	Think outside the organization - Organization strategy and key talent development	3
Independent Director	Lo, Su-Shun	08.09.2023	Securities and Futures Institute	Starting from the amended Article 14 of the Securities and Exchange Act	3
		8.11.2023		Benefits and business model of circular economy	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:

Identity	Condition / Name	Professional qualification and experience	Independence	Number of other public companies in which the individual is concurrently serving as a remuneration committee member
Independent Director (Convener)	Lin, Wei-Li	1. Possess leadership and experience in business operation for more than 5 years. (See P.13-14Director 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.13-14for 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.13-14Director 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.13-14Director 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.13-14Director 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 (2023) up to the publication date of the annual report. The qualifications and attendance of the Remuneration Committee members are as follows:

Title	Name	Number of attendance in person (B)	Number of attendance by proxy	Attendance in person (%) (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-6th meeting 2023/11/13	1. Proposal to pass the 2022 year-end bonus for the managerial officers of the Company.	Approved by the Remuneration Committee members present unanimously	Submitted to the Board of Directors for approval according to the resolution
5th-term-7th meeting 2023/02/23	1. Discussed the 2022 employees' and directors' remuneration distribution	Approved by the Remuneration Committee members present unanimously	Submitted to the Board of Directors for approval according to the resolution
5th-term-8th meeting 2023/08/04	1. Proposal to pass the 2022 remuneration to the managerial officers and auditing officers of the Company. 2. Plan to pass the proposal for the adjustment of remuneration to the managerial officers and auditing officers of the Company. 3. Proposal to pass the Company's 2022 remuneration for directors.	Approved by the Remuneration Committee members present unanimously	Submitted to the Board of Directors for approval according to the resolution
5th-term-9th meeting 2024/02/02	1. Passed the proposal for the 2023 year-end bonus to the managerial officers and auditing officers of the Company.	Approved by the Remuneration Committee members present unanimously	Submitted to the Board of Directors for approval according to the resolution
5th-term-10th meeting 2024/02/22	1. Discussed the 2023 employees' and directors' remuneration distribution	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?	V		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: 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. 2. Identify sustainable issues of concern to stakeholders and formulate a communication plan. 3. Supervise the compilation of the Sustainability Report to be completed on time. 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. The sustainability topics reported by the team to the board of directors in 2023 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. 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. 2023 was reported to the Board of Directors on May 5, 2023; 2024 expected planning was reported to the Board of Directors in June .	No significant difference.

<table>
<tr><th rowspan="2">Promotion items</th><th colspan="3">Status of implementation</th><th rowspan="2">Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons:</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>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?</td><td>V</td><td></td><td>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.
The Company conducts risk assessment after understanding the ESG issues concerned by stakeholders and senior executives through questionnaires.
Please refer to (Note 1) for the relevant risk management policies or strategies formulated based on the assessed risks.</td><td>No significant difference.</td></tr>
<tr><td>III. Environmental issues
(I) Has the Company set up an appropriate environmental management system based on the characteristics of its industry?

(II) Is the Company committed to improving energy efficiency and using recycled materials with reduced environmental impacts?</td><td>V

V</td><td></td><td>(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 September 29, 2023, valid until September 29, 2026.
(Please refer to the official website of the Company for the certificate: https: https://www.innodisk.com
(II) The Company strives to promote and implement resource recycling, including recycling various resources and wastes. In 2023, the Yilan factory recycled 123,200 kilograms of waste paper boxes (including the Xizhi plant), 68.6 kilograms of scrap iron cans, 16.7 kilograms of waste aluminum cans, and 113 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.</td><td>No significant difference.</td></tr>
</table>

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	
			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.	
(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?	V		(III) The Company supports and responds to the government's green energy policy. In 2023, we participated in the National Renewable Energy Certificate Center bid to obtain 33,000 kWh of solar power generation certificates and 500,000 kWh of renewable energy integrated with purchasing electric certificates. The target set in 2023 is 15%. The total bidding renewable energy certification/green power is 830,000 kWh, 15.2% of the power consumption in 2022 (target reached). The total amount of renewable energy can reduce CO_2 emissions by 422,470kg.	

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	
			●330 LED construction lights and panel lights in the entire factory on the 4th floor have been replaced, which saved approximately 27,879 KWH/year and reduced carbon emissions (0.509Kg/kWh): 14,190 kg CO_2 . ●The Company sponsored NT$100,000 to the Taiwan Geography Sustainable Regeneration Association to host the “Love the Earth Beach Cleaning Event in Yilan” and provide title sponsorship for this event: 199 bags of non-natural garbage (6,838 kg) were cleaned up during the beach cleanup, reduced about 14,086 kg CO_2. Remark: According to the Taiwan Carbon Footprint Information Platform of the Environmental Protection Administration, for every 1 kg of waste output reduced (1 kg of recyclable waste collected), about 2.06 kg CO_2 were reduced. ●In April 2023, the Company organized a series of activities under the theme of “Cherish the Earth, Sustainability and Environmental Protection” (such as turning off the lights for one hour, water moss ball DIY, zero waste of second-hand toys, and using recycled jeans to make beverage bags). A total of 13 boxes of toys were collected, total weight 99.75kg. They were donated to “Hsinchu Private AiHengNeng Special Education Center (Xizhi)/LAN-SHIN Women and Children Service Center (Yilan).”At the lights-off event, 849 lights in Xizhi and Yilan factory in total were turned off, reducing CO_2 by 13 kg. ●The solar photovoltaic module power generation system is installed in the Yilan Plant No. 1 with a total capacity of 283.31kw. It was officially commissioned in October 2023. The estimated solar power generation system is 71,093 KWH/year, and 71 renewable energy certificates can be obtained, reducing carbon emissions (0.509Kg/kWh): 36,186 kg CO_2.	No significant difference.

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	
			The preceding sustainability performances and measures in 2023 reduced a total of 494,542 kg CO_2 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. and continue to improve operating procedures, implement a paperless procedure (such as implementing it for incident reporting management procedure). Reduce paper use, forge ahead to internal paperless goal, and thereby reduce greenhouse gas (GHG) emissions. 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. In 2023, we will organize comprehensive activities in the hope of enhancing employees' awareness of safety and health, as well as the concept of green environmental protection and environmental sustainability. The activities include gathering employees to join a walking event. The total number of steps was converted to reduce carbon by 16,496.68 kg. The Company donated NT$120,000 to Tse-Xin Organic Agriculture Foundation at Jixin and Jibao Section, Wujie Township, Yilan County for tree planting and forest protection. About 240 trees have been planted for coastal afforestation and restoration to double the carbon reduction.	

<table>
<tr><th rowspan="2">Promotion items</th><th colspan="3">Status of implementation</th><th rowspan="2">Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons:</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>(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?</td><td>V
ˇ</td><td></td><td>(IV) 1. The Company’s CO_2 emissions from purchased electricity are as follows:
(1) Xizhi plant:
<table>
<tr><th>Year</th><th>Externally purchased power consumption</th><th>CO2 emissions (kg CO2 e/degree)</th></tr>
<tr><td>2022</td><td>3,094,681.5906</td><td>1,575,193.1</td></tr>
<tr><td>2023</td><td>2,616,021.3728</td><td>1,294.9306</td></tr>
</table>
Note: 1. The carbon emission per kWh of electricity in 2022 was calculated as 0.502 kg of CO_2.
2. In 2023, the carbon emission per kWh of electricity was calculated as 0.495 kg of CO_2.
(2) Xizhi and Yilan plants:
<table>
<tr><th>Year</th><th>Total electricity consumption</th><th>CO2 emissions (kg CO2 e/degree)</th></tr>
<tr><td>2022</td><td>7,032,281.5906</td><td>3,579,431.3896</td></tr>
<tr><td>2023</td><td>6,889,381.3728</td><td>3,410,2438.8000</td></tr>
</table>
Note: 1. The carbon emission per kWh of electricity in 2022 was calculated as 0.502 kg of CO_2.
2. In 2023, the carbon emission per kWh of electricity was calculated as 0.495 kg of CO_2.
The Company’s annual electricity consumption reduction target is 1%.
Actual power consumption circumstances:
Xizhi plant: reduced by 15.46% compared to the previous year
Xizhi and Yilan plants: total decreased by 2.03% compared to the previous year

2. The Company’s reduction targets for other environmental indicators for the Xizhi and Yilan plants:
<table>
<tr><th>Year</th><th>Total water consumption</th><th>CO2 emissions (kg CO2 e/degree)</th></tr>
<tr><td>2022</td><td>14,569</td><td>2,316.6</td></tr>
<tr><td>2023</td><td>13,312</td><td>2,076.7</td></tr>
</table>
Note: 1. In 2022, the carbon emission per m^3 of water is calculated as 0.161 kg of CO_2.
2. In 2023, the carbon emission per m^3 of water is calculated as 0.156 kg of CO_2.</td><td>No significant difference.</td></tr>
</table>

<table>
<tr><th rowspan="2">Promotion items</th><th colspan="3">Status of implementation</th><th rowspan="2">Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons:</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td></td><td>V</td><td></td><td>The Company’s annual water consumption reduction target is 1%.
Actual water consumption: decreased by 7.48% compared to the previous year
<table><tr><th>Year</th><th>Total amount of industrial waste removal (tons)
(Includes recovery of hazardous materials)</th></tr><tr><td>2022</td><td>17.899</td></tr><tr><td>2023</td><td>18.419</td></tr></table>Note: 1. Domestic waste is excluded from the calculation.
2. Hazardous categories include metal printed circuit board waste and its powder and waste liquid with a flash point of less than 60°C.
3. Resource recovery includes waste plastic, scrap iron, and scrap tin (slag).
The Company’s annual waste reduction target is 1%.
Actual waste status: total volume increased by 2.91% compared to the previous year
Description of the preceding increases for the Xizhi and Yilan plants:
In recent years, as the Yilan plant’s production capacity has increased and expanded, the company has developed a carbon reduction strategy to minimize carbon emissions through renewable energy to attain sustainable operations.
The Company’s energy saving policy: improve energy efficiency, increase the proportion of renewable energy use, reduce environmental pollution and social impact, and continue to promote waste separation, recycling and reduction in line with government policy, promote the secondary use of waste paper photocopying in the office, and promote the habit of saving water and electricity to employees. In addition, we will replace all of our LED flat panel lights this year to achieve energy saving, carbon reduction and energy conservation.</td><td>No significant difference.</td></tr>
</table>

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?	V		(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."	No significant difference.

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	
			The Company arranges training for all employees and aims to give colleagues a clear understanding of the Company's human rights, integrity management, anti-corruption policies, and whistleblower mechanism. Colleagues in Taiwan have been scheduled to take courses since 2022. This communication course aims to give colleagues a correct understanding of the policy. In addition to videos or on-site instruction, the courses include relevant test questions to ensure that each colleague understands the Company's policies. There were a total of 190 new employees and those who had not completed their training in 2023, of which 177 completed their training, with a completion rate of 93.16%. New colleagues and those who had yet not completed the training were invited to participate in the online courses for the following year.	
(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?	V		(II) The Company has established a vacation system that is superior to Labor Standards Act, a reasonable remuneration structure, and appropriation of year-end prize money and employee bonuses according to the annual earnings. Please refer to P.76(i) of the Company's Articles of Incorporation regarding the percentage or range of the remuneration to employees, directors, and supervisors. In addition, the Company provides employees with various allowances and benefits, such as group insurance, emergency care funds, birth allowance (including pregnancy transportation allowance, childcare allowance, second child allowance), scholarships for employees' children, as well as wedding gifts and funeral flower baskets.	

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	
(III) Has the Company provided a safe and healthy working environment for its employees, and provided regular safety and health education?	V		(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 safety inspections,equipment use and maintenance inspections of factory operation (e.g. chamber, oven, and stencil cleaner), inspections for the operation sites with organic solvent used, personal protective gear inspections/ storage 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 2023, we implemented a total of 19 safety and health education and training courses (including 3 hours of general new worker safety and health education and training, 3 hours of general training on hazardous chemicals, fire drill of the entire factory, organic solvent leakage seminar, health-related cancer prevention, or courses on prevention of unlawful infringement at workplace). Meanwhile, the Company has organized a total of 1,610 hours of training and a total of 1,079 staffs participated in the training. Employees who have not completed their training and those who are recruited in the next year are also provided with online courses and training. Monthly COVID-19 prevention announcements were provided according to the Central Epidemic	No significant difference.

Promotion items	Status of implementation: Yes	Status of implementation: No	Status of implementation: Summary Description	Deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons:
			Command Center's policy. Provide colleagues with home-based rapid screening reagents to perform rapid screening and regular environmental disinfection to ensure workplace safety. The Company submits a fire protection plan in accordance with the Fire Services Act, and conducts daily self-inspection of fire sources, self-inspection of fire prevention and evacuation facilities, self-inspection of fire extinguishers, self-examination of emergency exit lights on a monthly basis. An inspection form has been filled out and submitted to the fire department for reference. According to the "Enforcement Rules of Fire Services Act", a self-defense fire team has been established. Comprehensive drills are conducted every six months. The drill includes introduction to the fire site, operation of fire-fighting equipment, explanation of evacuation tools, and evacuation drills. Once completed, the Company reported to the local fire department for reference. A plant-wide evacuation drill is held for all employees every year. Regular drills help employees develop safety awareness and familiarize themselves with the various fire evacuation measures at the site. Fire escape floor plans and meeting point signs are provided at each exit. Internal and external emergency contact numbers are available. The Company intends to enhance fire safety awareness. We also cooperate with the building's management committee and management center to conduct annual fire safety equipment inspections and declarations to ensure the normal operation of all fire safety facilities. As such, there were no fires or injuries in the plant.	No significant difference.

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) Does the company have an effective career development training program planned for employees?	V		(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 in-person 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.93(v) Labor Relations for the advanced study and training information of the staff in 2023.	No significant difference.
(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		(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.	

Promotion items	Status of implementation			Deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons:
(VI) 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?	V		(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. The Company has established Innodisk's International Supplier Code of Conduct, including requirements of environmental, environmental, energy, human rights, and occupational disasters in its communications with suppliers. Currently the Company has collected 97% of the agreements signed by the supplier. (Please refer to the Company's corporate sustainability website at https://esg.innodisk.com/environment/supply-chain)	
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?	V		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. 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 "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies." The Company intends to formulate the "Sustainable Development Best Practice Principles" at the end of 2024.				
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	1. 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. 2. 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. 3. 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. 4. 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.
Social	Occupational safety	1. The verification of the "ISO 45001 Occupational Health and Safety Management Systems" was completed in 2021. 2. 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. 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	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. 2. Take the initiative to conduct customer satisfaction surveys regularly every year so as to enhance the cooperative relationship with customers.
Corporate governance	Socioeconomic and legal compliance	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. 2. Formulate various ethical code of conduct, establish a good corporate governance and risk control mechanism, and substantiate the policy of ethical corporate management. 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. 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.
	Reinforce the functions of the Board of Directors	1. The Company acquires liability insurance policy for directors every year. 2. The Company arranges advanced study programs for directors so as to help them understand the latest laws, systems, and policies. 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.
	Stakeholder Communication	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. 2. The Company also has a spokesperson appointed to serve the investors or to handle the suggestions proposed by the investors at any time.

Note 2: Human rights policy

Diversity, Inclusion, and Equal Job Opportunities	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. 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. 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.
Provide a safe and healthy working environment.	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. 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.
Respect the employees' freedom of assembly and association	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.
Help employees to maintain physical and mental health and work balance	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.

(VII) Climate-related information:

1. Implementation of climate-related information:

Item	Status of implementation
1. Describe the board of directors' management oversight, governance, and climate-related risks and opportunities.	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.
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.	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.
3. Describe the financial impacts of extreme climate events and transitional actions.	3. Innodisk International Finance has taken certain transformational actions in response to the extreme climate-related risks. (1) Increase the proportion of renewable energy use (2) E-certificate integration (3) Greenhouse gas inventory of subsidiaries (4) Adding solar panels to the self-built factory buildings 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.
4. Describe how climate risk identification, assessment,	4. During the entire climate risk assessment, the

Item	Status of implementation
and management processes are integrated into the overall risk management system.	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.
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.	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.
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.	6. Risk Transformation Program (1) Increase the proportion of renewable energy use Renewable energy use will continue to increase by 5% per year. (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. (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 has been introduced to the first subsidiary, Aetina Corporation, in 2023 and to at least 2 strongholds per year. (4) Adding solar panels to the self-built factory buildings Innodisk's factory, located in the Yilan Science Park, has been installing solar panels in 2023 for energy saving. The Yilan Plant No. 2 is now under construction and has included solar panel planning in the design, which is projected to be completed by the end of 2024.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price must be stated.	7. Innodisk currently plans to implement internal carbon pricing in 2025.
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.	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. ●2023 bid winning certificates: (1) 330 from Hakka Affairs Council ●2022 digital certificate integration: (1) 518 from ECOVE Solar Energy Corporation They totaled 848 certificates
9. Greenhouse gas inventory and certification status, as well as reduction targets, strategies and concrete action plans.	9. See Table 1-1 and 1-2 below for details

1-1 Greenhouse gas inventory and certification status of the Company for the last two years:

1-1-1 Information on greenhouse gas inventory:

State the emission volume (tons CO_2 e) and intensity (tons CO_2 e/million NTD) of greenhouse gas for the most recent two years, and data coverage.
The Company's direct greenhouse gas emissions in 2022 were 119.0811 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 34.0608 metric tons of CO2e, and the Category I emission of the Yilan plant was 85.0202 metric tons of CO2e. The intensity was 0.00011908 metric tons of CO2e/NTD million. The Company's energy indirect greenhouse gas emission source is the purchased electricity sold by Taiwan Power Company. In 2022, the Company's indirect greenhouse gas emissions from energy input comprised of Xizhi Headquarters' 1575.192 metric tons of Category II CO2e emissions and Yilan plant's 2004.2384 metric tons of Category II CO2e emissions. The Company's indirect greenhouse gas emissions quantified according to the location-based method this year were 3579.4313 metric tons of CO2e. The intensity was 0.003579431 metric tons of CO2e/NTD million. The first draft of the Company's 2023 annual inventory plan is expected to complete by the end of April and accept the third party inspection in June.

1-1-2 Information on greenhouse gas certification:

Describe the status of assurance in the last two years up to the date of publication of the annual report, including the scope of assurance, institutions of assurance, criteria of assurance, and opinions of assurance.
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, 7 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 ISO14064-1:2018, and the SGS is verified via ISO14064-3:2006. 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 is expected to be completed on June 18, 2024.

1-2 Greenhouse gas reduction targets, strategies and concrete action plans:

Describe the greenhouse gas reduction base year and its data, reduction goals, strategies, concrete action plans, and achievement of the reduction goals.
Greenhouse gas reduction targets and strategies: Innodisk is committed to the continuous research and development of innovative technologies and the development of low-energy-consumption and environmentally-friendly products to reduce the Company's greenhouse gas emissions. The Company's medium-term goal is to set 2021 as the base year, and strive to achieve a 50% reduction in greenhouse gas emissions. In addition, Innodisk expects to achieve net zero emissions by 2050 more actively. In order to achieve this goal, the Company will continue to set a goal for 5% reduction per year, and use the base year as a reference for continuous improvement. Concrete action plan: Innodisk has begun to take several concrete actions to achieve our greenhouse gas reduction targets. First of all, the Company's self-owned factory in Yilan has obtained the green building label, which proves the Company's environmental protection efforts in building. In addition, Solar panels in Yilan Plant No. 1 have been put into operation since 2023, which will help reduce the Company's energy consumption and greenhouse gas emissions. At the same time,

the Company is actively preparing for the outsourcing of the Stage II of Yilan Plant, which is expected to start in 2024, This project will further improve the Company's production efficiency and energy efficiency, thereby promoting greenhouse gas emission reduction. Through these actions, Innodisk will continue to work hard to achieve its greenhouse gas reduction targets, make positive contributions to environmental protection, and achieve sustainable development for the Company at the same time.

(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 (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? (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"? (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?	V V V		(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) 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) 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.	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	
II. Implementation of Ethical Corporate Management (I) Does the Company evaluate the ethical records of its counterparties and specify the ethical conduct clauses in the contracts signed with the counterparties?	V		(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.	
(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?	V		(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.	
(III) Does the Company have the policy to prevent conflict of interest, provide appropriate channels for an explanation, and implement it?	V		(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.	
(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	V		(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.	

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	
compliance of the plan to prevent unethical conduct or entrusts a CPA to perform the audit? (V) Does the Company regularly organize internal and external education and training on ethical corporate management?	 V		 (V) The Company arranges training for all employees and aims to give colleagues a clear understanding of the Company's human rights, integrity management, anti-corruption policies, and whistleblower mechanism. Colleagues in Taiwan have been scheduled to take courses since 2022. 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. There were a total of 190 new employees and those who had not completed their training in 2023, of which 177 completed their training, with a completion rate of 93.16%. 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.	
III. The operation of the Company's whistleblower reporting system (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? (II) Has the Company formulated standard operating procedures for the investigation of the reported matters, follow-up measures to be	 V V		 (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. (II) The Company's "Operating Procedures for Ethical Management and Guidelines for Conduct" set forth the standard	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	
taken after the completion of the investigation, and the relevant confidentiality mechanisms?			operating procedures to investigate the reported matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms.	
(III) Whether the Company takes measures to protect whistleblowers from being improperly handled due to reporting?	V		(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?	V		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
(2) Procedures for Acquisition or Disposal of Assets
(3) Rules of Procedure for Shareholders' Meeting
(4) Operating Procedures for Endorsement and Guarantee
(5) Procedure for Election of Directors and Supervisors
(6) Procedures for Board of Directors Meetings
(7) Operating Procedures for Ethical Management and Guidelines for Conduct
(8) Procedures for Lending Funds to Others
(9) Code of ethical conduct
(10) Audit Committee Charter
(11) Remuneration Committee Charter
(12) Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises
(13) Operating Procedures for Group Enterprises, Specific Companies and Related Party Transactions
(14) Rules Governing the Scope of Powers of Independent Directors
(15) Internal control system, internal audit implementation rules and internal control system self-inspection operating procedures
(16) Procedures for halt and resumption applications
(17) Procedures for Handling Material Inside Information
(18) Standard practice for handling requests from directors
(19) Corporate Governance Best Practice Principles

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 22, 2024**

The Company bases on the result of the self-assessment performed on the 2023 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, 2023 (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 22, 2024. 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:

<table>
<tr><th>Meeting Items</th><th>Meeting date</th><th>Resolutions at Shareholders' Meetings</th><th>Status of implementation</th></tr>
<tr><td rowspan="3">Regular shareholders' meeting</td><td rowspan="3">2023/05/31</td><td>1. 2022 business report and financial statements.</td><td>1. The voting results are as follows, and the motion was adopted as proposed. The total number of rights represented by the attending shareholders: 56,421,676 voting rights, passed with 97.76% approving voting rights.
<table>
<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>
<tr><td>Total</td><td>55,159,945</td><td>7,889</td><td>0</td><td>1,253,842</td></tr>
<tr><td>Among them, electronic voting</td><td>35,237,536</td><td>7,889</td><td>0</td><td>1,195,324</td></tr>
</table></td></tr>
<tr><td>2. 2022 earnings distribution.</td><td>2. The voting results are as follows, and the motion was adopted as proposed. The total number of rights represented by the attending shareholders: 56,421,676 voting rights, passed with 97.88% approving voting rights.
<table>
<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>
<tr><td>Total</td><td>55,230,063</td><td>7,889</td><td>0</td><td>1,183,724</td></tr>
<tr><td>Among them, electronic voting</td><td>35,307,654</td><td>7,889</td><td>0</td><td>1,125,206</td></tr>
</table>
The distribution base date was scheduled on August 27, 2022, and the payment date was scheduled on September 22, 2023 (for a cash dividend of NT$13.78192729 per share and a stock dividend of NT$0.19973800 per share).</td></tr>
<tr><td>3. The Company's increased capital in 2022 from earnings with new shares issued.</td><td>3. The voting results are as follows, and the motion was passed as proposed. The total number of rights represented by the attending shareholders: 56,421,676 voting rights, passed with 95.60% approving voting rights.
<table>
<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>
<tr><td>Total</td><td>53,944,396</td><td>10,503</td><td>0</td><td>2,466,777</td></tr>
<tr><td>Among them, electronic voting</td><td>34,021,987</td><td>10,503</td><td>0</td><td>2,408,259</td></tr>
</table></td></tr>
</table>

2. Major Resolutions at Board Meetings as follows:

Term - Meeting Date (YY/MM/DD)	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-10th meeting 2023/01/13	1. The Company's 2023 business plan is hereby presented for discussion.		None	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.	✓	None	Passed by the directors present unanimously.
	3. The evaluation of the independence and competency of the CPAs is hereby presented for discussion.	✓	None	Passed by the directors present unanimously.
	4. The proposal to invest in SysInno Technology Inc. is hereby presented for discussion.		None	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.		None	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.		None	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.		None	Passed by the directors present unanimously.
7th term-11th meeting 2023/02/23	1. The Company's "Internal Control System" amendments are hereby presented for discussion.	✓	None	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.		None	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.		None	Passed by the directors present unanimously.
	4. The Company's 2022 financial statements proposal is hereby presented for discussion.		None	Passed by the directors present unanimously.
	5. The Company's 2022 business report proposal is hereby presented for discussion.		None	Passed by the directors present unanimously.
	6. The Company's 2022 earnings distribution proposal is hereby presented for discussion.		None	Passed by the directors present unanimously.
	7. The Company's 2022 capital increase from earnings with news shares issued is hereby presented for discussion.	✓	None	Passed by the directors present unanimously.
	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.	✓	None	Passed by the directors present unanimously.
	9. The amendment to the "Rules of Procedure for Board of Directors Meetings" is hereby presented for discussion.		None	Passed by the directors present unanimously.
	10. The "Code of Ethical Conduct" amendment is hereby presented for discussion.		None	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.		None	Passed by the directors present unanimously.
	12. The proposal for convening the Company's 2023 regular shareholders' meeting is hereby presented for discussion.		None	Passed by the directors present unanimously.
	13. The application for renewal of the Company's current banking facilities is hereby presented for discussion.		None	Passed by the directors present unanimously.
7th term-12th meeting 2023/05/05	1. The Company's 2023 1st quarter financial report.		None	Passed by the directors present unanimously.
	2. Set the Company's 1st quarter 2023 employee stock option certificates to implement the new share issuance base date for capital increase.	✓	None	Passed by the directors present unanimously.
	2. The Company plans to purchase real estate.		None	Passed by the directors present unanimously.
	4. The proposal for change of designating the custodian for the corporate seal and responsible person's stamp as requested by the Ministry of Economic Affairs.		None	Passed by the directors present unanimously.
	5. Proposal to amend the Company's "Procedures for Handling Material Inside Information".		None	Passed by the directors present unanimously.
7th term-13th meeting 2023/08/04	1. The Company's 2023 2nd quarter financial report proposal.		None	Passed by the directors present unanimously.
	2. Set the Company's 2023 profit transfer to capital increase, new share issuance allotment base date, and cash dividend distribution base date.	✓	None	Passed by the directors present unanimously.
	3. Proposal to amend the Company's "Internal control system."	✓	None	Passed by the directors present unanimously.
	4. Proposal for the subsidiary Innodisk Europe BV to invest in and establish a subsidiary in Germany.		None	Passed by the directors present unanimously.

Term - Meeting Date (YY/MM/DD)	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
	5. Proposal to pass the 2022 remuneration to the managerial officers and auditing officers of the Company.		None	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. Plan to pass the proposal for the adjustment of remuneration to the managerial officers and auditing officers of the Company.		None	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. Proposal to pass the Company's 2022 remuneration for directors.		None	Passed by the directors present unanimously.
	8. Application for renewal of the Company's current banking facilities.		None	Passed by the directors present unanimously.
	9. The proposal for the Company's application to Chinatrust Commercial Bank for financial derivatives transactions.		None	Passed by the directors present unanimously.
	10. The subsidiary Innodisk Europe B.V. aims to apply for omnibus credit line from CTBC Bank. The Company provides endorsement/guarantee for the subsidiary.		None	Passed by the directors present unanimously.
7th term-14th meeting 2023/11/03	1. The Company's 2023 3rd quarter financial report proposal.		None	Passed by the directors present unanimously.
	2. Drafted the Company's 2024 audit plan.		None	Passed by the directors present unanimously.
	3. Proposal regarding amount adjustment for the subsidiary Innodisk Europe BV to invest in and establish a subsidiary in Germany.		None	Passed by the directors present unanimously.
	4. Proposal to invest in Millitronic Co., Ltd.		None	Passed by the directors present unanimously.
	5. The proposal for the appointment of the Company's Chief Information Security Officer.		None	Passed by the directors present unanimously.
	6. Application for renewal of the Company's current banking facilities.		None	Passed by the directors present unanimously.
7th term-15th meeting 2024/02/02	1. The Company's 2024 business plan		None	Passed by the directors present unanimously.
	2. Passed the proposal for the 2023 year-end bonus to the managerial officers and auditing officers of the Company.		None	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.
	3. Proposal to make donation to Innodisk Foundation by the Company.		None	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.
7th term-16th meeting 2024/02/22	1. The Company's issuing the 2023 "Statement of Internal Control System."		None	Passed by the directors present unanimously.
	1. Discussed the 2023 employees' and directors' remuneration distribution		None	Passed by the directors present unanimously.
	3. The Company's 2023 financial statements.		None	Passed by the directors present unanimously.
	4. Proposal to replace the appointed CPAs of PwC Taiwan through internal rotation adjustment.		None	Passed by the directors present unanimously.
	5. Assessing the independence and suitability of CPAs.		None	Passed by the directors present unanimously.
	6. The Company's 2023 business report.		None	Passed by the directors present unanimously.
	7. The Company's 2023 earnings distribution proposal.		None	Passed by the directors present unanimously.
	8. The Company's capital increase from earnings with new shares issued in 2023		None	Passed by the directors present unanimously.
	9. The stock release planning proposed in response to the future application for listing on TWSE/TPEx by the subsidiary, Aetina Corporation		None	Passed by the directors present unanimously.
	10. Amendments to the Articles of Incorporation		None	Passed by the directors present unanimously.
	11. Amendment to the "Rules of Procedure for Shareholders' Meetings"		None	Passed by the directors present unanimously.
	12. Amendment to the "Rules of Procedure for Board of Directors Meetings."		None	Passed by the directors present unanimously.
	13. Amendments to the Company's "Audit Committee Charter."		None	Passed by the directors present unanimously.
	14. Proposal to amend the Company's "Code of Ethical Conduct."		None	Passed by the directors present unanimously.
	15. The full re-election of directors (including independent directors) of the Company.		None	Passed by the directors present unanimously.

Term - Meeting Date (YY/MM/DD)	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
	16. Nomination of candidates for election as directors (including independent directors) at the 2024 regular shareholder meeting of the Company.		None	Passed by the directors present unanimously.
	17. The proposal of releasing the newly elected directors (including independent directors) and their representatives from the non-compete clause.		None	Passed by the directors present unanimously.
	18. Matters related to the convening of the 2024 regular shareholder meeting.		None	Passed by the directors present unanimously.
	19. Application for renewal of the Company's current banking facilities.		None	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: None.

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	2023/01/01~2023/12/31	3,163	3,668	6,831	
	Huang, Shih-Chun	2023/01/01~2023/12/31				

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:

(I) About the predecessor CPA

<table>
<tr><td>Date of replacement</td><td colspan="4">February 22, 2024</td></tr>
<tr><td>Reason for changes made & relevant explanations</td><td colspan="4">3. Replace the appointed CPAs to adapt to internal rotation adjustment of the CPA firm of the Company.</td></tr>
<tr><td rowspan="3">Service contract terminated by appointer or accountant/not accepting continued appointment</td><td colspan="2">Parties involved / Situation</td><td>Accountant</td><td>Principal</td></tr>
<tr><td colspan="2">Voluntary termination of appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="2">No longer accepting (continuing) appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Unqualified opinions in auditing reports certified within the last 2 years and their reasons</td><td colspan="4">Not applicable</td></tr>
<tr><td rowspan="6">Any disagreement with the issuer</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Auditing scope of steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">✓</td></tr>
<tr><td colspan="4">Description: Not applicable</td></tr>
<tr><td>Other things disclosed (disclosure required by Article 10.6.1.4 to 10.6.1.7 of this guideline)</td><td colspan="4">None</td></tr>
</table>

(II) About the successor CPA

CPA firm	PricewaterhouseCoopers, Taiwan
CPA name	Yeh, Tsui Miao, Tu, Chan Yuan
Date of appointment	February 22, 2024
Consultations on accounting measures or principles concerning specific transactions or likely opinions in financial statements	Not applicable
Written opinions by succeeding accountant on disagreements with outgoing accountant	Not applicable

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	2023		Number of Shares Held as of April 20, 2024	
		Increase/ decrease in the number of shares	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	29,421	0	0	0
Director	Lee, Chung-Liang	38,818	0	0	0
Director	Jhu, Cing-Jhong	33,104	0	0	0
Corporate director Representative of Corporate Director/Vice president	Rui Ding Investment Co., Ltd. Wu, Hsi-Hsi	133,579 (57,309)	0 (200,000)	0 (204,000)	0 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	(55,262)	0	0	0
Vice president	Liao, Te-Chang	(27,480)	0	0	0
Vice president	Zhang, Wei-Min	32,391	0	0	0
Vice president	Ke, Yu-Jun	32,934	0	0	0
Vice president	Tsai, Han-Tsang	6,740	0	0	0
Vice president	Wei, Ting-Huang	11,507	0	0	0
Vice president	Fu, Hao	(35,600)	0	0	0
Vice president	Wang, Li-Cheng	(17,615)	0	0	0
Senior Assistant Vice Manager	Guo, Jin-Zhong	(163,288)	0	0	0
Assistant Vice Manager	Yu, Li-Yin	111,270	0	0	0
Accounting Manager	Hsiao, Wen-Kuei	0	0	0	0

(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, 2024 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.	6,821,307	7.72%	-	-	-	-	Lee, Chung-Liang	Director	
Representative: Lee, Chung-Liang	1,982,298	2.24%	710,202	0.80%	-	-	Rui Ding Invest Co., Ltd.	Representative	
Swedbank Robur Technology	2,999,908	3.39%	-	-	-	-	-	-	
Fubon Life Insurance Co., Ltd.	2,084,000	2.36%	-	-	-	-	-	-	
Representative: Lin, Fu-Hsing	-	-	Data not available						
Cathay Life Insurance Company, Ltd.	2,039,298	2.31%	-	-	-	-	-	-	
Representative: Hsiung, Ming-He	-	-	Data not available						
Lee, Chung-Liang	1,982,298	2.24%	710,202	0.80%	-	-	Rui Ding Invest Co., Ltd.	Representative	
Picchu Investment Co., Ltd.	1,962,475	2.22%	-	-	-	-	Jhu, Cing-Jhong	Spouse of representative	
Representative: Huang, Pi-Hua	14,033	0.02%	1,690,499	1.91%	-	-			
Jhu, Cing-Jhong	1,690,499	1.91%	14,033	0.02%	-	-	Representative of Picchu Investment Co., Ltd.: Huang, Pi-Hua	Spouse	
PineBridge Global Funds - PineBridge Asia Ex Japan Small Cap Equity Fund	1,648,072	1.86%	-	-	-	-	-	-	
Bank SinoPac	1,622,426	1.84%	-	-	-	-	-	-	
Representative: Tsao, Wei-Shih	-	-	Data not available						
Chien, Chuan-Sheng	1,502,443	1.70%	-	-	-	-	-	-	

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	23,884,103	73.67%	1,463,341	4.51%	25,347,444	78.19%
Innodisk Shenzhen Corporation	-(註 1)	100%	-	-	-(註 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.	6,798,664	32.16%	1,010,927	4.78%	7,809,591	36.94%
Antzer Tech Co., Ltd.	58,400,000	100%	-	-	58,400,000	100%
Sysinno Technology Inc.	945,000	42.95%	-	-	945,000	42.95%
AETINA USA CORPORATION	200,000	100%	-	-	200,000	100%
Aetina Europe B.V.	100	100%	-	-	100	100%
Aetina (Shenzhen) Artificial Intelligence Co., Ltd.	-(註 1)	100%			-(註 1)	100%
Innodisk Japan Corporation	500	100%			500	100%

Note 1: No shares issued

Four. Capital raising

I. Source of capital:

(I) Type of share

April 2, 2024 Unit: Shares

Type of share	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock	88,397,642	11,602,358	100,000,000	Over the Counter

(ii) Capital formation:

April 2, 2024 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		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	None	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 Capital increase of $20,742,980 for 1st unsecured corporate bonds conversion		Note 25
2018.02	@47 @84.7	80,000,000	800,000,000	73,879,097	738,790,970	Employee stock option conversion of $265,000 Capital increase of $18,452,700 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 Capital increase of $9,350,450 for 1st unsecured corporate bonds conversion		Note 27
2018.08	@84.7	80,000,000	800,000,000	75,540,752	755,407,520	Capital increase of $5,596,100 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 $22,347,000 from earnings		Note 29
2018.11	@84.7 @79.2	80,000,000	800,000,000	78,086,586	780,865,860	Capital increase of $1,558,340 for 1st unsecured corporate bonds conversion Capital increase of $1,553,000 for 1st unsecured corporate bonds conversion		Note 30
2019.02	@79.2	80,000,000	800,000,000	78,166,129	781,661,290	Capital increase of $795,430 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 $15,633,220 from earnings		Note 32
2020.09		100,000,000	1,000,000,000	81,324,040	813,240,400	Capital increase of $15,945,890 from earnings		Note 33
2021.05	@92.8	100,000,000	1,000,000,000	82,459,040	824,590,400	Employee stock option conversion of		Note 34

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
						$11,350,000		
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 $1,725,000	None	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
2023.05	@81.4	100,000,000	1,000,000,000	86,666,581	866,885,810	Employee stock option conversion of $1,135,000		Note 43
2023.09		100,000,000	1,000,000,000	88,397,642	883,976,420	Capital increase of $17,310,610 from earnings		Note 44

Note 1: 07.20.2007 Approval Document No.: Fu-Jian-Shang-Zi No. 09687115200
Note 1: 08.22.2007 Approval Document No.: Fu-Jian-Shang-Zi No. 09687115200
Note 3: 08.18.2008 Approval Document No.: Fu-Chan-Shang-Zi No. 097877222021
Note 4: 01.20.2010 Approval Document No.: Fu-Chan-Ye-Shang-Zi No. 09980339710
Note 5: 08.31.2010 Approval Document No.: Bei-Fu-Jing-Deng-Zi No. 0993151965
Note 6: 11.23.2010 Approval Document No.: Bei-Fu-Jing-Deng-Zi No. 0993171053
Note 7: 11.23.2010 Approval Document No.: Bei-Fu-Jing-Deng-Zi No. 0993171053
Note 8: 05.26.2011 Approval Document No.: Bei-Fu-Jing-Deng-Zi No. 1005030508
Note 9: 09.15.2011 Approval Document No.: Bei-Fu-Jing-Deng-Zi No. 1005057332
Note 10: 01.16.2012 Approval Document No.: Bei-Fu-Jing-Deng-Zi No. 1015003145
Note 11: 07.18.2012 Approval Document No.: Bei-Fu-Jing-Deng-Zi No. 1015041804
Note 12: 07.18.2012 Approval Document No.: Bei-Fu-Jing-Deng-Zi No. 1015041804
Note 13: 08.26.2013 Approval Document No.: Bei-Fu-Jing-Si-Zi No. 1025054039
Note 14: 12.17.2013 Approval documents: Jing-Shou-Shang-Zi No. 10201252970
Note 15: 09.25.2014 Approval documents: Jing-Shou-Shang-Zi No. 10301193020
Note 16: 08.27.2015 Approval documents: Jing-Shou-Shang-Zi No. 10401184420
Note 17: 05.17.2016 Approval number: Jing-Shou-Shang-Zi No. 105020210030
Note 18: 08.10.2016 Approval number: Jing-Shou-Shang-Zi No. 10501199180
Note 19: 09.10.2016 Approval number: Jing-Shou-Shang-Zi No. 10501222990
Note 20: 11.29.2016 Approval number: Jing-Shou-Shang-Zi No. 10501273320
Note 21: 02.06.2017 Approval number: Jing-Shou-Shang-Zi No. 10601014250
Note 22: 05.18.2017 Approval number: Jing-Shou-Shang-Zi No. 10601063850
Note 23: 08.18.2017 Approval number: Jing-Shou-Shang-Zi No. 106020226930
Note 23: 09.14.2017 Approval number: Jing-Shou-Shang-Zi No. 106020226930
Note 25: 11.23.2017 Approval number: Jing-Shou-Shang-Zi No. 10601159130
Note 26: 02.12.2018 Approval number: Jing-Shou-Shang-Zi No. 10701017920
Note 27: 05.15.2018 Approval number: Jing-Shou-Shang-Zi No. 10701051270
Note 28: 08.20.2018 Approval number: Jing-Shou-Shang-Zi No. 107020212920
Note 29: 09.21.2018 Approval number: Jing-Shou-Shang-Zi No. 107020228470
Note 30: 11.27.2018 Approval number: Jing-Shou-Shang-Zi No. 10701147520
Note 31: 02.20.2019 Approval number: Jing-Shou-Shang-Zi No. 10801014930
Note 32: 09.17.2019 Approval number: Jing-Shou-Shang-Zi No. 108020235890
Note 33: 09.14.2020 Approval number: Jing-Shou-Shang-Zi No. 10901171470
Note 34: 05.21.2021 Approval number: Jing-Shou-Shang-Zi No. 202101086400
Note 35: 08.18.2021 Approval number: Jing-Shou-Shang-Zi No. 202101149360
Note 36: 11.24.2021 Approval number: Jing-Shou-Shang-Zi No. 202101215080
Note 37: 02.15.2022 Approval number: Jing-Shou-Shang-Zi No. 120211017690
Note 38: 05.24.2022 Approval documents: Jing-Shou-Shang-Zi No. 11101084800
Note 39: 07.28.2022 Approval documents: Jing-Shou-Shang-Zi No. 11101137570
Note 40: 08.24.2022 Approval documents: Jing-Shou-Shang-Zi No. 11101158970
Note 41: 11.23.2022 Approval number: Jing-Shou-Shang-Zi No. 11101221890
Note 42: 01.30.2023 Approval documents: Jing-Shou-Shang-Zi No. 11230011750
Note 43: 05.23.2023 Approval number: Jing-Shou-Shang-Zi No. 11230085540
Note 44: 09.12.2023 Approval documents: Jing-Shou-Shang-Zi No. 11230172600

II. Shareholder structure:

April 2, 2024 Unit: Person; Shares

Shareholder structure / Quantity	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Total
Number of people	0	33	255	22,608	214	23,110
Number of shares held	0	10,382,649	14,103,981	38,470,860	25,440,152	88,397,642
Shareholding percentage	0.00%	11.75%	15.96%	43.51%	28.78%	100%

III. Equity dispersion profile:

April 2, 2024 Unit: Shares

Classification of shareholdings	Number of shareholders	Shareholdings	Shareholding ratio
1~999	16,919	1,003,393	1.14%
1,000 ~ 5,000	4,891	8,423,768	9.53%
5,001 ~ 10,000	572	4,008,743	4.53%
10,001 ~ 15,000	211	2,550,645	2.89%
15,001 ~ 20,000	100	1,726,411	1.95%
20,001 ~ 30,000	103	2,507,402	2.84%
30,001 ~ 40,000	66	2,285,806	2.59%
40,001 ~ 50,000	49	2,175,063	2.46%
50,001 ~ 100,000	81	5,744,166	6.50%
100,001 ~ 200,000	56	8,066,883	9.13%
200,001 ~ 400,000	26	6,508,038	7.36%
400,001 ~ 600,000	11	5,366,438	6.07%
600,001 ~ 800,000	8	5,507,816	6.23%
800,001 ~ 1,000,000	1	844,879	0.96%
More than 1,000,001	16	31,678,191	35.82%
Total	23,110	88,397,642	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, 2024 Unit: Shares

Shares / Names of major shareholders	Number of shares held	Shareholding percentage
Rui Ding Investment Co., Ltd.	6,821,307	7.72%
Swedbank Robur Technology	2,999,908	3.39%
Fubon Life Insurance Co., Ltd.	2,084,000	2.36%
Cathay Life Insurance Company, Ltd.	2,039,298	2.31%
Lee, Chung-Liang	1,982,298	2.24%
Picchu Investment Co., Ltd.	1,962,475	2.22%
Jhu, Cing-Jhong	1,690,499	1.91%
PineBridge Global Funds - PineBridge Asia Ex Japan Small Cap Equity Fund	1,648,072	1.86%
Bank SinoPac	1,622,426	1.84%
Chien, Chuan-Sheng	1,502,443	1.7%

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

Unit: Thousand NTD/Thousand shares

Item \ Year			2022	2023	Current year up to April 20, 2024
Market Price Per Share	Highest		223.0	361	339.5
	Lowest		151.0	183	283.0
	Average		185.61	283.66	306.28
Net worth per share	Before distribution		81.35	79.61	(Note 5)
	After distribution (Note 1)		66.17	Undecided	Undecided
Earnings per share	Weighted average number of shares (Unit: thousand shares)		87,931	88,395	(Note 5)
	Earnings per share (Note 2)	Before retrospective adjustment	21.46	12.98	(Note 5)
		After retrospective adjustment	21.04	Undecided	Undecided
Dividends per share	Cash dividends		13.8	10.2	-
	Stock dividends	Stock dividends from earnings	0.2	0.2	-
		Stock dividends from capital surplus	-	-	Undecided
	Cumulative undistributed dividends (Note 3)		-	-	Undecided
Analysis of return on investment	Price to earnings ratio		8.65	21.85	(Note 5)
	Price to dividends ratio		13.45	(Note 4)	Undecided
	Cash dividends yield		7.43	(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 2023 dividend distribution was based on the earnings distribution proposed by the Board of Directors on February 22, 2024. The Company distributed cash dividends for NT$10.2 per share and stock dividends for NT$0.02 per share for a total of NT$919,335,478.

(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	2023 (Estimated)
Opening Paid-In Capital			883,976,420
Stock and Cash Dividends for the Year	Cash dividend per share		10.2(Note 1)
	Allotment per share for capital increase through earnings (share)		0.02(Note 1)
	Number of shares issued due to capitalization of capital surplus (shares)		—
Operating performance Change	Operating profit		Not applicable (Note 2)
	Year-on-year % increase (decrease) in operation profits		
	Net income		
	Year-on-year % increase (decrease) in net income		
	Earnings per share		
	Year-on-year % increase (decrease) in earnings per share		
	Annual average return on investment (reciprocal of annual average P/E ratio) (%)		
Pro forma Earnings per share and 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 dividend are distributed in cash	Pro forma earnings per share	
		Pro forma annual average return on investment (%)	

Note 1: Pending the approval of the 2024 annual general meeting.

Note 2: Not applicable as the Company has not yet released the 2024 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$84,078,900 in cash and the directors' remuneration for an amount of NT$13,700,000 in cash on February 2, 2024. The preceding distribution amounts are consistent with those recognized in the financial statements for the year ended on December 31, 2023, 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$120,225,000 in cash, and the remuneration distributed to directors was NT$21,000,000 in cash in 2022. The Company has an Audit Committee established; therefore, there was no remuneration for supervisors. 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.

I.(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, 2024

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	3.9594%
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	3,348,000 units
Price per share for unexercised stock options	NT$156.84
Number of the unexercised stock options as a percentage of the total number of shares issued (%)	3.7874%
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, 2024 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	Price of stock options Amount	Number of stock options as a percentage of the total number of shares issued	Price of stock options	Price of stock options	Price of stock options Amount	Number of stock options as a percentage of the total number of shares issued
Managers	General Manager	Chien, Chuan-Sheng	887	1.00%	0	0	0	0.00%	887	156.84	139,117	1.00%
	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										
	Vice president	Wei, Ting-Huang										
	Senior Assistant Vice Manager	Guo, Jin-Zhong										
	Assistant Vice Manager	Yu, Li-Yin										
	Manager	Hsiao, Wen-Kuei										
Employees	Director	Liu, Yun-Mei	364	0.41%	0	0	0	0	364	156.84	156,090	0.41%
	Director	Huang, Hsiao-Ching										
	Director	Kao, Shu-Fen										
	Senior Director	Dai, Dong-Qian										
	Director	Chen, Ming-Sheng										
	Director	Wu, Zhi-Qing										
	Manager	Bo, Lu-Hua										
	Special assistant	Chen, Qiu-Xiong										
	Special assistant	Yu, Po-Hung										
	Special assistant	Chang, Hsien-Wen										

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 has established a leading position in industrial-grade storage and established the Group's AI development strategy in 2022. Since then, Innodisk has continued to leapfrog into a leading brand of global AI solutions through its forward-looking layout and software and hardware integration strength. Innodisk not only provides global customers with industrial embedded storage devices and memory modules, as well as AIoT peripheral expansion modules to strengthen the hardware infrastructure, but also works with international companies and all industrial partners to create the AI solution built for industrial scenario through software solutions and AIoT smart solutions. Innodisk promotes the rapid implementation of smart applications in vertical fields such as global smart cities, smart vehicles, smart medical care, and smart manufacturing.

(I) Business activities

1. Business scope

(1) The main contents of the business products

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

(2) Sales percentage of major products

Unit: Thousand NTD

Item	2023	
	Sales	%
Industrial embedded storage devices	4,496,366	54.08
Industrial dynamic random-access memory module	3,058,601	36.79
AIoT smart solutions	598,078	7.09
Others	169,733	2.04
Total	8,313,778	100.00

(3) Current products of the Company

A. Industrial embedded storage devices

The solid state drive has numerous designs to adapt to different application needs, including 2.5" SSD, Slim SATA, M.2, CFast, mSATA, SATADOM, nano SSD (BGA SSD), CF, SD Card/MicroSD Card, eUSB, and CFexpress.

B. Industrial dynamic random-access memory module

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

C. 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

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, IoT air sensing module, and remote out-of-band management module

(4) Expected new product development projects

A. Industrial embedded storage devices

(a) PCIe Gen5 products
(b) 232L 3D TLC Series products
(c) Edge server storage device series
(d) High speed/-capacity storage device series

(e) High-speed advanced interface storage device

B. Industrial dynamic random-access memory module

(a) CXL memory expansion module
(b) DR5 SORDIMM server memory
(c) DDR5 5600MT/s 24/48GB memory
(c) DDR5 5600MT/s 24/48GB high-capacity server memory
(e) DDR5 6400MT/s ultra high-speed industrial memory

C. 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
(d) Occupational Safety Identification Solution for Smart Manufacturing
(e) Face Recognition Security Solution

D. AIoT peripheral expansion modules

(a) Virtual I/O expansion module product line expansion
(b) High-speed network expansion card module
(c) High-speed CANbus module product line expansion
(d) M.2 interface disk array module
(e) Optical fiber network interface card module
(f) Embedded Camera Module Product Line Expansion

2. Industry Overview

(1) Industry Current Status and Development

The Company has been deeply involved in the industrial control field for many years. When the Company was founded, it has focused on hardware storage, providing embedded storage and memory modules for industrial computer customers. By utilizing a highly customized, small-scale and diversified supply strategy, the Company achieved leadership in the global market with and have won high trust from customers. Subsequently, with the evolution of the IIoT and AIoT trends, Innodisk continued to expand the application possibilities and added value of traditional embedded storage, invested in development of the software and smart embedded peripheral modules, and integrated software and hardware to provide customized smart solutions. In 2022, Innodisk made an all-out effort to enter the edge AI application market, locking in AI business opportunities exceeding US$500 billion.

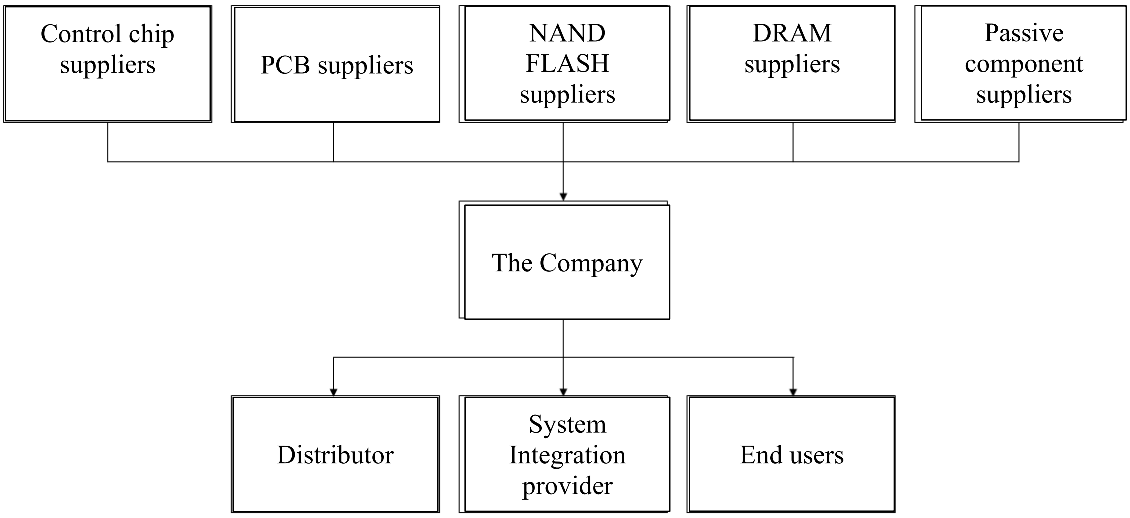
According to the research report, the scale spending of AI-related industries, including software, hardware, and system services, will exceed US$300 billion in 2026, and the compound annual growth rate (CAGR) between 2022 and 2026 will reach 27%. The research organization also predicts that more than 80% of enterprises will adopt AI applications in their manufacturing environment by 2026. This shows that AI has crossed from the theoretical and technical field to the front line of the industry, bringing an opportunity for transformation.

While the “Generic AI” that has been discussed around the world focuses on content creation, Innodisk and its subsidiaries focus more on exploring the “Edge AI” in industrial applications. The edge AI has a highly developmental potential. Innodisk emphasizes the integration of AI into the actual field and solving the industrial pain points. With this development focus, the Company has now worked with global customers to create more than 1,000 AI application cases, and has connected with the technologies of international giants such as NVIDIA and Intel, in order to continue to scramble for the global edge AI market, which is estimated to reach US$107.47 billion in 2029.

The wave of AI sweeping the world not only opens up huge development space for the Company’s AIoT smart solutions and peripheral expansion modules, but also creates new opportunities for Innodisk’s mature industrial, memory and storage modules. Research shows that AI computing power doubles growth every 6 to 10 months. The global industry must also invest more in infrastructure such as edge servers and edge computing platforms to meet the rising demand for computing power with stable, highly-efficient hardware equipment. The popularity of innovative AI applications and 5G network construction also brings greater opportunities for industrial-grade memory and storage devices. In particular, edge devices such as base stations and transportation vehicles are located outdoors, which are not easy to replace. Industrial control-grade products with high durability and long service life have thus become a critical component for the stable operation of edge AI.

At the same time, under the catalysis of vertical market demand such as self-driving car, factory automation and security monitoring, embedded vision applications also have great development potential in the development process of AI. Its software, hardware and service market is expected to grow at an average annual compound growth rate of 25%. This growth has driven the booming development of camera module and visual AI platform, which will be the focus of the Company's R&D resources.

(2) Industry middle, upstream, and downstream correlation



(3) Various product development trends

The IPC industry is regarded as the leader in driving the development of AI applications. In addition, the Company has been working with IPC customers and partners for a long time. Therefore, it has been able to respond to AI business opportunities with product strategies in advance under a forward-looking vision. With lots of experiences accumulated by serving 4,000 customers worldwide, the Company has a profound understanding and first-line insight into various vertical markets, and global technology trends such as edge computing and 5G.

The Company's deployment in the global AI market is based on three core competencies, "extreme integration, in-depth application, and intelligence empowerment". Through its AIoT solution, the Company integrates technology and upgrades specifications for the AI edge computing platform, and has launched a software development kit (SDK) and cloud management platform to simplify the AI implementation process for enterprises, including model training, verification, deployment and management. These endeavor to accelerate the implementation of AI applications. The Company's product line of AIoT peripheral expansion module will also respond to market trends and strengthen the development strategy of computer vision applications, and expand its investment in innovative research and development of camera modules and embedded visual AI solutions.

As for industrial-grade storage and memory, the edge computing demand continues to rise. Lots of edge equipment have been gradually minimized due to environmental restrictions. Now, the way to provide the largest storage capacity with the smallest size in a restricted space has becomes a major key point for development of our storage product. In addition, while the industrial memory market has gradually evolved to DDR5, the Company also launches solutions supporting an extremely wide temperature range and high heat dissipation to adapt to the overheating issue derived from high-speed operation. As for hardware, the Company fully support smart development needs.

(4) Competitive Situation

At the beginning of 2023, a wave of AI frenzy has emerged worldwide, led by generative AI. Various manufacturers at home and abroad have expanded their investment in related fields and actively seized the huge market opportunities. However, the development of AI cannot be achieved overnight. Many aspects such as infrastructure deployment, platform compatibility, and the way to manage and deploy a large number of models, etc. must be considered. A complete and long-term strategic layout is required. Through years of professional technology and service experience accumulated in the industrial control and IPC fields, Innodisk has built a meticulous customer understanding and industry insight. The Company established its AI layout as early as 2017 when it entered the AIoT application market, and further launched the group-wide AI strategy. By collaborating with strategic partners such as NVIDIA, Intel, Microsoft, and ASUS IoT, the Company gathers forward-looking R&D capabilities and connects to the international AI market demand in advance. Innodisk devoted itself into the AI field earlier than its peers. Innodisk's mature product lines and sufficient R&D manpower have successfully helped it take the lead. With this advantage, Innodisk and its subsidiaries have focused on edge AI to create solutions that can truly solve industrial pain points and be used by the industry. Innodisk has accumulated more than 1,000 AI application cases in different vertical markets around the world.

In the field of memory and storage, even though most of the industry players have chosen to focus on the consumption field with a large market scale and low technical thresholds as their main business operations, Innodisk has always focused on the industrial control market with relatively stable demand and deepened its cultivation in fields with high entry thresholds. Through the advantages of high customization, reliability, compatibility and tolerance, our service and R&D innovation capabilities are highlighted. Through the stable partnership with the original factories, we can still ensure long-term stable supply and support the first-line needs of global customers under the fluctuation of the economic cycle.

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

Unit: Thousand NTD

Item	2022	2023	As of April 20, 2024
Research and development expenses	332,000	409,328	110,994

(2) Technologies or products successfully developed

Year	R&D results
2021	**1. Remote Management Modular:** 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. **2. 4K Isolated LAN Module:** A network card designed specifically for the medical market, providing high stability and availability for medical-related equipment expansion. **3. M.2 2280 to 1/2 GbE LAN Transformer on M.2:** 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. **4. Dedicated high-capacity dynamic memory modules for networking:** 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. **5. DDR5 next-generation memory:** 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. **6. InnoOSR:** 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. **7. Partial DRAM, a new algorithm architecture:** It breaks the capacity ratio limit of DRAM and SSD to expand higher capacity.

Year	R&D results
	8. Blockchain SSD: 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. **9. High-capacity SSDs:** 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.
2022	**1. Edge Server SSD:** 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. **2. Large-capacity SSD:** 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 storage media or additional RAID assembled by customers can meet the demand. **3. Semi-industrial 128 Layer 3D TLC SSD:** The new product line meets the customers' needs for cost considerations and better quality than commercial SSDs. **4. BGA SSD Gen 3x4 3D TLC:** The integrated storage device enables system manufacturers to provide the most advanced edge computing experience. **5. Camera module:** 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. **6. FPGA AI module:** 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. **7. DDR5 ultra-high-speed memory:** 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).
2022	**8. DDR4 ultra-wide temperature (-40°C to 125°C):** 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.
2023	**1. Industrial-grade air-sensing module:** It extends value-added applications to AI edge devices. It detects indicators such as air pollution and CO2 concentration. This module has high precision, low implementation threshold, and low computing power consumption, strengthening the deployment of smart cities, precision manufacturing and medical fields. It responds positively to ESG trends. **2. NVIDIA Jetson series fanless system:** The system is powered by NVIDIA Jetson AGX Orin™, Orin™ NX or Orin Nano™ modules, significantly outperforming the NVIDIA Jetson module from the previous generation. It is tailored to different applications, such as automation, transportation and safety monitoring. It supports a wide range of input voltage and temperature, making it the best choice for many applications, especially smart cities and smart agriculture. **3. AOI AI intelligent manufacturing defect inspection solution for smart factories:** AI manufacturing defects identification can be connected in series in the existing AOI system. This solution combines with the NVIDIA Metropolis for Factories technologies and passes through the AI computing platform, NVIDIA Certified Systems (NCS) 3.0. With integration of AI technology, this solution conducts in-depth learning analysis and makes the best decision to provide efficient and accurate double-check verification, thereby reducing the labor cost of re-inspection. **4. Wide-temperature and ultra-high-capacity SSD:** The Company develops its own firmware and develops a new FTL framework to overcome the addressing limitation of the controller and break through the limitation of original specifications by providing products with 16TB capacity and wide temperature and standard temperature range.

Year	R&D results
	5. BGA SSD Gen 4x4 3D TLC: 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. **6. Industrial NVMe Namespace SSD:** Develop and introduce the advanced Namespace technology in the NVMe specifications to the industrial control PCIe SSD. **7. Ultra iSLC technology:** The exclusive technology breaks the upper limit of SSD erasing/writing cycles. Compared to traditional 3D TLC, the new-generation Ultra iSLC can extend the service life by more than 30 times. **8. U-shaped vibration-resistant buckle for DRAM module:** Made of impact-resistant industrial grade Panlite® PC, it can be fixed to both sides of the slot of the DRAM module to enhance the stability of the module on the motherboard and achieve high vibration resistance at a low cost.
2024	**1. AIP-FR68 AI inference platform:** Equipped with a high-end CPU and support the expansion of graphics card to improve computing power. In addition, the unique casing design is highly aesthetic and functional, which greatly simplifies the difficulty of machine maintenance. Through the novel casing design, the user can more easily and quickly clean and replace the cooling fan, as well as install or remove expansion hardware in the platform. **2. EdgeEye edge device cloud management platform tool:** It can effectively manage all edge devices in the system. With EdgeEye, users can conduct real-time monitoring of the operating status of edge devices in their smart application systems on any smart device and computer through a web browser, quickly detect malfunctioning systems, and perform appropriate maintenance or replacement operations in a timely manner. **3. Heat sink for DDR5:** Through the use of aluminum alloy skived fins and special heat dissipation materials that completely cover the PMIC, the DDR5 memory can be effectively cooled in the system. **4. Air quality smart management system:** The cloud-based smart management system integrates air sensing devices and edge servers and links with air conditioning/ventilation equipment to control air quality in real time.

4. Long- and short-term business development plans

(1) Short-term plan

A. Product R&D: Enrich R&D capacity, expand the integrity of AI solutions, and accumulate more global implemnetation cases.

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.

C. Business development: Develop a detailed domestic and overseas business development network and technical support system, and preemptively deploy business opportunities in local markets worldwide.

D. Marketing strategy: Promote the transformation and re-engineering of the brand image, strengthen the application of marketing technology to enhance the value of data, achieve precise communication, and convert the brand image into potential business opportunities effectively.

E. ESG sustainability: Stay ahead of regulatory and customer demands by actively deepening ESG consensus and participation by colleagues at home and abroad while establishing a positive ESG brand image through major investments. Encourage stakeholders including industrial partners to join the sustainable action, and expand influence.

(2) Long-term plan

A. Product R&D: Actively invest in R&D resources and talent cultivation to enrich the Group’s AI smart solutions.

B. Business development: Expand overseas service bases and professional talent networks at home and abroad to keep track of market trend in real time and strengthen the customer service.

C. Marketing strategy: Strengthen the brand marketing and promotion at home and abroad, and shape the global leading brand position of the solution. Deepen the relationship with industrial partners, initiate cross-selling campaigns, and create the maximum synergy.

D. ESG sustainability: Strengthen the connection between ESG initiatives and our core business, and expand Innodisk's AI expertise and related resources to the level of social welfare. 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 situation.

(II) Market, production, and sales overview

1. Market analysis

(1) Main product sales area

Unit: Thousand NTD

Sales area \ Year		2022 Sales amount	2022 %	2023 Sales amount	2023 %
Domestic sales		3,158,884	30.66	2,621,083	31.53
Export sales	Asia	3,033,721	29.44	2,427,848	29.20
	Europe	2,282,903	22.16	1,934,982	23.27
	Americas	1,576,233	15.30	1,188,032	14.29
	Other Areas	251,488	2.44	141,833	1.71
	Subtotal	7,144,345	69.34	5,692,695	68.47
Total		10,303,229	100.00	8,313,778	100.00

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

A. Market share

The Company continued to sprout the industrial control applications market. Furthermore, the Company breaks through the existing framework of memory and storage products, actively expands its emerging intelligent product lines, and welcomes the AI application frenzy. Through its forward-looking layout, the Company looks forward to reduce the impact of market business cycle on business under diversification development. However, the AI application market depends on a high degree of customization and a fine division of labor, so it is difficult to estimate the market share. However, through the existing 4,000 customer introduction cases around the world, the Company continues to strengthen the industry knowledge in various vertical application markets. This becomes the best cut-in point for promoting AI application further in various vertical markets in the next stage.

At the same time, the rapid growth of the global AI and 5G trends and the edge computing requires an efficient and durable hardware infrastructure as the backing. Therefore, storage and memory modules, where our main revenue is generated from, are still able to maintain a certain level of momentum among customers despite of market supply and demand fluctuation in the past year. According to the Gartner report, the Company has ranked first in the global market for industrial SSDs for six consecutive years since 2018. According to the TrendForce report, the Company has been ranked among the top ten memory module manufacturers in the world for five consecutive years since 2019. Through stable supply, highly customized solutions, and new product strategies, the Company continues to increase market share. In the latest report, it ranked 8th in the global market. The Company is also the only supplier among the top ten listed in the TrendForce report that focuses on industrial control DRAM modules.

B. Future supply and demand, and growth

Looking at the global AI application market, while the cloud service giants are committed to the sprint of generative AI, the Company focuses on developing the edge AI application with practical implementation as the core. The edge AI application strive for promoting the intelligent transformation of various industries. For edge devices, the Company enhances the flexibility and compatibility of AI deployment through heterogeneous platform integration, and continues to expand its product line of AIoT peripheral expansion module to expand device functions according to application scenarios. Through the self-developed out-of-band management cloud platform and AI model development tools, Innodisk's software team simplifies the AI training and verification process. The AI model deployment and management on numerous edge devices is accelerated to reduce the labor expenditure and technical threshold for maintenance and operation after enterprises adopt AI. It is expected to accelerate the blossoming of edge AI in various fields.

Computer Vision is currently the leading technology in the AI field. It is expected to grow to a market size of US$27 billion by 2030, and the technological innovation brought about by AI image processing is also expected to significantly promote industrial upgrade. At this stage, AI computer vision has been widely used in smart transportation, smart manufacturing defect detection, people flow, and security monitoring. We are optimistic about the high development of related applications. In various vertical markets, the Company works with the ISV (independent software vendor) specialized in the AI field to build corresponding AI solutions. The Company continues to invest R&D resources in the field of computer vision, expand the product line of industrial-grade camera modules, and support vision applications with excellent image recognition technology.

In response to the international ESG trend, and growing emerging demand for green building and sustainable smart city, Innodisk has also combined its own integration capabilities and the professional background of air quality monitoring of its subsidiaries to provide solutions for smart air quality management. Innodisk actively develops new sustainable business opportunities that can contribute to public welfare and make profits.

As for the future prospects of embedded storage devices and memory modules, under the capacity control strategy of upstream OEMs, the market is generally optimistic that the market will gradually return to the growth track in 2024, with balanced supply and demand. With the development of edge AI, the demand for computing power and carrying capacity of edge servers has also increased, which is expected to bring a continued booming market prospect.

(3) Competitive advantage

A. Rich industrial application experience

From R&D, technology, sales, marketing to manufacturing, all of Innodisk’s members of departments in charge of each stage are experienced in industrial control and embedded system applications. They can quickly solve customer customization and compatibility needs. The software R&D team possesses professional functions and experiences in industrial implementation of AI applications. The company will take this as a competitive niche, further implement intellectualization of vertical market through AI intelligent solutions.

B. Effective patent

The Company is constantly striving for technological innovation and product breakthroughs. As of December 31, 2023, we have applied for and obtained over 174 patents in Taiwan, the United States, Japan, and China to provide industrial customers with prospective product solutions. The Company also implements the TIPS and arrange the complete IP management strategy layout, in order to improve the Company’s innovation and knowledge management ability, continue to upgrade the patent quality and product R&D capacity, and enhance the corporate competitiveness.

C. Professional firmware R&D team

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

D. Access to major global markets

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. At the same time, in terms of marketing, we also work with local consultants at multiple locations around the world to establish more timely market insights and communication strategies that are tailored to local conditions.

E. High flexibility and customization capability

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.

F. Stable source of supply

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 when the market condition changes.

G. Our own production line and factor

Innodisk has built its own industrial-grade production lines and plants. Through self-owned SMT and strict verification test processes, Innodisk meets the premium quality required by highly intensive applications such as industrial control and AI. Innovative technologies such as the AOI AI defect detection solution have been introduced to Improve product quality and production line efficiency. Through the self-owned factories, Innodisk can ensure the flexibility of production and meet the delivery time specified by customers. In terms of capacity expansion, Innodisk also has sufficient room to open additional production lines at any time. In response to the vigorous growth of orders received for AI-related projects in recent years, the Company will also respond to the demand for capacity in time by building the Phase II factory area.

H. Brand management strategy that leads the industry

Innodisk has long valued brand management, strengthened differentiation from competitors, and has established a solid brand image in the industrial storage field. Innodisk is now actively upgrading and re-branding on the basis of the past in order to change the established image in the market following the Group's AI development in order to enhance the overall positioning and brand value of our AI development. Innodisk strengthens differentiation, widens the gap with the competitors in new markets and application fields, and hopes to drive the business development process with the international visibility and AI pioneer image.

(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 has overall production efficiency and quality from hardware, firmware, and software self-development capabilities to introducing smart production management systems and AOI AI defect detection 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. In all vertical markets, the Company works with professional ISV partners, integrates with the latest technology architecture of major international companies. 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 25 business bases in the United States, Japan, China, Europe, etc., and continues to build more business bases. 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.

c. Possessing the awareness of managing international brands from the inside out, marketing to the world with a clear AI brand transformation guideline, breaking through the industrial framework, laying a broader corporate development layout and establishing market segmentation.

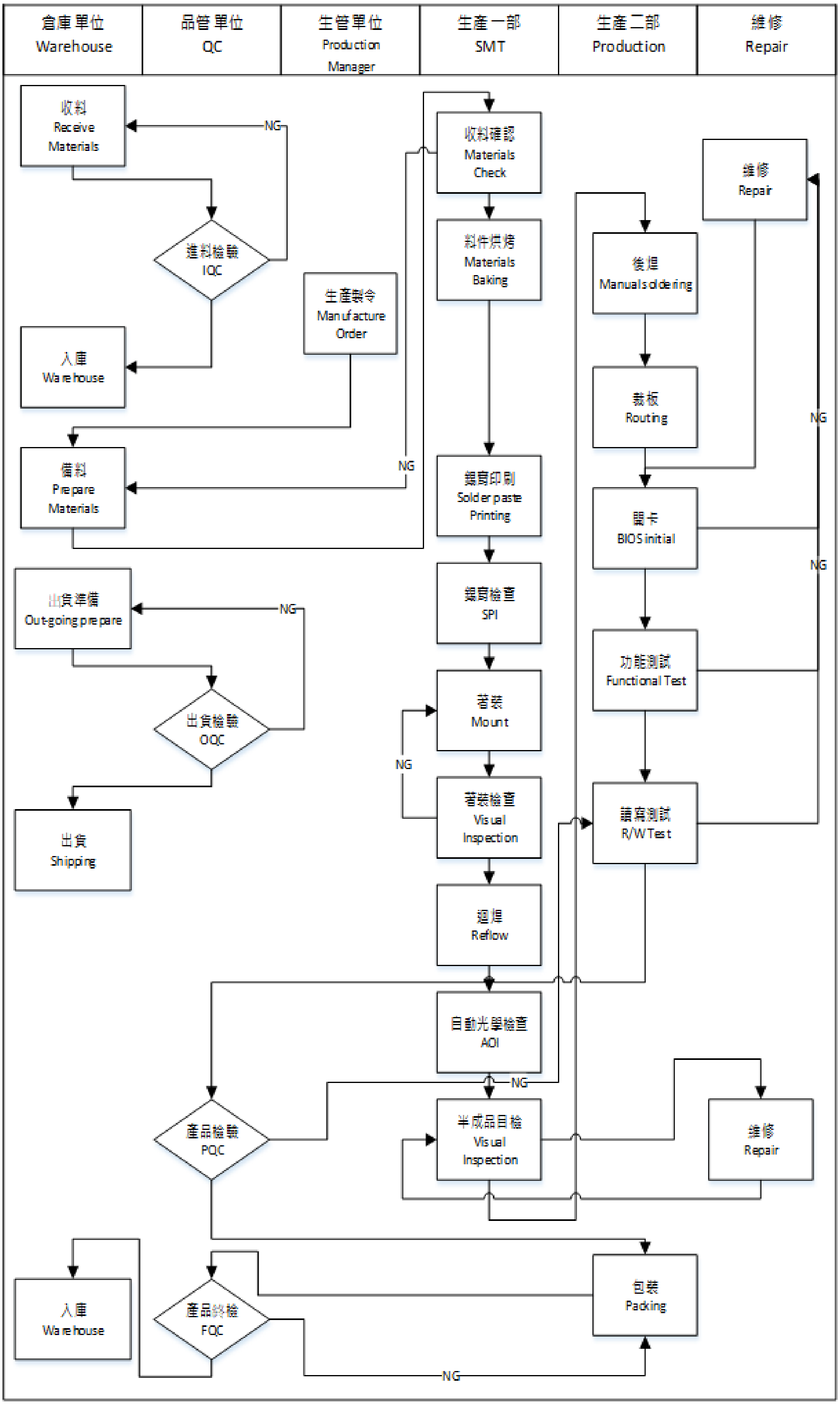
2. Important applications and production process of major products

(1) Important applications of major products

Product	Important application
Industrial embedded storage devices	The non-volatile flash memory is used as the storage medium. It is mainly used as the data storage device in the computer. 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, edge computing, fanless embedded computers, mission-critical, and aerospace markets.
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.
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	Company D, Marvell, Silicon Motion	Normal
PCB	Dynamic, Dosun, Brain Power	Normal
AI module	NVIDIA	Normal
Other Electronic Components	TI, NO, 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; %

	2022				2023				2024 as of the previous quarter (Note 1)			
Item	Title	Amount	As a percentage of net purchases for the year (%)	Relationship with the Issuer	Title	Amount	As a percentage of net purchases for the year (%)	Relationship with the Issuer	Title	Amount	As a percentage of net purchases for the year (%)	Relationship with the Issuer
1	Company O	1,746,641	30.16	None	Company A	1,606,535	31.73	None				
2	Company A	1,722,292	29.74	None	Company O	1,197,136	23.65	None				
3												
	Others	2,322,556	40.10		Others	2,258,722	44.62					
	Net purchase	5,791,489	100.00		Net purchase	5,062,393	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: Thousand NTD; %

	2022				2023				2024 as of the previous quarter (Note 1)			
Item	Title	Amount	As a percentage of net sales for the year (%)	Relationship with the Issuer	Title	Amount	As a percentage of net sales for the year (%)	Relationship with the Issuer	Title	Amount	As a percentage of net sales for the year (%)	Relationship with the Issuer
1												
	Others	10,303,229	100.00	None	Others	8,313,778	100.00	None				
	Net sales	10,303,229	100.00		Net sales	8,313,778	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 2022 and 2023.

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

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

Production quantity and amount / Year / Major product (or segment)	2022			2023		
	Production capacity	Production quantity	Production amount	Production capacity	Production quantity	Production amount
Industrial embedded storage devices	5,000	3,816	3,329,625	5,000	3,127	2,661,096
Industrial dynamic random-access memory module	4,100	3,151	3,044,114	4,600	3,741	2,349,104
AIoT smart solutions	62	41	432,876	62	33	296,026
Others	120	96	87,317	150	112	84,854
Total	9,282	7,104	6,893,932	9,812	7,013	5,391,080

Reasons for 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/each, set, piece: NTD thousand

Sales quantity and amount / Year / Major product (or segment)	2022				2023			
	Domestic sales		Exports		Domestic sales		Exports	
	Quantity and	amount	Quantity and	amount	Quantity and	amount	Quantity and	amount
Industrial embedded storage devices	822	1,124,580	2,765	4,294,371	735	1,011,793	2,327	3,484,573
Industrial dynamic random-access memory module	1,530	1,768,774	1,607	2,199,242	1,861	1,335,384	1,885	1,723,217
AIoT smart solutions	34	202,626	27	508,557	40	216,060	26	373,018
Others	348	62,904	227	142,175	713	57,846	118	111,887
Total	2,734	3,158,884	4,626	7,144,345	3,349	2,621,083	4,356	5,692,695

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

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

Unit: People; %

Year		2022	2023	As of April 20, 2024
Number of employees	Director labor	289	307	303
	Indirect labor	624	710	732
	Total	913	1,017	1,035
Average age		37	36	37
Average Service years		4.16	4.38	4.71
Education distribution percentage	Ph.D.	0.11%	0.10%	0.10%
	Master	17.85%	19.76%	19.61%
	Colleges and universities	60.57%	59.10%	51.50%
	High school and below	21.47%	21.04%	20.60%

(IV) Information on environmental protection expenditure

1. 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
2. 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, each employee is also covered by a group insurance that covers group injury medical insurance, cancer medical health insurance, hospitalization medical health insurance, multiple accident insurance, and occupational hazard insurance. The expenses of the group insurance are fully paid by the Company.

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. In 2023, 70% of the employees of two factories have been trained and both factories have acquired the safe place certification.

(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 addition to providing employees with a comfortable and pleasant working environment, the Company also provides statutory welfare measures in accordance with the Labor Standards Act, and has established the Employee Benefits Committee. A series of benefits have been provided to meet employee needs from the employee's perspective, extending benefits from employees to employee's family. The Company 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 dinner gathering activities.
(E) Club activity subsidy
(F) Year-end banquet and lucky draw.
(G) Arrange art and cultural corridors.
(H) Children's education grants.
(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).
(O) Wedding and pregnancy gifts.
(P) The nursery school that coordinates with the Company.
(Q) Sports facilities.
(R) Flexible shift.
(S) Five days leave for newcomers.
(T) Free insurance counseling.

(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 13,097 training hours were arranged by the Company in 2023, with 7,882 participants and a total training cost of approximately NT$3,937,560.

(A) Employee education hours and growth rate in 2023:

Category	2021	2022	2023	Previous year's growth rate
Internal face-to-face courses	4,561 hours	6,290 hours	7,857 hours	24.9%
Internal online courses	2,644 hours	3,090 hours	4,077 hours	31.9%
External training	1,004 hours	1,190 hours	1,163 hours	-0.02%
Total	8,209 hours	10,570 hours	13,097 hours	23.9%

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 4 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," "Occupational Safety and Health & Work Environment Maintenance," and other relevant general education courses within 3 months from the first day of entering Innodisk. In 2023, with the emphasis and strategy of sustainable development, "Overview of green products" and "RBA obligations and interests of the Company's employees" are added to the compulsory courses for newcomers. The preceding courses were conducted in the form of online courses so colleagues could flexibly arrange their study time in a safe environment.

Item	Total reading hours	Number of people who passed
Tasks for Newcomers	29 hours	125 people
Basic Courses for Newcomers	434 hours	156 people
Advanced Course for Newcomers	447 hours	114 people
Information security regulations	34 hours	120 people
Intellectual Property Management Guidelines	301 hours	158 people
RBA obligations and interests of the Company's employees	25 hours*	209 people*
Overview of green products	60 hours	169 people

***This course also trains the formal employees who failed in 2022, and the number of hours and people is not limited to newcomers.**

(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.

Item	Number of sessions	Total training hours	Number of people who passed the training
Production Line Management Leadership	14	189 hours	101 people
Project Management Leadership	2	754 hours	64 people
Team Management Leadership	7	567 hours	91 people
Operation Management Leadership	12	453 hours	129 people

(a) Production Line Management Leadership:

For production line instructors and supervisors, provide guidance for work arrangement, work relationship, work management, and other related courses, to 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 atmosphere.

(b) Project Management Leadership:

Help improve the quality of cross-departmental communication, enhance each other's "teamwork" and "conflict handling" capabilities, and organize courses "Horizontal Management" and "Project Management Case Practice." 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 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," e.g. 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.

Item	Course hours	Total training hours	Number of people who passed the training
Dual-track transformation: The interpretation and practice of The Art of War by Sunzi in the modern technology industry	2 hours	432 hours	195 people
AI-enabling Technologies and AI-enabled Applications in the Future	2 hours	130 hours	46 people
"Generative AI Development and Trends" Generative AI Development and Trends	1.5 hours	106.5 hours	67 people

(E) Transformational AI training:

In 2023, Innodisk held the AI training competition for the first time, which lasted more than three months. The purpose is to help employees understand the connotation of the Group's AI development strategy and improve employees' AI knowledge and skills. This competition attracted all units of the company. In addition to key R&D teams, management, finance and accounting, and IT and other back-end operation units also took part in the competition.

"Event Overview"

- Opening event: The theme of the event was "Introduction to AIoT Product Architecture and AI Training." A total of 301 staffs participated in the one-hour seminar for instructions on product market analysis and AI training tool operation.
- Follow-up training and application: A total of 230 staffs signed up to participate in the follow-up market application planning and the design and collection of AI training materials. The relevant data was used for the actual online AI training. Eventually, a total of 31 AI applications in the seven major application markets were launched.

"Outcomes of the activity, harvest and prospect"

This event has yielded fruitful results, which not only facilitated business development, but also uncovered the potential application and collaboration opportunities of Innodisk in the AI market. More importantly, in this event, staffs learned more about the results of the Company's AI transformation and future development directions, in order to create potential smart solutions.

Employees have incorporated what they have learned from the competition into their own work, connecting to the company's development direction. What they learned in the competition have supported them. In addition, this competition also promotes cross-department collaboration and exchanges and deepens the connection between the Company and employees. Innodisk will continue to provide more diversified training opportunities for employees in order to respond to the changing market demand and promote the Company's continuous development and innovation.

(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 build a platform for regular communication and interaction and establish reciprocal, win-win 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 build 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 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. Implement the effectiveness of the Company's internal control of information operations, and ensure the confidentiality, integrity, and availability of information. Deliver a presentation on information security outcome for the General Manager and Chairman regularly. The Company has formulated relevant regulations on the contingency measures for various major information security incidents to provide employees with a basis for handling information security incidents. In order to enhance employees' awareness of information security risks, the Company regularly conducts information security risk inspections to achieve effectiveness of information security management measures. 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.

In addition to the establishment of Chief Information Security Officer, and the head and personnel of a dedicated information security unit for the Company, the report was completed on November 3, 2023. The dedicated information security unit effectively masters information security technology and resilience, performs related information security duties. With the help of the Company's organizational structure, management system, and related technologies, the unit ensures resilience and uninterrupted operations for the Company. The unit also works with the upstream, midstream and downstream suppliers that cooperate with the Company to ensure security of the supply chain.

(2) 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.

(3) Specific management plans:

A. Information security governance:

The Company has introduced the "ISO/IEC 27001 Information Security Management System" with the relevant enforcement rules formulated for the implementation of information security operations. At the same time, the Company strictly manages application system access, file data authorization control, and security maintenance based on the "Information Security Policy Handbook." 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/IEC 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. This year, the Company has organized the verification of revision from ISO/IEC 27001:2013 to ISO/IEC 27001:2022. The Company has established a disaster recovery mechanism in Xizhi and Yilan, implemented a comprehensive backup plan operation in daily work based on the plan, 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) for the score in all of the third-party security summary reports through continuous monitoring and analysis of the Company's information security risks and vulnerabilities to fix risk defects. The effort can establish a safe service environment worthy of customer trust while effectively improving the overall security of suppliers and industrial supply chains. The Company has joined information security alliances such as Taiwan CERT/CSIRT and the Cloud Computing & IoT Association in Taiwan to exchange information security information and discuss and share information security issues. The Company endeavors to achieve cybersecurity joint defense and enhance overall cybersecurity protection for Taiwan.

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 that the IoT company will be free from all the evolving risks and attacks while facing ever-changing information security threats. 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.

(4) Resources invested in information security management:

The Company continues to invest in fields associated with information security. The 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 email social engineering fraud attacks, 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, introduction of the Personal Data Protection Act, personal information security best-practice principles, information security promotion for recruits, information security promotion of AI/ChatGPT, TIPS intellectual property management, and trade secret protection, etc. for a total number of trainees reached 1,883 person-times, a total of 1,280 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. Therefore, we strengthen the awareness of employees' awareness of information security, and adds and amends 48 information security management guidelines. We deploy zero-trust architecture, network segmentation principles and standards in a timely and appropriate manner through evaluation and planning of relevant information security equipment and consideration of information security risk. We also deploy internal and external firewall mechanisms, execute inventory for suitability of various backup plans, and reinforce the backup capability for offline restoration to 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:

In 2023, the Company did not encounter any major cyber attack incidents that affected its operations. The Company also conducted an external audit via a third-party certification unit and found no major deficiencies.

(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	None
Lease contract	Hsinchu Science Park Bureau	08.01.2020 ~12.31.2039	Yilan Science Park Yike Section 9-1.10-1 land lease	None

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

Unit: Thousand NTD

Item \ Year		Financial information for the most recent 5 years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		3,578,177	4,042,947	5,585,552	6,028,729	5,602,079
Property, plant and equipment		1,253,975	1,234,132	1,324,833	1,751,178	2,284,875
Intangible assets		11,427	16,760	27,164	25,299	22,595
Other assets		625,198	729,167	939,400	1,085,659	1,055,546
Total assets		5,468,777	6,023,006	7,876,949	8,890,865	8,965,095
Current liabilities	Before distribution	902,794	1,024,503	1,729,173	1,464,684	1,483,683
	After distribution	1,500,765	1,577,506	2,696,390	2,659,117	Not yet distributed
Non-current liabilities		104,512	182,257	186,787	413,314	444,495
Total liabilities	Before distribution	1,007,306	1,206,760	1,915,960	1,877,998	1,928,178
	After distribution	1,605,277	1,759,763	2,883,177	3,072,431	Not yet distributed
Equity attributable to owners of parent		-	-	-	-	-
Capital stock		797,294	813,240	826,680	865,531	883,977
Capital surplus		1,058,681	1,082,702	1,213,829	1,356,462	1,416,781
Retained earnings	Before distribution	2,609,576	2,925,742	3,933,627	4,791,798	4,727,670
	After distribution	1,995,659	2,372,739	2,941,609	3,580,054	Not yet distributed
Other equity interests		(4,080)	(5,438)	(13,147)	(924)	8,489
Treasury shares		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	4,461,471	4,816,246	5,960,989	7,012,867	7,036,917
	After distribution	3,863,500	4,263,243	4,993,772	5,818,434	Not yet distributed

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.
The Company's financial statements for 2018–2022 have been verified and certified by a CPA.

Note 2: The 2023 earnings distribution proposal has not been resolved by the regular shareholders' meeting; therefore, the amount after the distribution is not listed temporarily.

(2) Consolidated financial statements

Unit: Thousand NTD

Item \ Year		Financial information for the most recent 5 years (Note 1)					Financial data as of ________ (MM/DD/YY) (Note 3)
		2019	2020	2021	2022	2023	
Current assets		3,873,721	4,393,003	6,068,198	6,649,319	6,140,332	
Property, plant and equipment		1,373,991	1,374,994	1,616,786	2,138,510	2,677,880	
Intangible assets		24,367	28,927	47,137	44,117	39,375	
Other assets		375,370	420,946	499,317	473,136	504,119	
Total assets		5,647,449	6,217,870	8,231,438	9,305,082	9,361,706	
Current liabilities	Before distribution	1,015,876	1,140,925	1,860,521	1,624,478	1,625,706	
	After distribution	1,613,847	1,693,928	2,827,738	2,818,911	Not yet distributed	
Non-current liabilities		136,553	211,884	337,407	561,167	592,715	
Total liabilities	Before distribution	1,152,429	1,352,809	2,197,928	2,185,645	2,218,421	
	After distribution	1,750,400	1,905,812	3,165,145	3,380,078	Not yet distributed	
Equity attributable to owners of parent		4,461,471	4,816,246	5,960,989	7,012,867	7,036,917	
Capital stock		797,294	813,240	826,680	865,531	883,977	
Capital surplus		1,058,681	1,082,702	1,213,829	1,356,462	1,416,781	
Retained earnings	Before distribution	2,609,576	2,925,742	3,933,627	4,791,798	4,727,670	
	After distribution	1,995,659	2,372,739	2,941,609	3,580,054	Not yet distributed	
Other equity interests		(4,080)	(5,438)	(13,147)	(924)	8,489	
Treasury shares		-	-	-	-	-	
Non-controlling interest		33,549	48,815	72,521	106,570	106,368	
Total equity	Before distribution	4,495,020	4,865,061	6,033,510	7,119,437	7,143,285	
	After distribution	3,897,049	4,312,058	5,066,293	5,925,004	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 2023 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 of the last five years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenue	6,696,506	6,626,157	9,427,772	9,258,869	7,486,437
Gross profit before unrealized gross profit on sales to subsidiaries	1,943,667	1,832,484	2,673,738	2,947,485	2,473,029
Operating profits or losses	1,261,713	1,134,107	1,814,203	1,888,963	1,430,854
Non-operating income and expenses	11,079	9,394	105,891	307,703	2,047
Profit before income tax	1,272,792	1,143,501	1,920,094	2,196,666	1,432,901
Net profits for the period from continuing operations	1,014,254	931,663	1,560,888	1,850,189	1,147,616
Losses from discontinued operations	-	-	-	-	-
Net profits (losses) for the period	1,014,254	931,663	1,560,888	1,850,189	1,147,616
Other comprehensive income for the period (net after tax)	(4,577)	(1,358)	(7,709)	12,223	9,413
Total comprehensive income for the year	1,009,677	930,305	1,553,179	1,862,412	1,157,029
Earnings per share	11.87	10.91	18.03	21.04	12.98

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 2019–2023 have been verified and certified by a CPA.

(2) Consolidated financial statements

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

Item \ Year	Financial information of the last five years (Note 1)					Financial data as of ________ (MM/DD/YY) (Note 2)
	2019	2020	2021	2022	2023	
Operating revenue	7,361,665	7,152,015	10,195,658	10,303,229	8,313,778	
Gross profit before unrealized gross profit on sales to subsidiaries	2,317,776	2,133,727	3,092,218	3,458,618	2,845,912	
Operating profits or losses	1,388,887	1,207,293	1,949,246	2,039,461	1,380,028	
Non-operating income and expenses	(74,252)	(39,697)	22,808	226,866	51,060	
Profit before income tax	1,314,635	1,167,596	1,972,054	2,266,327	1,431,088	
Net profits for the period from continuing operations	1,029,199	940,533	1,581,881	1,881,288	1,144,167	
Losses from discontinued operations	-	-	-	-	-	
Net profits (losses) for	1,029,199	940,533	1,581,881	1,881,288	1,144,167	

Year / Item	Financial information of the last five years (Note 1)					Financial data as of ________ (MM/DD/YY) (Note 2)
	2019	2020	2021	2022	2023	
the period						
Other comprehensive income for the period (net after tax)	(4,577)	(1,358)	(7,729)	12,223	9,434	
Total comprehensive income for the year	1,024,622	939,175	1,574,152	1,893,511	1,153,601	
Net profits attributable to shareholders of owners of the parent	1,014,254	931,663	1,560,888	1,850,189	1,147,616	
Net profits attributable to non-controlling interests	14,945	8,870	20,993	31,099	(3,449)	
Total comprehensive income attributable to shareholders of owners of the parent	1,009,677	930,305	1,553,179	1,862,412	1,157,029	
Total comprehensive income attributable to non-controlling interests	14,945	8,870	20,973	31,099	(3,428)	
Earnings per share	11.87	10.91	18.03	21.04	12.98	

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 2019–2023 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	Opinions
2019	PricewaterhouseCoopers, Taiwan	Yeh, Tsui-Miao Huang, Shih-Chun	Unqualified opinion
2020	PricewaterhouseCoopers, Taiwan	Yeh, Tsui-Miao Huang, Shih-Chun	Unqualified opinion
2021	PricewaterhouseCoopers, Taiwan	Yeh, Tsui-Miao Huang, Shih-Chun	Unqualified opinion
2022	PricewaterhouseCoopers, Taiwan	Yeh, Tsui-Miao Huang, Shih-Chun	Unqualified opinion
2023	PricewaterhouseCoopers, Taiwan	Yeh, Tsui-Miao Huang, Shih-Chun	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		2019	2020	2021	2022	2023
	Year	Financial analysis for the most recent 5 years (Note 1)				
Financial structure (%)	Debt to assets ratio	18.42	20.04	24.32	21.12	21.51
	Long-term capital to property, plant and equipment ratio	364.12	405.02	464.04	424.07	327.43
Solvency %	Current ratio	396.34	394.63	323.02	411.61	377.58
	Quick ratio	312.05	318.31	229.34	337.20	303.11
	Interest coverage multiplier	784.74	667.76	834.37	417.90	404.52
Operating performance	Accounts receivable turnover rate (times)	6.31	7.15	7.84	6.41	5.46
	Average collection days	58	51	47	57	67
	Inventory turnover rate (times)	6.16	6.10	5.33	4.19	3.97
	Accounts payable turnover rate (times)	9.84	10.17	9.13	7.82	7.31
	Average sales days	59	60	68	87	92
	Property, plant and equipment turnover rate (times)	5.37	5.33	7.37	6.02	3.71
	Total assets turnover rate (times)	1.27	1.15	1.36	1.10	0.84
Profitability	Return on assets (%)	19.30	16.24	22.49	22.12	12.89
	Return on equity (%)	24.26	20.08	28.97	28.52	16.34
	Net profits before tax to paid-in capital (%)	159.64	140.61	232.27	253.79	162.10
	Net profit margin (%)	15.15	14.06	16.56	19.98	15.33
	Earnings per share (NT$)	11.87	10.91	18.03	21.04	12.98
Cash flow	Cash flow ratio (%)	114.67	119.60	42.11	163.92	91.25
	Cash flow adequacy ratio (%)	125.14	132.95	105.10	120.77	101.55
	Cash reinvestment ratio (%)	12.31	12.48	2.83	19.08	2.09
Leverage	Operating leverage	1.52	1.61	1.49	1.54	1.75
	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. Long-term capital to property, plant, and equipment ratio: Mainly due to the increase of the net of property, plant, and equipment comparing to the previous period.
2. Property, plant, and equipment turnover rate: Mainly due to the increase of the net of property, plant, and equipment comparing to the previous period.
3. Total assets turnover rate: Mainly due to the decrease of the operating revenue comparing to the previous period.
4. Various indicators of profitability: Mainly due to the decrease of the operating revenue and net profit comparing to the previous period.
5. Cash flow ratio: Mainly due to the decrease of the cash flow from operating activities comparing to the previous period.
6. Cash reinvestment ratio: Mainly due to the decrease of the cash flow from operating activities comparing to the previous period, and the increase of the net of property, plant, and equipment comparing to the previous period.

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) Net profits before tax to paid-in capital = Income before tax/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.

(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 (Note 1)					Financial data as of ________ (MM/DD/YY) (Note 2)
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt to assets ratio	20.41	21.76	26.70	23.49	23.70	
	Long-term capital to property, plant and equipment ratio	337.09	369.23	394.05	359.16	288.89	
Solvency %	Current ratio	381.32	385.04	326.16	409.32	377.70	
	Quick ratio	297.80	310.72	231.18	334.23	302.33	
	Interest coverage multiplier	577.09	510.20	661.21	303.82	202.65	
Operating performance	Accounts receivable turnover rate (times)	7.42	7.74	8.36	6.86	5.97	
	Average collection days	49.19	47.15	43.66	53.20	61.13	
	Inventory turnover rate (times)	5.82	5.77	5.12	4.11	3.89	
	Accounts payable turnover rate (times)	10.08	10.09	9.33	8.23	7.61	
	Average sales days	63	63	71	88.80	93.83	
	Property, plant and equipment turnover rate (times)	5.35	5.20	6.82	5.49	3.45	
	Total assets turnover rate (times)	1.36	1.21	1.41	1.18	0.89	
Profitability	Return on assets (%)	19.06	15.88	21.93	21.53	12.32	
	Return on equity (%)	24.47	20.10	29.03	28.61	16.04	
	Net profits before tax to paid-in capital (%)	164.89	143.57	238.55	261.84	161.89	
	Net profit margin (%)	13.98	13.15	15.52	18.26	13.76	
	Earnings per share (NT$)	11.87	10.91	18.03	21.04	12.98	
Cash flow	Cash flow ratio (%)	107.97	112.16	44.44	154.82	89.67	
	Cash flow adequacy ratio (%)	120.55	131.67	104.15	129.55	109.08	
	Cash reinvestment ratio (%)	13.50	13.39	4.6	19.99	3.34	
Leverage	Operating leverage	1.66	1.81	1.62	1.69	2.04	
	Financial leverage	1.00	1.00	1.00	1.00	1.01	

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. Long-term capital to property, plant, and equipment ratio: Mainly due to the increase of the net of property, plant, and equipment comparing to the previous period.
2. Interest coverage multiplier: Mainly due to the decrease in profit before income tax comparing to the previous period.
3. Property, plant, and equipment turnover rate: Mainly due to the increase of the net of property, plant, and equipment comparing to the previous period.
4. Total assets turnover rate: Mainly due to the decrease of the operating revenue comparing to the previous period.
5. Various indicators of profitability: Mainly due to the decrease of the operating revenue and net profit comparing to the previous period.
6. Cash flow ratio: Mainly due to the decrease of the cash flow from operating activities comparing to the previous period.
7. Cash reinvestment ratio: Mainly due to the decrease of the cash flow from operating activities comparing to the previous period, and the increase of the net of property, plant, and equipment comparing to the previous period.
8. Operating leverage: Mainly due to the decrease of the operating revenue comparing to the previous period.

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) Net profits before tax to paid-in capital = Income before tax/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 2023 Financial Statements:

Innodisk Corporation

Audit Committee's Review Report

Among the 2023 business reports, financial statements, and profit distribution proposals prepared by the Company's Board of Directors, the financial statements were audited by PwC Taiwan and a written audit report was issued for reference.

The Audit Committee is in charge of supervising the Company's financial reporting process. The independent auditors have certified the Company's 2023 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 find the attached report for your reference.
Yours,
Innodisk Corporation 2024 Annual General 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 22, 2024

IV. 2023 financial report: please refer to page119to191.

V. 2023 consolidated financial statements of parent and subsidiary certified by CPAs: please refer to page 192to276

VI. The Company and the affiliated companies should state the impact of a financial difficulty that occurred in 2023 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

Unit: Thousand NTD

Item / Year	2023	2022	Difference: Amount	Difference: %
Current assets	6,140,332	6,649,319	(508,987)	(8%)
Property, plant and equipment	2,677,880	2,138,510	539,370	25%
Intangible assets	39,375	44,117	(4,742)	(11%)
Other assets	504,119	473,136	30,983	7%
Total assets	9,361,706	9,305,082	56,624	1%
Current liabilities	1,625,706	1,624,478	1,228	0%
Non-current liabilities	592,715	561,167	31,548	6%
Total liabilities	2,218,421	2,185,645	32,776	1%
Capital stock	883,977	865,531	18,446	2%
Capital surplus	1,416,781	1,356,462	60,319	4%
Retained earnings	4,727,670	4,791,798	(64,128)	(1%)
Cumulative translation adjustment	10,354	1,207	9,147	758%
Non-controlling interest	106,368	106,570	(202)	(0%)
Total shareholders' equity	7,143,285	7,119,437	23,848	0%

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)
Property, plant, and equipment additions: The purchase of the 16th floor for the headquarters office building and the Yilan Plant No. 2 expansion in this period.

II. Financial performance:

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

Unit: Thousand NTD

Item / Year	2023 Subtotal	2023 Total	2022 Subtotal	2022 Total	Amount of increase or decrease	Change (%)
Total operating revenues	8,405,707		10,390,442		(1,984,735)	(19%)
Less: Sales returns	(50,487)		(49,633)		(854)	2%
Sales discounts	(41,442)		(37,580)		(3,862)	10%
Net operating revenues		8,313,778		10,303,229	(1,989,451)	(19%)
Operating costs		(5,467,866)		(6,844,611)	1,376,745	(20%)
Gross profit before unrealized gross profit on sales to subsidiaries		2,845,912		3,458,618	(612,706)	(18%)
Operating expenses		(1,465,884)		(1,419,157)	(46,727)	3%
Net operating profits		1,380,028		2,039,461	(659,433)	(32%)
Non-operating income and expenses		51,060		226,866	(175,806)	(77%)

Item \ Year	2023		2022		Amount of increase or decrease	Change (%)
	Subtotal	Total	Subtotal	Total		
Net profits before tax from continuing operations		1,431,088		2,266,327	(835,239)	(37%)
Income tax expense		(286,921)		(385,039)	98,118	(25%)
Net profits after tax from continuing operations		1,144,167		1,881,288	(737,121)	(39%)

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

(1) Operating revenue and operating cost: Due to changes in market demand, the Company's operating revenue and operating cost decreased compared to the previous period.

(2) Net operating profits: Due to external factors in the market, the Net operating profits decreased comparing to the previous period.

(3) Non-operating income and expenses: Mainly due to the decrease in net foreign currency exchange benefits comparing to the previous period.

(4) Income tax expense: The Company is exempted from provisional payment of profit-seeking enterprise income tax of 2023 due to the impact of COVID-19 in compliance with the regulations of National Taxation Bureau.

(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 2024 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 2024
Industrial embedded storage devices	Thousand Piece/Each	3,827
Industrial dynamic random-access memory module	Thousand Piece/Each	3,943
AIoT smart solutions	Thousand Piece/Each	58

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

Unit: Thousand 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	1,457,695	1,900,722	3,557,022	-	-

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$1,457,695 thousand, mainly due to the injection of net operating profit in 2023.

(2) Annual cash outflow: The main outflow was due to the distribution and payment of cash dividends for NT$1,194,433 thousand in 2022 and the purchase of real estate for NT$687,105 thousand in 2023.

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

(III) Cash liquidity analysis for the coming year.

Unit: Thousand 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
3,557,022	1,070,217	809,725	3,817,514		

(1) Net cash from operating activities: The cash inflow is mainly from the net operating profit of the revenue generated in 2024.

(2) Cash outflow: The main outflows include cash dividend distributions in 2023 and the construction and equipment purchase for Yilan Plant No. 2 in 2024.

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

Unit: Thousand 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	Completed in June 2024	579,500	204,320	375,180
Construction of a factory – Stage II of Yilan Plant: To accelerate the deployment of AIoT application market, 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.					

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

Description / Item	Investment policy	The main reasons for profit or loss in 2023	Improvement plan	Investment plan for the coming year
Innodisk Global-M Corporation	Investment holdings	Recognition of investment income of Innodisk Shenzhen Corporation	None	None
Innodisk USA Corporation	Actively develop the U.S. market and expand market share.	The market was affected by the slowdown in demand resulted in lower-than-expected operating profits.	Continue market development.	None
Innodisk Japan Corporation	Actively develop the Japan market and expand market share.	Provide quality services and maintain reasonable profitability.	None	None
Innodisk Shenzhen Corporation	Actively develop the Mainland market and expand market share.	The market was affected by the slowdown in demand resulted in lower-than-expected operating profits.	Continue market development.	None
Aetina Corporation	Expand the general-purpose graphics processor (GP GPU) and AI edge computing solutions products.	The market was affected by the slowdown in demand resulted in lower-than-expected operating profits.	Continue market development.	None

Item \ Description	Investment policy	The main reasons for profit or loss in 2023	Improvement plan	Investment plan for the coming year
Innodisk Europe B.V.	Actively develop the Europe market and expand market share.	Provide quality services and maintain reasonable profitability.	None	None
Innodisk France SAS	Actively develop the Europe market and expand market share.	Provide quality services and maintain reasonable profitability.	None	None
Millitronic Co., Ltd.	Entering the IoT market	Continue to develop innovative network solutions.	Actively develop products and customers.	None
Antzer Tech Co., Ltd.	Expand the AIoT solution product field	Continue to develop in-vehicle communication solutions.	None	None
Sysinno Technology Inc.	Sensor-related product design, application and service	Continue to develop sensor application solutions.	Actively develop products and customers.	None
AETINA USA CORPORATION (Note 1)	Actively develop the U.S. market and expand market share.	Provide quality services and maintain reasonable profitability.	None	None
AETINA Europe B.V(Note 2)	Actively develop the Europe market and expand market share.	Provide quality services and maintain reasonable profitability.	None	None
Aetina (Shenzhen) Artificial Intelligence Co., Ltd. (Note 3)	Actively develop the Mainland market and expand market share.	Established in July 2023	Continue market development.	None
Innodisk Japan Corporation (Note 4)	Actively develop the Japan market and expand market share.	Established in October 2023	Continue market development.	None

Note 1: AETINA USA CORPORATION was invested and established by Aetina Corporation in September 2021, and the capital injection has been completed on January 10, 2023.

Note 2: AETINA Europe B.V. was invested and established by Aetina Corporation in January 2022, and the capital injection has been completed on March 13, 2023.

Note 3: Aetina (Shenzhen) Artificial Intelligence Co., Ltd. was invested and established by Aetina Corporation in July 2023, and the capital injection has been completed on November 10, 2023.

Note 4: Innodisk Japan Corporation was invested and established by Aetina Corporation in October 2023, and the capital injection has been completed on October 12, 2023.

VI. Risks

(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 of high-risk, high-leverage investments, lending of funds to others, endorsements and guarantees, and derivatives transactions, main reasons for gains or losses, 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. It does not engage in derivative transactions and has regulations governing the procedures for derivative transactions.

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

1. Future R&D plan

(1) Industrial embedded storage devices

A. 232L 3D TLC Series

B. IoT storage device series

C. Edge server storage device series

D. High-speed/high-capacity storage device series

E. High-speed advanced interface storage device

(2) 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

(3) 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

(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 2023 was NT$409,328 thousand, and the research and development expense in 2024 is expected to be NT$505,457 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 P98(VI) Information security management for details.

(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:

Throughout rapid development of AI application around the world and the increasing demand for intelligent IoT, a construction scale of 17299 m2 has been planned for the Stage II R&D Center of Yilan Plant. The Stage I and Stage II R&D Center of Yilan Plant will together become a large-scale R&D and manufacturing park with an area of nearly 33,058 square meters in the future. They will become an important base for Innodisk's connection to international research and development and Yilan's largest landscape corridor of smart green building.

The construction of the Stage II R&D Center is expected to be completed in the second quarter of 2024, which can meet the operational development needs of the Company in the next 3 to 5 years. The investment in manufacturing equipment will be carried out successively in accordance with the sales growth to meet a small-quantity product structure 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 mainly manufactured by Kioxia (Japan) and Samsung Electronics (South Korea) and purchased from their distributors Company O and Company A in Taiwan, respectively. The purchase ratio in 2023 was 23.65% and 31.73%, 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 year 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 year 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.

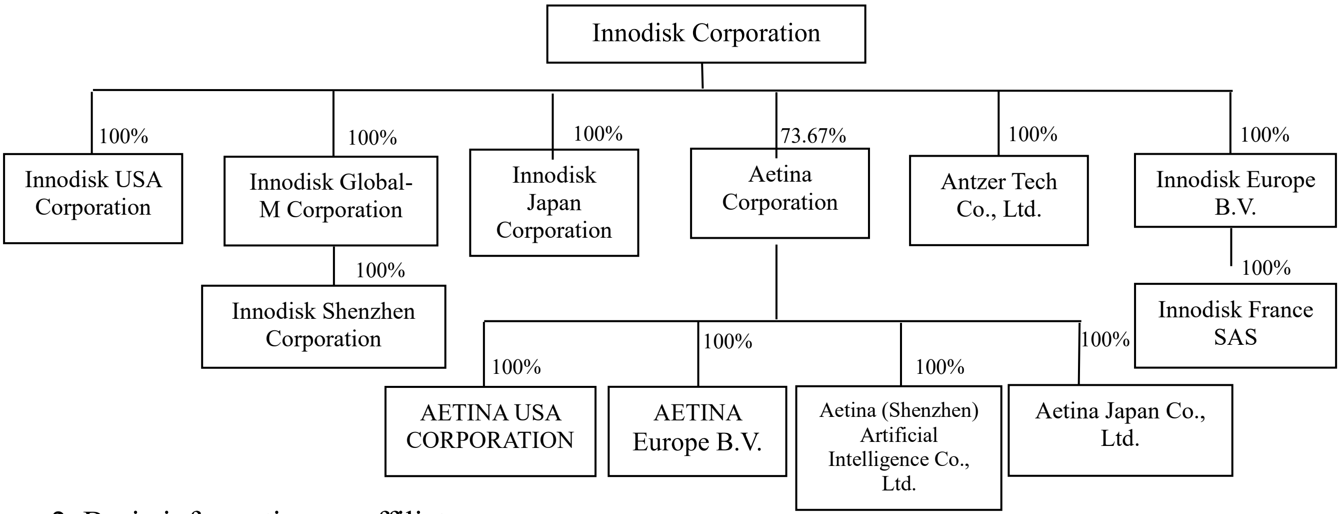
VII. Other important matters: None.

Eight. Special Record Items

I. Information on affiliates:

(I) Consolidated affiliation reports:

1. Affiliated enterprise organizational chart:



2. Basic information on affiliates:

Unit: Thousand 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	324,197	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	9.2021	42996 Osgood Road, Suite A Fremont, California, 94539 United States of America	6,098	After-sales service and support for industrial graphics cards
AETINA Europe B.V.	1.2022	Pisanostraat 57, 5623CB Eindhoven	-	After-sales service and support for industrial graphics cards
Aetina (Shenzhen) Artificial Intelligence Co., Ltd.	7.2023	Room 1929, Dongfang Science and Technology Building, No. 16, Keyuan Road, Science and Technology Park Community, Aohai Street, Nanshan District, Shenzhen	1,360	After-sales service and support for industrial graphics cards
Innodisk Japan Corporation	10.2023	1-1-14 Nihonbashi Ningyocho, Chuo-ku, Tokyo	1,087	After-sales service and support for industrial graphics cards

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	Representative Director	Chien, Chuan-Sheng	-	-
	Director	Kitajima Takahide	-	-
	Director	Wang, Chia-Ying	-	-
	Supervisor	Wang, Li-Cheng	-	-
Aetina Corporation	Chairman	Representative of Innodisk Corporation: Chien, Chuan-Sheng	23,884,103	73.76%
	Director	Representative of Innodisk Corporation: Chen, Qiu-Xiong	23,884,103	73.67%
	Director	Luo, Zhi-Rong	1,465,035	4.52%
	Supervisor	Wang, Li-Cheng	15,863	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	Representative of Innodisk Corporation: 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		
Aetina (Shenzhen) Artificial Intelligence Co., Ltd.	Chairman	Luo, Zhi-Rong	-	-
	Supervisor	Xu, Zong-Chuan	-	-
Innodisk Japan Corporation	Representative Director	Kitajima Takahide	-	-
	Director	Luo, Zhi-Rong	-	-

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	328,841	218,202	110,639	1,021,520	(11,972)	(10,674)	(5.22)
Innodisk Global-M Corporation	20,154	5,346	0	5,346	0	(142)	(42,752)	(64.29)
Innodisk Japan Corporation	3,533	26,595	15,471	11,124	36,753	2,080	2,043	10,423.47
Aetina Corporation	324,197	631,043	227,373	403,670	585,950	(16,774)	(13,244)	(0.41)
Innodisk Shenzhen Corporation	18,168	237,042	240,391	(3,349)	563,585	(43,095)	(42,624)	(Note 1)
Innodisk Europe B.V.	17,470	72,124	22,991	49,133	83,606	3,306	4,664	0.09
Antzer Tech Co., Ltd.	58,400	30,416	598	29,818	9,851	2,848	2,489	0.04
Innodisk France SAS	175	13,879	9,812	4,067	24,856	2,047	1,802	360.40
AETINA USA CORPORATION	6,098	6,698	198	6,500	6,733	388	213	1.07
AETINA Europe B.V.	-	2,883	1,624	1,259	13,728	997	941	9,410.00
Aetina (Shenzhen) Artificial Intelligence Co., Ltd.	1,360	1,357	270	1,087	0	(190)	(214)	(Note 1)
Innodisk Japan Corporation	1,087	1,401	416	985	211	(103)	(103)	(206.00)

Note 1: No shares issued

(II) Affiliated Enterprise Consolidated Financial Statements

Innodisk Corporation

Declaration of Consolidated Financial of Affiliated Enterprises

For the year ended December 31, 2023 (from January 1, 2023 to December 31, 2023), pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the Group that is required to be included in the consolidated financial statements of affiliates, is the same as the Group required to be included in the consolidated financial statements of the parent and subsidiary companies under International Financial Reporting Standard 10. If all relevant information that should be disclosed in the consolidated financial statements of affiliates has been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Company Name: Innodisk Corporation

Responsible Person: Chien, Chuan-Sheng

February 22, 2024

(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

(113) Tsai-Shen-Bao-Zhi #23003560

To the Board of Directors of Innodisk Corporation:

Opinions

We have audited the accompanying parent-only balance sheets as of December 31, 2023 and 2022 and the parent-only statements of comprehensive income, changes in equity and cash flows for the years starting January 1 and ending on December 31, 2023 and 2022, as well as the notes to the parent-only financial statements (including the summary of significant accounting policies), for Innodisk Corporation.

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, 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 Financial Statements section of our report. We are independent of Innodisk Corporation in accordance with the 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, in our professional judgment, were of most significance in our audit of the 2023 parent company only financial statements. 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 2023 parent company only financial statements are as follows:

Inventory Valuation

Description of Key Audit Matters

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

Our key audit procedures performed in response to the above issue are described as follows:

1. Understand the provision policy for valuation of inventory allowance to ensure that the provision policy for loss of inventory allowance during the reporting period is consistent.
2. Conduct period-end physical inventory count to identify whether there are slow-moving, damaged or unsaleable inventories.
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, so as to evaluate the impact on inventory valuation.
4. Obtain the net realizable value report of each inventory to confirm the calculation logic and test relevant parameters such as source data of sales files and the relevant supporting valuation documents. Recalculate loss in valuation allowance of each item number at the lower of cost and net realizable value.
5. Compare the differences in provisions of inventory allowance for the current period and the most recent year to estimate the valuation loss in inventory allowance.

Existence of Sales Income

Description of Key Audit Matters

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

Our key audit procedures performed in response to the above issue are described as follows:

1. Understand the process and basis of sales revenue recognition and cash collection with the top ten customers to evaluate the effectiveness of internal control of sales revenue recognition by the management, and test the effectiveness of internal control with shipping, billing and payment collection.
2. 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. Sampling of sales details to 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-Only Financial Statements

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

In preparing the parent-only financial statements, management is responsible for assessing Innodisk Corporation'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 Innodisk Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-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 is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC AS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent-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 Innodisk'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 parent-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 auditor's report. However, future events or conditions may cause Innodisk to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-only financial statements, including the disclosures, and whether the 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 Innodisk to express an opinion on the parent-only financial statements. We are responsible for the direction, supervision and performance of the audit for the parent entity. 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 Innodisk's parent-only financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yeh, Tsui Miao Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

February 22,2024

Innodisk Corporation
Parent Company Only Balance Sheet
Years ended December 31, 2023 and 2022

Unit: In thousands of New Taiwan Dollars

	Assets	Note	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets					
1100	Cash and cash equivalents	6 (1)	$ 3,102,318	34	$ 3,608,016	41
1150	Notes receivable, net	6 (4)	992	-	2,565	-
1170	Accounts receivable, net	6 (4)	971,954	11	1,101,024	12
1180	Accounts receivable - Net from related parties	6 (4) and 7 (2)	417,889	5	223,754	3
1200	Other receivables		2,302	-	1,763	-
1210	Other accounts receivable - Related parties	7 (2)	840	-	808	-
1220	Current income tax assets	6 (26)	889	-	913	-
130X	Inventories	6 (5)	1,060,480	12	1,048,647	12
1410	Prepayments		44,415	-	41,239	-
11XX	**Total Current Assets**		5,602,079	62	6,028,729	68
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - Non-current	6 (2)	28,105	-	27,839	-
1535	Financial assets at amortized cost - Non-current	6 (3) and 8	10,706	-	10,706	-
1550	Investments accounted for using equity method	6 (6)	536,339	6	560,864	6
1600	Property, plant and equipment	6 (7) and 8	2,284,875	26	1,751,178	20
1755	Right-of-use assets	6 (8)	180,853	2	179,933	2
1760	Investment property - Net	6 (10) and 8	233,249	3	236,213	3
1780	Intangible assets		22,595	-	25,299	-
1840	Deferred income tax assets	6 (26)	63,987	1	68,722	1
1920	Refundable deposit		2,307	-	1,382	-
15XX	**Total Non-Current Assets**		3,363,016	38	2,862,136	32
1XXX	**Total Assets**		$ 8,965,095	100	$ 8,890,865	100

(Continued)

Innodisk Corporation
Parent Company Only Balance Sheet
Years ended December 31, 2023 and 2022

Unit: In thousands of New Taiwan Dollars

	Liabilities and Owner's Equity	Note	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current liabilities					
2130	Contract liabilities - Current	6 (19)	$ 16,994	-	$ 35,857	-
2170	Accounts payable		695,939	8	675,442	8
2180	Accounts payable - Related parties	7 (2)	188	-	65	-
2200	Other accounts payable	6 (11)	443,072	5	527,316	6
2220	Other accounts payable - Related parties	7 (2)	9,378	-	8,292	-
2230	Current income tax liabilities	6 (26)	283,011	3	190,184	2
2250	Provisions - Current	6 (15)	21,486	1	16,286	-
2280	Lease liabilities - Current		9,712	-	7,915	-
2300	Other current liabilities		3,903	-	3,327	-
21XX	**Total Current Liabilities**		1,483,683	17	1,464,684	16
	Non-current liabilities					
2540	Long-term borrowings	6 (12)	229,000	3	180,000	2
2550	Provisions - Non-current	6 (15)	36,825	-	52,003	1
2570	Deferred income tax liabilities	6 (26)	-	-	4,323	-
2580	Lease liabilities - Non-current		175,199	2	175,203	2
2645	Guarantee deposit received		3,471	-	1,785	-
25XX	**Total Non-Current Liabilities**		444,495	5	413,314	5
2XXX	**Total liabilities**		1,928,178	22	1,877,998	21
	Equity					
	Capital	6 (16)				
3110	Ordinary share capital		883,977	10	865,531	10
	Capital surplus	6 (17)				
3200	Capital surplus		1,416,781	15	1,356,462	15
	Retained earnings	6 (18)				
3310	Legal reserve		951,850	11	766,831	9
3320	Special reserve		924	-	13,147	-
3350	Undistributed earnings		3,774,896	42	4,011,820	45
	Other equity interests					
3400	Other equity interests		8,489	-	(924)	-
3XXX	**Total equity**		7,036,917	78	7,012,867	79
	Material contingent liabilities and unrecognized contractual commitments	9				
	Material Events Subsequent to the Balance Sheet Date	11				
3X2X	**Total Liabilities and Equity**		$ 8,965,095	100	$ 8,890,865	100

The accompanying notes are an integral part of these parent-only financial statements.

Chairman: Chien, Chuan-Sheng Management Officer: Chien, Chuan-Sheng Principal Accounting Officer: Hsiao, Wen-Kui

Innodisk Corporation
Parent Company Only Statement of Comprehensive Income
For the years ended December 31, 2023 and 2022

Unit: In thousands of New Taiwan Dollars
(Except for earnings per share)

	Item	Note	2023 Amount	2023 %	2022 Amount	2022 %
4000	Operating revenue	6 (19) and 7 (2)	$ 7,486,437	100	$ 9,258,869	100
5000	Operating cost	6 (5) and 7 (2)	(5,011,930)	(67)	(6,318,605)	(68)
5900	Gross profit		2,474,507	33	2,940,264	32
5910	Unrealized gain on sales		(8,573)	-	(7,095)	-
5920	Realized gain on sales		7,095	-	14,316	-
5950	Gross profit from operations		2,473,029	33	2,947,485	32
	Operating expenses	6 (24) and 7 (2)				
6100	Marketing expenses		(425,803)	(6)	(420,502)	(4)
6200	General and administrative expenses		(308,464)	(4)	(346,141)	(4)
6300	Research and development expenses		(329,843)	(4)	(270,834)	(3)
6450	Expected gain (loss) on credit impairment	12 (2)	21,935	-	(21,045)	-
6000	Total operating expenses		(1,042,175)	(14)	(1,058,522)	(11)
6900	Operating profit		1,430,854	19	1,888,963	21
	Non-operating income and expenses					
7100	Interest income	6 (20)	35,262	1	13,174	-
7010	Other income	6 (21) and 7 (2)	29,333	-	29,693	-
7020	Other gains and losses	6 (22)	3,634	-	200,560	2
7050	Financing cost	6 (23)	(3,551)	-	(5,269)	-
7070	Share of the profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	6 (6)	(62,631)	(1)	69,545	1
7000	Total non-operating income and expenses		2,047	-	307,703	3
7900	**Profit before income tax**		1,432,901	19	2,196,666	24
7950	Income tax expense	6 (26)	(285,285)	(4)	(346,477)	(4)
8200	**Net income for the year**		$ 1,147,616	15	$ 1,850,189	20
	Other comprehensive income for the year (net)					
	Items that will not be reclassified to profit or loss					
8316	Unrealized gains or losses of equity instruments measured at fair value through other comprehensive income		$ 266	-	($ 2,131)	-
	Items that may be reclassified to profit or loss					
8361	Exchange difference arising on translation of foreign operations		9,147	-	14,354	-
8360	Total of Items that may be reclassified to profit or loss		9,147	-	14,354	-
8300	**Other comprehensive income for the year (net)**		$ 9,413	-	$ 12,223	-
8500	**Total comprehensive income for the year**		$ 1,157,029	15	$ 1,862,412	20
	Basic earnings per share					
9750	Net income for the year		$	12.98	$	21.04
	Diluted earnings per share					
9850	Net income for the year		$	12.74	$	20.81

The accompanying notes are an integral part of these parent-only financial statements.

Chairman: Chien, Chuan-Sheng | Management Officer: Chien, Chuan-Sheng | Principal Accounting Officer: Hsiao, Wen-Kui

Innodisk Corporation
Parent Company Only Statement of Changes in Equity
For the years ended December 31, 2023 and 2022

Unit: In thousands of New Taiwan Dollars

				Retained earnings			Other equity interests		
	Note	Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange difference arising on translation of foreign operations	Unrealized gains and losses on financial assets at fair value through other comprehensive income	Total equity
2022									
Balance as of January 1, 2022		$ 826,680	$ 1,213,829	$ 610,743	$ 5,438	$ 3,317,446	($ 13,147)	$ -	$ 5,960,989
Net income 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
Employees exercise 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
2023									
Balance as of January 1, 2023		$ 865,531	$ 1,356,462	$ 766,831	$ 13,147	$ 4,011,820	$ 1,207	($ 2,131)	$ 7,012,867
Net income for the year		-	-	-	-	1,147,616	-	-	1,147,616
Other comprehensive profit and loss for the year		-	-	-	-	-	9,147	266	9,413
Total comprehensive profit and loss for the year		-	-	-	-	1,147,616	9,147	266	1,157,029
Appropriation and distribution of 2022 earnings	6 (18)								
Legal reserve		-	-	185,019	-	(185,019)	-	-	-
Special reserve		-	-	-	(12,223)	12,223	-	-	-
Stock dividends		17,311	-	-	-	(17,311)	-	-	-
Cash dividends		-	-	-	-	(1,194,433)	-	-	(1,194,433)
Share-based payment	6 (14)	-	48,121	-	-	-	-	-	48,121
Changes in net value of equities of associates and joint ventures recognized by using the equity method		-	2,994	-	-	-	-	-	2,994
Employees exercise options	6 (16)	1,135	8,104	-	-	-	-	-	9,239
Share-based remuneration for employees of subsidiaries		-	580	-	-	-	-	-	580
Exercise right of disgorgement		-	520	-	-	-	-	-	520
Balance as of December 31, 2023		$ 883,977	$ 1,416,781	$ 951,850	$ 924	$ 3,774,896	$ 10,354	($ 1,865)	$ 7,036,917

The accompanying notes are an integral part of these parent-only financial statements.

Chairman: Chien, Chuan-Sheng   Management Officer: Chien, Chuan-Sheng   Principal Accounting Officer:Hsiao, Wen-Kui

Innodisk Corporation
Parent Company Only Statement of Cash Flow
For the years ended December 31, 2023 and 2022

Unit: In thousands of New Taiwan Dollars

	Note	January 1, 2023 to December 31, 2023	January 1, 2022 to December 31, 2023
Cash flow from operating activities			
Net profit before tax for the period		$ 1,432,901	$ 2,196,666
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation charges on property, plant and equipment	6 (24)	99,613	86,622
Depreciation expenses for right-of-use assets	6 (24)	9,899	9,170
Amortization charges on intangible assets and deferred assets	6 (24)	18,482	21,660
Depreciation expenses of real estate investment	6 (22)	2,964	2,886
Expected loss (gain) on credit impairment	12 (2)	(21,935)	21,045
Recovered gain or loss on falling prices of inventory	6 (5)	(59,746)	43,847
Losses on scrapping of inventory	6 (5)	18,768	13,326
Profit and loss of subsidiaries, associates and joint ventures recognized by using equity method	6 (6)	62,631	(69,545)
Disposal of investment gains	6 (22)	-	(4,228)
Gain on lease modifications	6 (8)	-	(3)
Interest expense	6 (23)	3,551	5,269
Interest income	6 (20)	(35,262)	(13,174)
Dividend income	6 (21)	(1,127)	-
Share-based compensation costs	6 (14)	48,121	31,447
Unrealized gain on sales		8,573	7,095
Realized gain on sales		(7,097)	(14,316)
Changes in operating assets and liabilities			
Net change in assets related to operating activities			
Notes receivable, net		1,573	(579)
Accounts receivable, net		151,005	55,975
Accounts receivable - Net from related parties		(194,135)	133,465
Other receivables		(92)	1,116
Other accounts receivable - Related parties		(32)	(529)
Inventories		29,145	426,614
Prepayments		(3,176)	46,226
Net change in liabilities related to operating activities			
Contract liabilities - Current		(18,863)	27,673
Accounts payable		20,497	(248,495)
Accounts payable - Related parties		123	(15,958)
Other accounts payable		(48,153)	60,964
Other payables - Related parties		1,086	168
Provisions - Current		5,200	9,555
Provisions - Non-current		(15,178)	(866)
Other current liabilities		576	(276)
Cash flow from operating activities		1,509,912	2,832,820
Interest received		34,815	13,174
Dividends received		1,127	-
Income tax paid		(192,022)	(445,066)
Net cash flow from operating activities		1,353,832	2,400,928

(Continued)

Innodisk Corporation
Parent Company Only Statement of Cash Flow
For the years ended December 31, 2023 and 2022

Unit: In thousands of New Taiwan Dollars

	Note	January 1, 2023 to December 31, 2023	January 1, 2022 to December 31, 2023
Cash Flow from Investing Activities			
Financial assets at fair value through other comprehensive income - Non-current	6 (2)	$ -	($ 29,970)
Financial assets at amortized cost - Decrease in current		-	600,000
Long-term investments accounted for using equity method	6 (6)	(26,861)	-
Acquisition of property, plant and equipment	6 (28)	(669,345)	(393,756)
Disposal of long-term investments using the equity method		-	4,228
Acquisition of intangible assets		(15,778)	(20,206)
Acquisition of investment property	6 (10)	-	(102,661)
Refundable deposits (increase)		(991)	(755)
Decrease in refundable deposits		66	153
Other non-current assets - Other decreases (increases)		-	414
Net cash (used in) generated from investing activities		(712,909)	57,447
Cash Flow from Financing Activities			
Increase in long-term borrowings	6 (29)	229,000	180,000
Repayment of long-term borrowings	6 (29)	(180,000)	-
Increase in guarantee deposit received	6 (29)	1,692	1,092
Decrease in guarantee deposit	6 (29)	(6)	(599)
Cash dividends paid	6 (29)	(1,194,433)	(967,217)
Employees exercise options		9,239	124,968
Interest paid		(3,607)	(5,087)
Repayment of principal of lease liabilities	6 (29)	(9,026)	(8,268)
Exercise right of disgorgement		520	-
Net cash used in financing activities		(1,146,621)	(675,111)
Increase (decrease) in cash and cash equivalents in the current period		(505,698)	1,783,264
Beginning cash and cash equivalents		3,608,016	1,824,752
Ending cash and cash equivalents		$ 3,102,318	$ 3,608,016

The accompanying notes are an integral part of these parent-only financial statements.

Chairman: Chien, Chuan-Sheng Management Officer: Chien, Chuan-Sheng Principal Accounting Officer: Hsiao, Wen-Kui

Innodisk Corporation

Notes to the Parent Company Only Financial Statements

Years Ended December 31, 2023 and 2022

Unit: In thousands of New Taiwan Dollars

(Unless otherwise specified)

II. Company history

(I) Innodisk Corporation (hereinafter referred to as the “Company”) was established in March 2005. The Company mainly engages 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 listed on the OTC board on November 27, 2013.

III. Date and procedures for approving the financial report

The accompanying parent company only financial reports were approved and authorized for issuance by the Board of Directors on February 22, 2024.

IV. Application of newly released and amended standards and interpretations

(I) The impact of adopting the newly released and revised International Financial Reporting Standards recognized and issued into effect by the Financial Supervisory Commission (FSC)

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized and issued into effect by the Financial Supervisory Commission in 2023:

Newly released / corrected / amended standards and interpretations	Effective Date Issued by IASB
Amendment to IAS 1 - “Disclosure of Accounting Policies”	January 1, 2023
Amendment to IAS 8 - “Definition of Accounting Estimates”	January 1, 2023
Amendment to IAS 12, “Deferred Income Taxes Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023
Amendment to IAS 12 “International Tax Reform - Pillar Two Model Rules”	May 23, 2023

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

(II) Impact of the newly released and amended IFRS recognized by the FSC not yet adopted by the Company

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2024:

Newly released / corrected / amended standards and interpretations	Effective Date Issued by IASB
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024
Amendment to IAS 1 “Classification of Liabilities as Current or Non-Current”	January 1, 2024
Amendment to IAS 1 “Non-Current Liabilities With Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Financing Arrangements”	January 1, 2024

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

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

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

Newly released / corrected / amended standards and interpretations	Effective Date Issued 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 the IASB
IFRS 17 - “Insurance contracts”	January 1, 2023
Amendment to IFRS 17 - “Insurance contracts”	January 1, 2023
Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 -- Comparative Information”	January 1, 2023
Amendment to IAS 21 -- “Lack of Exchangeability”	January 1, 2025

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

V. Summary of significant accounting policies

The principal accounting polices 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-only financial statements of the Company have been prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”.

(II) Basis of preparation

1. The parent-only financial statements have been prepared on the historical cost convention, except for financial assets at fair value through other comprehensive income.
2. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent-only financial statements are disclosed in Note 5.

(III) Foreign currency translation

Items included in the parent-only financial report of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The parent-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 remeasured. 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-only statement of comprehensive income within "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. Refers to an irrevocable election at the time of initial recognition to report the fair value changes of equity investments that are not held for trading in other comprehensive income.

2. On a regular way purchase or sale basis, financial assets at fair value through other

comprehensive income are recognized and derecognized using trade date accounting.

3. The Company measures financial assets at fair value plus transaction costs at the initial recognition. The financial assets are subsequently measured at fair value. The fair value changes of equity investments are recognized in other comprehensive income. At the time derecognition, the accumulated gains or losses previously recognized in other comprehensive income shall not subsequently reclassified to profit or loss, and shall be transferred to retained earnings. When the right to receive dividends is established, the economic benefits associated with the dividends are likely to flow in, and the amount of dividends can be reliably measured, 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 derecognized 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) <u>De-recognition of financial assets</u>

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

(XI) <u>Lessor's lease transaction - Operating lease</u>

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) <u>Inventories</u>

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

(XIII) <u>Investments accounted for using equity method - Subsidiaries and associates</u>

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 share of profit and loss upon the acquisition of subsidiaries as the current profit and loss. The share of other comprehensive income after the acquisition are recognized as the other comprehensive income. 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 share of profit and loss upon the acquisition of associates as the current profit and loss. The share of other comprehensive income after the acquisition are recognized as the other comprehensive income. 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" in proportion to its ownership.
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 over 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, and loses its significant influence over 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 significant influence of 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 there is still significant influence over the associate, only the amount previously recognized in other comprehensive income will be transferred out in the abovementioned manner.

12. Pursuant to the “Guidelines 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 reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to the owners of the parent company presented in the financial reports prepared on a consolidated basis and the owners’ equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

(XIV) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost.
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 structures	2 to 50 years
Machinery 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 remeasured 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 remeasured, the amount of re-measurement is recognized as an adjustment to the right-of-use asset.
4. For lease modifications that reduce the scope of the lease, the lessee reduces the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognizes the difference between this amount and the remeasurement amount of the lease liability in profit or loss.

(XVI) Investment property

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

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

(XXII) Offsetting financial assets and liabilities

Financial 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.

(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. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

3. Remuneration for employees and directors

Remunerations for employees and directors 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 difference 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 Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(XXV) Employee share-based payments

The share-based payment agreement for delivery of equity is a transaction in which employees' labor service received as consideration for the Company's equity instrument at fair value, and it is recognized as compensation costs during the vesting period, and the equity is adjusted accordingly. The fair value of equity instrument 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 liability method, on temporary differences arising 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 entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXVII) 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 record 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.

VI. 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 see the following explanation of critical accounting judgments and key sources of estimation and uncertainty:

(I) Critical 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 Valuation

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, 2023 is detailed in Note 6 (5).

VII. Statements of main accounting items

(I) Cash and cash equivalents

	December 31, 2023	December 31,2022
Cash:		
Cash on hand and working capital	$ 709	$ 517
Checking accounts and demand deposits	1,516,109	2,271,999
Cash equivalents:		
Time deposits	1,585,500	1,335,500
	$ 3,102,318	$ 3,608,016

1. The Company associates 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 transferred restricted bank deposits to financial assets measured at amortized cost - non-current. Please refer to Note 8 for details.

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

	December 31, 2023	December 31, 2022
Non-current items:		
Equity instruments		
Domestic listed stocks - Preferred stock	$ 29,970	$ 29,970
Valuation adjustment	(1,865)	(2,131)
	$ 28,105	$ 27,839

1. The Company elects to classify equity instruments that are strategic investments as financial assets measured at fair value through other comprehensive income.
2. Financial assets at fair value through other comprehensive income recognized in comprehensive income are detailed in the parent-only statement of comprehensive income.
3. The Company has no financial assets at fair value through profit or loss pledged to others.
4. Please refer to Note 12 (3) for relevant fair value information.

(III) Financial assets measured at amortized cost

	December 31, 2023	December 31, 2022
Non-current items:		
Pledged time deposits	$ 10,706	$ 10,706

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

	December 31,2023	December 31, 2022
Notes receivable	$ 992	$ 2,565
Less: Loss allowance	-	-
	$ 992	$ 2,565
Accounts receivable	$ 972,256	$ 1,123,261
Account receivable - Related parties	417,889	223,754
	1,390,145	1,347,015
Less: Loss allowance	(302)	(22,237)
	$ 1,389,843	$ 1,324,778

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, 2023 and 2022, notes receivable and accounts receivable were from contracts with customers. The balances of notes and accounts receivable as of January 1, 2022 was NT$1,538,441.
3. The Company does not hold any collateral for the aforementioned notes and accounts receivable.

(V) Inventories

	December 31, 2023		
	Cost	Loss allowance for falling prices	Book value
Raw materials	$ 847,523	($ 142,621)	$ 704,902
Work in process	208,416	(16,004)	192,412
Finished goods	182,260	(19,169)	163,091
Merchandise	616	(541)	75
	$ 1,238,815	($ 178,335)	$ 1,060,480

	December 31, 2022		
	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 goods	319,069	(37,210)	281,859
Merchandise	570	(517)	53
	$ 1,286,728	($ 238,081)	$ 1,048,647

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

	2023	2022
Cost of inventory sold	$ 5,037,225	$ 6,241,776
Inventory (price recovery gain) valuation loss	(59,746)	43,847
Loss on scrapping of inventory	18,768	13,326
Others	15,683	19,656
	$ 5,011,930	$ 6,318,605

The Company has provisioned the depreciated and sluggish inventories for closeout, so the loss on depreciation allowance was reduced, which resulted in recovered gains.

(VI) Investments accounted for using equity method

	December 31, 2023		December 31, 2022	
Subsidiaries:	Amount	Shareholding percentage	Amount	Shareholding percentage
Innodisk USA Corporation	$ 103,027	100%	$ 115,751	100%
Innodisk Japan Corporation	11,024	100%	9,767	100%
Innodisk Europe B.V.	49,133	100%	42,783	100%
Innodisk Global-M Corporation	6,525	100%	40,667	100%
Antzer Tech Co., Ltd.	30,819	100%	32,549	100%
Aetina Corporation	297,277	73.67%	306,394	74.20%
	497,805		547,911	
Affiliates:				
AccelStor Inc.	-	-	-	-
Millitronic Co.,Ltd.	26,256	32.16%	6,134	33.55%
Sysinno Technology Inc.	12,278	42.95%	6,819	43.00%
	38,534		12,953	
	$ 536,339		$ 560,864	

Note: In 2023 and 2022, the Company’s share of (losses) profits from subsidiaries and affiliates recognized by the equity method was (NT$62,631) and NT$69,545, 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 2023 consolidated financial statements.

2. Affiliates:

(1) AccelStor Inc.

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

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

(3) Millitronic Co.,Ltd. increased its capital by cash of NTD 70,000 on December 19, 2023. The Company participated in the capital increase with NT$19,361 and acquired 1,382,944 shares, so the Company's shareholding decreased to 32.16%. The difference from the net worth of equity is increased by $2,994 for "capital surplus" and "investment under equity method", respectively.

(4) As of December 31, 2023 and 2022, the Company had no significant affiliates, and the aggregate book values of separate non-significant affiliates were $38,534 and $12,953, respectively. Their operating results are summarized as follows:

	2023	2022
Net loss from continuing operation	($ 4,274)	($ 5,785)
Other comprehensive income or loss (net)	-	-
Total comprehensive income for the year	($ 4,274)	($ 5,785)

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

(blank below)

(VII) Property, plant and equipment

	2023										
	Land			Buildings and structures			Machinery and equipment	Office equipment	Unfinished construction and equipment to be inspected	Others	Total
	For self use	For lease	Subtotal	For self use	For lease	Subtotal	For self use	For self use	For self use	For self use	
January 1, 2023											
Cost	$ 621,705	$ -	$ 621,705	$ 831,606	$ -	$ 831,606	$ 323,496	$ 62,831	$ 212,957	$ 88,169	$ 2,140,764
Accumulated depreciation and impairments	-	-	-	(109,072)	-	(109,072)	(190,657)	(38,736)	-	(51,121)	(389,586)
	$ 621,705	$ -	$ 621,705	$ 722,534	$ -	$ 722,534	$ 132,839	$ 24,095	$ 212,957	$ 37,048	$ 1,751,178
2023											
January 1	$ 621,705	$ -	$ 621,705	$ 722,534	$ -	$ 722,534	$ 132,839	$ 24,095	$ 212,957	$ 37,048	$ 1,751,178
Addition	-	213,475	213,475	14,452	109,359	123,811	15,291	18,411	239,260	23,062	633,310
Reclassification	-	-	-	-	-	-	2,632	-	(5,257)	2,625	-
Depreciation expense	-	-	-	(26,597)	(1,356)	(27,953)	(40,719)	(19,079)	-	(11,862)	(99,613)
December 31	$ 621,705	$ 213,475	$ 835,180	$ 710,389	$ 108,003	$ 818,392	$ 110,043	$ 23,427	$ 446,960	$ 50,873	$ 2,284,875
December 31, 2023											
Cost	$ 621,705	$ 213,475	$ 835,180	$ 827,792	$ 109,359	$ 937,151	$ 341,419	$ 65,774	$ 446,960	$ 112,954	$ 2,739,438
Accumulated depreciation and impairments	-	-	-	(117,403)	(1,356)	(118,759)	(231,376)	(42,347)	-	(62,081)	(454,563)
	$ 621,705	$ 213,475	$ 835,180	$ 710,389	$ 108,003	$ 818,392	$ 110,043	$ 23,427	$ 446,960	$ 50,873	$ 2,284,875

	2022						
	Land	Buildings and structures	Machinery and equipment	Office equipment	Unfinished construction and equipment to be inspected	Others	Total
	For self use	For self use	For self use	For self use	For self use	For self use	
January 1, 2022							
Cost	$ 480,076	$ 731,390	$ 259,792	$ 31,380	$ 55,500	$ 69,660	$ 1,627,798
Accumulated depreciation and impairments	-	(81,454)	(153,852)	(25,877)	-	(41,782)	(302,965)
	$ 480,076	$ 649,936	$ 105,940	$ 5,503	$ 55,500	$ 27,878	$ 1,324,833
2022							
January 1	$ 480,076	$ 649,936	$ 105,940	$ 5,503	$ 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	-	(27,618)	(36,805)	(12,859)	-	(9,340)	(86,622)
December 31	$ 621,705	$ 722,534	$ 132,839	$ 24,095	$ 212,957	$ 37,048	$ 1,751,178
December 31, 2022							
Cost	$ 621,705	$ 831,606	$ 323,496	$ 62,831	$ 212,957	$ 88,169	$ 2,140,764
Accumulated depreciation and impairments	-	(109,072)	(190,657)	(38,736)	-	(51,121)	(389,586)
	$ 621,705	$ 722,534	$ 132,839	$ 24,095	$ 212,957	$ 37,048	$ 1,751,178

1. Information on property, plant and equipment pledged to others as collateral is provided in Note 8.
2. The Company had no capitalization of interest for property, plant and equipment in 2023 and 2022.

(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 5 years. The land for the plant site is leased from Hsinchu Science Park, and the lease period is 20 years. The Company is entitled to the preferential right to lease, and the lease period is 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 collaterals.
2. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Land	Buildings	Company vehicles	Total
January 1, 2023	$ 175,260	$ 3,998	$ 675	$ 179,933
Addition	-	10,819	-	10,819
Depreciation expense	(6,647)	(2,701)	(551)	(9,899)
December 31, 2023	$ 168,613	$ 12,116	$ 124	$ 180,853

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

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

Items affecting current profit and loss	2023	2022
Interest expenses on lease liabilities	$ 2,163	$ 2,200
Lease modification loss (gain)	-	(3)

4. In 2023 and 2022, other than the cash outflow from lease-related expenses mentioned in Note 6(8)3 above, please refer to Note 6(29) for details of the amount of cash outflow arising from the repayment of the 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 Group 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:

	December 31, 2023	December 31,2022
2024	$ 17,210	$ 332
2025	12,982	-
2026	909	-
	$ 31,101	$ 332

(X) Investment property

	Land	Buildings and structures	Total
January 1, 2023			
Cost	$ 162,931	$ 92,919	$ 255,850
Accumulated depreciation and impairments	-	(19,637)	(19,637)
	$ 162,931	$ 73,282	$ 236,213
2023			
January 1	$ 162,931	$ 73,282	$ 236,213
Depreciation expense	-	(2,964)	(2,964)
December 31	$ 162,931	$ 70,318	$ 233,249
December 31, 2023			
Cost	$ 162,931	$ 92,919	$ 255,850
Accumulated depreciation and impairments	-	(22,601)	(22,601)
	$ 162,931	$ 70,318	$ 233,249

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

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

	2023	2022
Rental income from investment property	$ 10,915	$ 11,116
Direct operating expenses incurred by investment property that generates rental income for the period	$ 4,537	$ 3,614

2. The fair value of the investment property held by the Company as of December 31, 2023 and 2022 were NT$281,023 and NT$282,510, 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 pledge on the Company's investment properties as collateral.
4. The Company had no capitalization of interest for investment property in 2023 and 2022.

XI. Other accounts payable

	December 31, 2023	December 31, 2022
Payroll and bonus payable	$ 258,186	$ 263,690
Remunerations payable to employees and directors	97,779	141,225
Accrued expenses	55,394	54,905
Payable on machinery and equipment	16,766	52,801
Others	14,947	14,695
	$ 443,072	$ 527,316

XII. Long-term borrowings

Type of borrowing	Borrowing period and payment method	Range of interest rate	Collateral	December 31, 2023
Long-term bank borrowing				
E.Sun Commercial Bank Credit loan	The borrowing period is from August 23, 2023 to August 15, 2033; the grace period for the principal is two years, and the interest is paid monthly.	1.25%	No	$ 229,000
Less: Long-term loans, current portion				-
				$ 229,000

Type of borrowing	Borrowing period and payment method	Range of interest rate	Collateral	December 31, 2022
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, current portion				-
				$ 180,000

Please see 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, 2023 and 2022 were NT$28,161 and NT$25,024, respectively.

(XIV) Share-based payment

1. The Company's share-based payment arrangements

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

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions	Delivery method
Employee stock option plan - A	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 resolution on July 6, 2022 determined the first employee stock option plan of 2022 and established the stock option method. A total of 3,500,000 units of

employee stock options was to be issued, and each unit of stock option subscribed to 1 share, and measures became effective on July 26, 2022. The Company has processed the issuance of employee stock options on August 5, 2022.

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions	Delivery method
Employee stock option plan - B	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 above share-based payment arrangement

	2023			
	Employee stock option plan - A		Employee stock option plan - B	
	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	123	81.40	3,455	168.00
Share options foregone this period	(10)	81.40	(93)	168.00
Share options exercised this period	(113)	81.40	-	-
Share options expired this period	-	-	-	-
Options outstanding as of December 31	-	-	3,362	168.00
Options exercisable as of December 31	-		-	

	2022			
	Employee stock option plan - A		Employee stock option plan - B	
	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	-	-
Share options granted this period	-	-	3,500	168.00
Share options foregone this period	(100)	89.80	(45)	168.00
Share options exercised this period	(1,405)	88.74	-	-
Share options expired this period	-	-	-	-
Options outstanding as of December 31	123	81.40	3,455	168.00
Options exercisable as of December 31	123		-	

3. The Company's weighted-average share prices of the stock options exercised in 2023 and 2022 were NT$221.28 and NT$185.69, 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, 2023	
Approved issue date	Expiration date	Number of shares (thousand)	Exercise price (NT$)
August 5, 2022	August 5, 2026	3,362	168.00

		December 31, 2022	
Approved issue date	Expiration date	Number of shares (thousand)	Exercise price (NT$)
January 29, 2019	January 29, 2023	123	81.40
August 5, 2022	August 5, 2026	3,455	168.00

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

Type of arrangement	Grant date	Stock price (NT$)	Exercise price (NT$)	Implied volatility	Expected option life	Expected dividend	Risk-free rate	Weighted average fair value per unit (NT$)
Employee stock option plan - A	108.1.29	105.50	105.50	34.34%	4 years	NA	0.61%	26.4442
Employee stock option plan - B	111.8.5	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:

	2023	2022
Equity delivery	$ 48,121	$ 31,447

(XV) Provisions

	2023	2022
Balance on January 1	$ 68,289	$ 59,600
Provisions used for the period	(24,951)	(9,828)
Provision added this period	14,973	18,517
Balance on December 31	$ 58,311	$ 68,289

The analysis of provisions is as follows:

	December 31, 2023	December 31, 2022
Current	$ 21,486	$ 16,286
Non-current	36,825	52,003
	$ 58,311	$ 68,289

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) Capital

1. As of December 31, 2023, 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$883,977 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)

	2023	2022
January 1	86,553,081	82,668,040
Stock dividends	1,731,061	2,480,041
Employees exercise options	113,500	1,405,000
December 31	88,397,642	86,553,081

2. The shareholders' meeting on May 31, 2023 resolved to increase the Company's capital by issuing new shares with the 2022 undistributed retained earnings of NT$17,311 thousand. The record date for the capital increase is August 27, 2023.
3. The shareholders' meeting on May 31, 2022 resolved to increase the Company's capital by issuing new shares with the 2021 undistributed retained earnings of NT$24,801 thousand. The record date for the capital increase is August 6, 2022.
4. The ordinary shares issued due to the exercise of employee stock options in 2023 were 113,500 shares, and all of them had been registered for share capital change.
5. The ordinary shares issued due to the exercise of employee stock options in 2022 were 1,405,000 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 surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2023						
	Issue of shares at premium	Difference between acquisition or disposal price and carrying value of equity in subsidiaries	Changes in ownership interests in subsidiaries recognized	Changes in net value of equities of associates and joint ventures recognized by using the equity method	Employee stock options	Others	Total
January 1	$ 1,302,829	$ 802	$ 24,806	$ -	$ 23,320	$ 4,705	$ 1,356,462
Share-based payment	-	-	-	-	48,121	-	48,121
Changes in net value of equities of associates and joint ventures recognized by using the equity method	-	-	-	2,994	-	-	2,994
Share-based remuneration for employees of subsidiaries	-	-	580	-	-	-	580
Employees exercise options	13,157	-	-	-	(5,053)	-	8,104
Exercise right of disgorgement	-	-	-	-	-	520	520
Lapsed options	-	-	-	-	(3,714)	3,714	-
December 31	$ 1,315,986	$ 802	$ 25,386	$ 2,994	$ 62,674	$ 8,939	$ 1,416,781

	2022					
	Issue of shares at premium	Difference between acquisition or disposal price and carrying value of equity in subsidiaries	Changes in ownership interests in subsidiaries recognized	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
Employees exercise options	145,335	-	-	(34,417)	-	110,918
Lapsed options	-	-	-	(4,031)	4,031	-
December 31	$ 1,302,829	$ 802	$ 24,806	$ 23,320	$ 4,705	$ 1,356,462

(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 distribution of 2022 and 2021 earnings were resolved at the shareholders' meeting on May 31, 2023 and May 31, 2022, respectively. Details are summarized below:

	2022		2021	
	Amount	Dividends per share (NT$)	Amount	Dividends per share (NT$)
Legal reserve allocated	$ 185,019		$ 156,088	
(Reversed) Recognized special reserve	(12,223)		7,709	
Stock dividends	17,311	0.20	24,801	0.30
Cash dividends	1,194,433	13.80	967,217	11.70
	$ 1,384,540		$ 1,155,815	

(2) The distribution of 2023 earnings had been resolved by the Board of Directors on February 22, 2024. Details are summarized below:

	2023	
	Amount	Dividends Per Share (NT$)
Legal reserve allocated	$ 114,762	
(Reversal of) special reserves	(924)	
Stock dividends	17,680	0.20
Cash dividends	901,656	10.20
	$ 1,033,174	

(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:

	Industrial storage devices and memory modules					
2023	Taiwan	Asia	Americas	Europe	Others	Total
Revenue from contracts with customers	$ 2,432,669	$ 1,981,193	$ 1,176,117	$ 1,758,003	$ 138,455	$ 7,486,437

	Industrial storage devices and memory modules					
2022	Taiwan	Asia	Americas	Europe	Others	Total
Revenue from contracts with customers	$ 2,977,132	$ 2,404,601	$ 1,542,995	$ 2,088,653	$ 245,488	$ 9,258,869

2. Contract liabilities

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

	December 31, 2023	December 31, 2022	January 1, 2022
Product sales contracts	$ 16,994	$ 35,857	$ 8,184

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

	2023	2022
Product sales contracts	$ 35,317	$ 8,120

(XX) Interest income

	2023	2022
Income from bank deposits and other interests	$ 34,477	$ 10,298
Interest income from financial assets measured at amortized cost	785	2,876
	$ 35,262	$ 13,174

(XXI) Other income

	2023	2022
Rental income	$ 16,370	$ 11,409
Dividend income	1,127	-
Government grants	80	2,283
Others	11,756	16,001
	$ 29,333	$ 29,693

(XXII) Other gains and losses

	2023	2022
Net currency exchange gain (loss)	$ 6,598	$ 199,140
Disposal of investment gains	-	4,228
Depreciation expenses of real estate investment	(2,964)	(2,886)
Others	-	78
	$ 3,634	$ 200,560

(XXIII) Financing cost

	2023	2022
Interest expense on bank borrowings	$ 1,358	$ 3,061
Interest expenses on lease liabilities	2,163	2,200
Others	30	8
	$ 3,551	$ 5,269

(XXIV) Expenses by nature

	2023	2022
Employee benefits expense	$ 999,695	$ 990,582
Depreciation charges on property, plant and equipment	$ 99,613	$ 86,622
Depreciation expenses for right-of-use assets	$ 9,899	$ 9,170
Amortization expenses on intangible assets and deferred assets.	$ 18,482	$ 21,660

(XXV) Employee benefits expense

	2023	2022
Payroll expenses	$ 807,903	$ 821,394
Employee stock options	48,121	31,447
Labor and health insurance fees	65,167	56,311
Pension expense	28,161	25,024
Directors' remuneration	15,386	22,746
Other employee benefit expenses	34,957	33,660
	$ 999,695	$ 990,582

1. The Company shall allocate the following amounts as employee bonuses and director remunerations if the income before taxes after the deduction to make up for losses still has a balance:
   (1) More than 3% as employee bonuses.
   (2) Less than 2% as remunerations for directors.
   Employee compensation mentioned in the preceding paragraph shall be in the form of stocks or cash and shall be determined by the board resolution and reported to the shareholders meeting. The recipients include the employees of subsidiaries in which the Company holds more than half of the shares with voting power or the total capital of the subsidiaries.
2. The estimated amount of employees' remuneration for 2023 and 2022 is NT$84,079 and NT$120,225, respectively; the estimated amount of directors' remuneration is NT$13,700 and NT$21,000, respectively; these amounts are recorded as salary expenses.
   The remuneration to employees and directors was estimated and accrued at 5.50% and 0.90%, respectively, based on the profitability of 2023.
   The employees' remuneration and directors' remuneration approved by the board meeting for 2022 were NT$120,225 and NT$21,000, respectively, which were consistent with the amounts recognized in the 2022 financial statements. NT$120,225

and NT$21,000 have been paid in cash respectively as of December 31, 2023.

3. Information about employees remuneration and director remuneration of the Company as resolved by the board will be posted in the Market Observation Post System.

(XXVI) Income tax

1. Income tax expense

(1) Components of income tax expense

	2023	2022
Current tax:		
Current income tax liabilities and (assets)	$ 282,122	$ 189,271
Prior year income tax underestimate (overestimate)	(1,491)	(21,540)
Withholding and provisional tax	4,242	195,074
Additional surtax on undistributed earnings	(23,282)	(20,254)
Total current tax	261,591	342,551
Deferred income tax:		
Origination and reversal of temporary differences	412	(16,328)
Others:		
Additional surtax on undistributed earnings	23,282	20,254
Income tax expense	$ 285,285	$ 346,477

(2) For the years ended 2023 and 2022, 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

	2023	2022
Tax calculated based on profit before tax and statutory tax rate	$ 286,580	$ 439,333
Investment deductible tax effect	(28,000)	(30,000)
Realized investment loss on domestic operations	-	(45,052)
Unrealized investment gain on domestic operations	3,152	(17,865)
Effects that cannot be recognized according to laws and regulations	1,227	806
Prior year income tax underestimate (overestimate)	(1,491)	(21,540)
Additional surtax on undistributed earnings	23,282	20,254
Others	535	541
Income tax expense	$ 285,285	$ 346,477

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

	2023		
	January 1	Recognized in profit or loss	December 31
Deferred income tax assets:			
Loss on falling prices of inventory and inventory obsolescence	$ 47,616	($ 11,949)	$ 35,667
Deferred unrealized gain on sales	1,419	295	1,714
Provisions for after-sales services	13,658	(1,996)	11,662
Attendance bonus	2,825	101	2,926
Unrealized exchange loss	3,204	3,762	6,966
Unrealized investment loss on foreign operations	-	5,052	5,052
Subtotal	68,722	(4,735)	63,987
Deferred income tax liabilities:			
Unrealized investment loss on foreign operations	(4,323)	4,323	-
Total	$ 64,399	($ 412)	$ 63,987

	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 gain on sales	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	56,350	12,372	68,722
Deferred income tax liabilities:			
Unrealized investment loss on foreign operations	(8,279)	3,956	(4,323)
Total	$ 48,071	$ 16,328	$ 64,399

4. The Company’s income tax returns through 2021 have been assessed and approved by the tax authority.

(XXVII) Earnings per share

	2023		
	Amount after tax	Weighted average share outstanding (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Current net profit attributable to ordinary shareholders	$ 1,147,616	88,395	12.98
Diluted earnings per share			
Current net profit attributable to ordinary shareholders	$ 1,147,616	88,395	
Employees' bonus assumed conversion of all dilutive potential ordinary shares.	-	358	
Employee stock options	-	1,359	
Current net profit attributable to ordinary shareholders of the Company plus the potential conversion of all dilutive ordinary shares	$ 1,147,616	90,112	12.74

	2022		
	Amount after tax	Weighted average share outstanding (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Current net profit attributable to ordinary shareholders	$ 1,850,189	87,931	21.04
Diluted earnings per share			
Current net profit attributable to ordinary shareholders	$ 1,850,189	87,931	
Employees' bonus assumed conversion of all dilutive potential ordinary shares.	-	775	
Employee stock options	-	183	
Current net profit attributable to ordinary shareholders of the Company plus the potential conversion of all dilutive ordinary shares	$ 1,850,189	88,889	20.81

The aforesaid weighted average number of outstanding shares in 2022 has been retroactively adjusted according to the ratio of capital increase from surplus in 2022.

(XXVIII) Supplemental cash flow information

1. Investing activities with partial cash payments:

	2023	2022
Purchase of property, plant and equipment	$ 633,310	$ 430,209
Add: Opening balance of payable on equipment	52,801	16,348
Less: Ending balance of payable on equipment	(16,766)	(52,801)
Cash paid during the year	$ 669,345	$ 393,756

2. Financing activities with no cash flow effects:

	2023	2022
Capitalization of profit	$ 17,311	$ 24,801

(XXIX) Changes in liabilities arising from financing activities

	2023			
	Other payables - Cash dividends payable	Long-term borrowings (including the current portion)	Lease liabilities (current/non-current)	Guarantee deposit received
January 1	$ -	$ 180,000	$ 183,118	$ 1,785
Increase in borrowings	-	229,000	-	-
Repayment of borrowings	-	(180,000)	-	-
Declared cash dividends	1,194,433	-	-	-
Cash dividends paid	(1,194,433)	-	-	-
Increase in principal of lease liabilities	-	-	10,819	-
Repayment of principal of lease liabilities	-	-	(9,026)	-
Other non-cash transactions	-	-	-	-
Increase in guarantee deposit received	-	-	-	1,692
Decrease in guarantee deposit received	-	-	-	(6)
December 31	$ -	$ 229,000	$ 184,911	$ 3,471

	2022			
	Other payables - Cash dividends payable	Short-term borrowings	Lease liabilities (current/non-current)	Guarantee deposit received
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	-
Repayment of principal of lease liabilities	-	-	(8,268)	-
Other non-cash transactions	-	-	(1,867)	-
Increase in guarantee deposit received	-	-	-	1,092
Decrease in guarantee deposit received	-	-	-	(599)
December 31	$ -	$ 180,000	$ 183,118	$ 1,785

VIII. Related-party transactions

(XXX) Related parties' names and relationship

Name of the related party	Relationship with the Company
Subsidiaries:	
Innodisk USA Corporation	The Company's wholly owned subsidiary
Innodisk Japan Corporation	The Company's wholly owned subsidiary
Innodisk Europe B.V.	The Company's wholly owned subsidiary
Innodisk Global-M Corporation	The Company's wholly owned subsidiary
Aetina Corporation	A subsidiary in which the Company holds 73.67% of equity
Antzer Tech Co., Ltd.	The Company's wholly owned subsidiary
Innodisk Shenzhen Corporation	The Company's wholly owned second-tier subsidiary
Affiliates:	
Millitronic Co.,Ltd.	An entity over which the Company has significant influence
Sysinno Technology Inc.	An entity over which the Company has significant influence
Other related parties:	
I-Media Tech Co., Ltd.	The chairman of that company and one of the Company's directors are the same person.
Innodisk Foundation	The amount donated by the Company and the directors is more than one-third of the total fund received by the foundation.
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 units

(XXXI) 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:

	2023	2022
Subsidiaries:		
Innodisk USA Corporation	$ 807,025	$ 1,116,708
Innodisk Shenzhen Corporation	513,598	511,711
Others	28,435	25,664
An entity over which the Company has significant influence	190	213
	$ 1,349,248	$ 1,654,296

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, 2023	December 31, 2022
Subsidiaries:		
Innodisk USA Corporation	$ 208,963	$ 139,295
Innodisk Shenzhen Corporation	204,237	79,320
Others	4,658	5,030
An entity over which the Company has significant influence	31	109
	$ 417,889	$ 223,754

2. Purchase transaction

(1) Operating costs

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

	2023	2022
Subsidiary		
Innodisk USA Corporation	$ 4,067	$ 26,916
Antzer Tech Co., Ltd.	-	40
Aetina Corporation	193	-
Other related parties	149	92
An entity over which the Company has significant influence	393	620
	$ 4,802	$ 27,668

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, 2023	December 31, 2022
Subsidiary	$ 1	$ -
Other related parties	79	53
An entity over which the Company has significant influence	108	12
	$ 188	$ 65

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:

	2023		2022	
	Rental income	Other income	Rental income	Other income
Subsidiaries:				
Innodisk Japan Corporation	$ 3,636	$ 50	$ 3,740	$ 52
Aetina Corporation	1,842	6,083	1,757	5,856
Innodisk USA Corporation	-	374	-	5,240
Antzer Tech Co., Ltd.	120	240	110	240
An entity over which the Company has significant influence:				
Others	997	360	960	360
	$ 6,595	$ 7,107	$ 6,567	$ 11,748

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:

	December 31, 2023	December 31, 2022
Subsidiaries:		
Aetina Corporation	$ 767	$ 504
Antzer Tech Co., Ltd.	42	252
An entity over which the Company has significant influence	31	52
	$ 840	$ 808

(3) Other non-current liabilities

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

	December 31, 2023	December 31, 2022
Subsidiaries:		
Innodisk Japan Corporation	$ 195	$ 209
Aetina Corporation	332	-
An entity over which the Company has significant influence	146	-
	$ 673	$ 209

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:

	2023	2022
	Research and development expenses	Research and development expenses
Subsidiaries:		
Innodisk Japan Corporation	$ 35,236	$ 39,434
Innodisk USA Corporation	1,763	3,836
Innodisk Europe B.V.	83,643	69,944
Aetina Corporation	351	75
An entity over which the Company has significant influence	187	-
	$ 121,180	$ 113,289

(2) Other payables

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

	December 31, 2023	December 31, 2022
Subsidiary		
Innodisk Japan Corporation	$ 1,324	$ 3,707
Innodisk Europe B.V.	7,640	4,543
Aetina Corporation	300	42
An entity over which the Company has significant influence	114	-
	$ 9,378	$ 8,292

5. Provision of endorsements and guarantees

Endorsements and guarantees provided to related parties:

	December 31, 2023		December 31, 2022	
Subsidiaries:	Amount	Actual amount drawn down	Amount	Actual amount drawn down
Innodisk Europe B.V.	$ 14,272	$ 14,272	$ 22,904	$ 14,397

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:

	2023	2022
Innodisk Foundation	$ 3,000	$ 4,000

7. Acquisition of financial assets

Counterparty	Accounting item	Number of shares traded	Subject of transaction	2023 Price of acquisition
Sysinno Technology Inc.	Investments accounted for using equity method	300,000	Common stock	$ 7,500
Millitronic Co., Ltd.	Investments accounted for using equity method	1,382,944	Common stock	19,361
				$ 26,861

2022 : None.

(XXXII) Compensation of key management personnel

	2023	2022
Short-term employee benefits	$ 105,381	$ 103,972
Post-employment benefits	963	835
Share-based payment	11,308	7,390
	$ 117,652	$ 112,197

IX. Pledged assets

Assets pledged by the Company as collateral are as follows:

	Book value		
Assets	December 31, 2023	December 31, 2022	Purpose of collateral
Financial assets at amortized cost -- Non-current			
Non-current assets Pledged time deposits	$ 10,706	$ 10,706	Provide pledged time deposits for lease and customs tax guarantee
Land and buildings	-	295,555	Long-term borrowings
Investment property			
Land and buildings	-	32,839	Long-term borrowings
	$ 10,706	$ 339,100	

X. Material contingent liabilities and unrecognized contractual commitments

(I) Material contingent liabilities

None.

(II) Material unrecognized contractual commitments

1. As of December 31, 2023 and 2022, the amount of endorsements and guarantees for individual entities in the Company was NT$14,272 and NT$22,904, respectively, and the amount used was NT$14,272 and NT$14,397, respectively.
2. Capital expenditures that have been signed but not yet incurred

	December 31, 2023	December 31, 2022
Property, plant and equipment (Note)	$ 144,703	$ 383,940

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

XI. Losses due to major disasters

None.

XII. Significant subsequent events

The distribution of 2023 earnings had been resolved by the Board of Directors on February 22, 2024. Details are summarized in Note 6 (18).

XIII. 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-only balance sheet. Total capital is calculated as "equity", as shown in the parent-only balance sheet, plus net debt.

The Company maintained the same strategy in 2023 as in 2022. Please refer to the parent company only balance sheet for the Company's debt-to-capital ratio as of December 31, 2023 and 2022.

(II) Financial instruments

1. Types of financial instrument

For the Company's financial assets (cash and cash equivalents, 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 (related parties), long-term borrowings, guarantee deposits received, current and non-current lease liabilities), please refer to the relevant information in the parent-only 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 programme 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 US dollars, 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 engages in operations involving certain non-functional currencies (the functional currency of the Company is the New Taiwan dollar) and is therefore subject to exchange rate fluctuations. Information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

	December 31, 2023		
(Foreign currency: functional currency)	Foreign currency (in thousands)	Exchange rate	Book value (NT$)
Financial Assets			
Monetary items			
USD : NTD	61,997	30.7050	$ 1,903,618
RMB : NTD	23,514	4.3270	101,745
JPY : NTD	144,509	0.2172	31,387
EUR : NTD	228	33.9800	7,747
Non-monetary items			
- Investment in subsidiaries			
USD : NTD	3,568	30.7050	109,552
JPY : NTD	50,755	0.2172	11,024
EUR : NTD	1,446	33.9800	49,133

(Foreign currency: functional currency)	December 31, 2023 Foreign currency (in thousands)	Exchange rate	Book value (NT$)
Financial liabilities			
Monetary items			
USD : NTD	17,584	30.7050	539,917
JPY : NTD	5,868	0.2182	1,280
Non-monetary items			
- Investment in subsidiaries			
RMB : USD	774	0.1409	3,349

(Foreign currency: functional currency)	December 31, 2022 Foreign currency (in thousands)	Exchange rate	Book value (NT$)
Financial Assets			
Monetary items			
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
Non-monetary items			
- 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
Financial liabilities			
Monetary items			
USD : NTD	10,024	30.7100	307,837
EUR : NTD	1,964	32.7200	64,262
JPY : NTD	18,580	0.2324	4,318

(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 2023 and 2022.

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

	2023		
	Sensitivity Analysis		
	Fluctuation	Effect on profit or loss	Effect on other comprehensive income
Financial Assets			
Monetary items			
USD : NTD	1%	$ 19,036	$ -
RMB : NTD	1%	1,017	-
JPY : NTD	1%	314	-
EUR : NTD	1%	77	-
Financial liabilities			
Monetary items			
USD : NTD	1%	(5,399)	-
JPY : NTD	1%	(13)	-

	2022		
	Sensitivity Analysis		
	Fluctuation	Effect on profit or loss	Effect on other comprehensive income
Financial Assets			
Monetary items			
USD : NTD	1%	$ 23,086	$ -
RMB : NTD	1%	432	-
JPY : NTD	1%	292	-
EUR : NTD	1%	125	-
Financial liabilities			
Monetary items			
USD : NTD	1%	(3,078)	-
EUR : NTD	1%	(643)	-
JPY : NTD	1%	(43)	-

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. To manage the price risk of equity instruments, the Company diversifies its investment portfolio in a manner that is based on the limits set by the Company.

(B) The Company invests primarily in equity instruments issued by domestic companies. The prices of these equity instruments are affected by the uncertainty of the future value of the underlying investments. If the price of such instruments rises or falls by 1% while all other factors remain unchanged, the other comprehensive income classified as equity investments measured at fair value through other comprehensive income from January 1 to December

31, 2023 and 2022 will increase or decrease by NT$281 and NT$278, respectively.

C. Cash flow and fair value interest rate risk

(A) The Company's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. The Company's borrowings at variable rate were denominated in NTD.

(B) At December 31, 2023 and 2022, if the borrowing rate increased by 1% with all other reasons remained unchanged, the profit before income tax from January 1 to December 31, 2023 and 2022 would decrease by NT$2,290 and NT$1,800 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 associates 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 historic and current data in order to estimate the loss allowance notes and accounts receivables. The loss rates are shown as follows:

	Not past due	Less than 30 days past due	31 to 60 days past due	61 to 180 days past due	More than 181 days past due	Total
December 31, 2023						
Expected loss rate	0.03%	0.61%	1.22%	12.84%~72.43%	100.00%	
Notes receivable	$ 992	$ -	$ -	$ -	$ -	$ 992
Accounts receivable	1,374,688	14,049	1,398	10	-	1,390,145
Total book value	$ 1,375,680	$ 14,049	$ 1,398	$ 10	$ -	$ 1,391,137
Loss allowance	($ 295)	($ 4)	($ 1)	($ 2)	$ —	($ 302)

	Not past due	Less than 30 days past due	31 to 60 days past due	61 to 180 days past due	More than 181 days past due	Total
December 31, 2022						
Expected loss rate	0.05%	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 allowance	($ 550)	($ 465)	($ 325)	($ 9,227)	($ 11,670)	($ 22,237)

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:

	2023	2022
	Accounts	Accounts
January 1	$ 22,237	$ 1,192
Expected loss (gain) on credit	(21,935)	21,045
December 31	$ 302	$ 22,237

(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, 2023 and 2022, 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 parent-only balance sheet. The remaining undiscounted cash flow of non-derivative financial liabilities is shown as follows:

December 31, 2023	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Non-derivative financial liabilities:					
Lease liabilities (current/non-current)	$ 11,874	$ 10,462	$ 29,731	$ 169,475	$ 221,542
Long-term borrowings	2,870	12,389	92,544	137,549	245,352

December 31, 2022	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Non-derivative financial liabilities:					
Lease liabilities (current/non-current)	$ 10,628	$ 9,459	$ 24,138	$ 177,376	$ 221,601
Long-term borrowings	1,478	10,614	33,850	149,028	194,970

(III) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

   Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in stocks of publicly traded or OTC firms is included in Level 1.

   Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

   Level 3: Unobservable inputs for the asset or liability.

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, 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 (related parties), long-term borrowings, 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. The related information for financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(1) The Company classifies its assets and liabilities according to their nature, and the relevant information is as follows

December 31, 2023	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Financial assets measured by value				
- Equity securities	$ 28,105	$ -	$ -	$ 28,105

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

(2) The methods and assumptions adopted by the Company for assessing the 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 incorporates credit risk valuation adjustments into the consideration of fair value of financial instruments and non-financial instruments to reflect counterparty credit risk and the credit quality of the Company, respectively.

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 2023 and 2022.

XIV. Additional disclosures

(IV) 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 Schedule 2.
4. Acquisition or sale of the same security with the accumulated cost exceeding $300 million

or 20% of the Company's paid-in capital: None.

5. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please see Schedule 3.
6. Disposal of real estate exceeding \$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Schedule 4.
8. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please see Schedule 5.
9. Engaged in derivative trading: None.
10. Business relationships and significant intercompany transactions between the parent company and subsidiaries: Please refer to Schedule 6.

(V) Information on investees

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

(VI) 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 see Schedule 9.

(VII) Information of principal shareholders

Information on principal shareholders: Detailed in Schedule 10.

XV. Operating segments information

Not applicable.

Innodisk Corporation
Provision of endorsements and guarantees to others
January 1 to December 31, 2023

Schedule 1

Expressed in Thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser / guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	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/guarantees by the parent company to the subsidiary	Provision of endorsements/ guarantees by the subsidiary to the parent company	Provision of endorsements/ guarantees to the party in China	Remarks
0	Innodisk Corporation	Innodisk Europe B.V.	2	$ 1,407,383	$ 14,272	$ 14,272	$ 14,272	$ -	0.20%	$ 3,518,459	Y	N	N	
1	Innodisk Europe B.V.	Innodisk France SAS	4	9,827	5,051	5,051	-	-	10.28%	24,567	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, 2023

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: Number of Shares	Period end: Book value	Period end: Shareholding percentage	Period end: Fair value	Remarks
Innodisk Corporation	Preference shares of TWSE/TPEx list domestic companies - Supreme Electronics Co., Ltd.	No	Non-current financial assets at fair value through other comprehensive income	666,000	$ 28,105	2.22%	$ 28,105	

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 NT$300 million or 20% of the paid-in capital or more
January 1 to December 31, 2023

Schedule 3

Expressed in Thousands of NTD
(Except as otherwise indicated)

The company which acquired the real estate	Property name	Date of fact	Transaction amount (Note)	Payment status	Counterparty	Relationship with the endorser/ guarantor	Previous transfer information if the counterparty is a related party: Owner	Relationship with the Issuer	Transfer date	Amount	Reference for price determination	Purpose of acquisition and status of use	Other agreed matters
Innodisk Corporation	Real estate in Xizhi District, New Taipei City	May 2023	$ 322,834	2023: Paid NT$322,834 in total.	Ikonix Manufacturing Co., Ltd	-	-	-	-	-	In accordance with the contract.	For the Company’s operation.	No

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

Innodisk Corporation
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, 2023

Schedule 4

Expressed in Thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms of general transactions and reasons		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty name	Relationship with the endorser/ guarantor	Purchase/Sales	Amount	Percentage of total purchases (sales)	Credit term	Unit Price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Remarks
Innodisk Corporation	Innodisk USA Corporation	Subsidiary	(Sales)	($ 807,025)	(11%)	Net 60	None	None	$ 208,963	15%	
Innodisk Corporation	Innodisk Shenzhen Corporation	Subsidiary	(Sales)	(513,598)	(7%)	Net 60	None	None	204,237	15%	
Innodisk USA Corporation	Innodisk Corporation	Parent company	Purchase	807,025	17%	Net 60	None	None	(208,963)	(30%)	
Innodisk Shenzhen Corporation	Innodisk Corporation	Parent company	Purchase	513,598	11%	Net 60	None	None	(204,237)	(29%)	

Innodisk Corporation
Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more:
January 1 to December 31, 2023

Schedule 5

Expressed in Thousands of NTD
(Except as otherwise indicated)

Companies with accounts receivable	Counterparty name	Relationship with the endorser/ guarantor	Balance of account receivable from related parties	Turnover rate	Overdue receivables: Amount	Overdue receivables: Action taken	Amount collected subsequent to the balance sheet date	Amount of recognized allowance for bad debts
Innodisk Corporation	Innodisk USA Corporation	Subsidiary	$ 208,963	4.63	$ -	Not applicable	$ 67,114	$ -
Innodisk Corporation	Innodisk Shenzhen Corporation	Subsidiary	204,237	3.62	-	Not applicable	58,159	-

Innodisk Corporation
Significant inter-company transactions during the reporting periods and their business relationships.
January 1 to December 31, 2023

Schedule 6
Individual transactions less than NT$10 million will not be disclosed. Transactions which are disclosed as part of the parent company’s transactions will not be disclosed again.

Expressed in Thousands of NTD
(Except as otherwise indicated)

				Status of transaction			
Number (Note 1)	Relationship	Counterparty	Relationship	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 2)
0	Innodisk Corporation	Innodisk USA Corporation	Parent company to subsidiary	Sales	$ 807,025	Same with other customers	10%
0	Innodisk Corporation	Innodisk Shenzhen Corporation	Parent company to subsidiary	Sales	513,598	Same with other customers	6%
0	Innodisk Corporation	Innodisk USA Corporation	Parent company to subsidiary	Accounts receivable	208,963	Same with other customers	2%
0	Innodisk Corporation	Innodisk Shenzhen Corporation	Parent company to subsidiary	Accounts receivable	204,237	Same with other customers	2%
0	Innodisk Corporation	Innodisk Japan Corporation	Parent company to subsidiary	Operating expenses	35,236	Same with other customers	0%
0	Innodisk Corporation	Innodisk Europe B.V.	Parent company to subsidiary	Operating expenses	83,643	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, 2023

Schedule 7

Expressed in Thousands of NTD
(Except as otherwise indicated)

				Initial investment amount (Note 1)		Shares held as of the end of period					
Name of Investor	Investee	Location	Main business activities	Balance at the end of period	End of the previous year	Number of Shares	Percentage	Book value	Net profit (loss) of the investee for the current period	Investment income(loss) recognized by the Company for the current period	Remarks
Innodisk Corporation	Innodisk USA Corporation	United States	Industrial embedded storage devices	$ 140,499	$ 140,499	2,046,511	100.00	$ $ 103,027	($ 10,674)	($ 10,413)	
Innodisk Corporation	Innodisk Japan Corporation	Japan	After-sales services and support of industrial embedded storage devices	3,533	3,533	196	100.00	11,024	2,043	1,940	
Innodisk Corporation	Innodisk Europe B.V.	Netherlands	After-sales services and support of industrial embedded storage devices	17,802	17,802	50,000,100	100.00	49,133	4,664	4,664	
Innodisk Corporation	Innodisk Global-M Corporation	Mauritius	Investment holdings	20,154	20,154	665,000	100.00	6,525	(42,752)	(43,064)	
Innodisk Corporation	Aetina Corporation	Taiwan	Manufacturing and sales of industrial graphics cards	24,091	24,091	23,884,103	73.67	297,277	(13,244)	(9,754)	
Innodisk Corporation	Antzer Tech Co., Ltd.	Taiwan	Electronic parts and components manufacturing.	57,133	57,133	58,400,000	100.00	30,819	1,270	(1,730)	
Innodisk Corporation	AccelStor Inc.	Taiwan	Electronic parts and components manufacturing.	73,518	54,157	6,798,664	32.16	26,256	(6,634)	(2,233)	Note6
Innodisk Corporation	Millitronic Co.,Ltd.	Taiwan	Electronic parts and components manufacturing.	20,400	12,900	945,000	42.95	12,278	(4,749)	(2,041)	Note 5
Innodisk Europe B.V.	Innodisk France SAS	France	After-sales services and support of industrial embedded storage devices	175	175	5,000	100.00	4,066	1,802	1,802	
Aetina Corporation	Aetina USA Corporation	United States	After-sales services and support of industrial graphics cards	6,098	-	200,000	100.00	6,500	213	213	Note 2
Aetina Corporation	Aetina USA Corporation	Netherlands	After-sales service and support for industrial graphics cards	-	-	100	100.00	1,259	941	941	Note 3
Aetina Corporation	Innodisk Japan Corporation	Japan	After-sales service and support for industrial graphics cards	1,087	-	500	100.00	985	(103)	(103)	Note 4

Note 1: Disclosed at the historical exchange rate
Note 2: Aetina Corporation established the subsidiary Aetina USA Corporation in September 2021, and the capital injection has been completed on January 10, 2023.
Note 3: Aetina Corporation established the subsidiary Aetina Europe B.V. in January 2022, and the capital injection has been completed on March 13, 2023.
Note 4: Aetina Corporation established the subsidiary, Aetina Japan Co., Ltd. in October 2023, and the capital injection has been completed on October 12, 2023.
Note 5: The Company injected an additional investment capital of NT$7,500 thousand to Sysinno Technology Inc. and acquired additional 300 thousand shares in March 2023.
Note 6: The Company injected an additional investment capital of NT$19,361 thousand to Millitronic Co., Ltd. and acquired additional 1,383 thousand shares in December 2023.

Innodisk Corporation
Information on investments in China - Basic data
January 1 to December 31, 2023

Schedule 8

Expressed in Thousands of NTD
(Except as otherwise indicated)

Investee in China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to China	Amount remitted from Taiwan to China/Amount remitted back to Taiwan for the year: Remitted to	Amount remitted from Taiwan to China/Amount remitted back to Taiwan for the year: Remitted back	Accumulated amount of remittance from Taiwan to China	Net profit (loss) of the investee for the current period	Ownership held by the Company (direct or indirect)	Investment income(loss) recognized 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
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$600 thousands) (Note 3)	($ 42,624)	100	($ 42,624)	($ 3,349)	$ -	
Aetina (Shenzhen) Artificial Intelligence Co., Ltd.	After-sales service and support for industrial graphics cards	$1,360 (US$42 thousands) (Note 6)	1. Aetina Corporation	$1,360 (US$42 thousands) (Note 6)	$ -	$ -	$1,360 (US$42 thousands) (Note 6)	($ 214)	100	($ 214)	$ 1,087	$ -	註 6

Note 1:Investment methods are classified into the following three categories; fill in the number of the category that each case belongs to:
(1). Directly invest in a company in China.
(2). Re-investment in China through a company in a third area (please specify the company in the third area)
(3). Other methods
Note 2:The investment income (loss) recognized in the current period is based on the 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 3)	$18,168 (US$600 thousands) (Note 3)	$ 4,285,971
Aetina Corporation	$1,360 (US$42 thousands) (Note 5)	$1,360 (US$42 thousands) (Note 5)	$ 242,202

Note 4:The cap is 60% of the net worth in accordance with the provisions of the (90) Tai-Cai-Zheng (I) No.006130 announced by the Securities and Futures Commission, Ministry of Finance on November 16, 2001.
Note 5: Investment amount of Aetina Corporation approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) is USD 42 thousand.
Note 6: Aetina Corporation established the subsidiary Aetina (Shenzhen) Artificial Intelligence Co., Ltd. in July 2023, and the capital injection has been completed on November 10, 2023.

Innodisk Corporation
Significant transactions, either directly or indirectly through a third area, with investee companies in China
January 1 to December 31, 2023

Schedule 9

Expressed in Thousands of NTD
(Except as otherwise indicated)

Investee in China	Sales (Purchases) Amount	Sales (Purchases) %	Property transactions Amount	Property transactions %	Accounts receivable / payable Balance	Accounts receivable / payable %	Notes endorsement and guarantee or provision of collateral: Balance at the end of the period	Notes endorsement and guarantee or provision of collateral: Purpose	Financial intermediation: Highest balance	Financial intermediation: Balance at the end of the period	Financial intermediation: Range of interest rate	Financial intermediation: Current interest rate	Others
Innodisk Shenzhen Corporation	$ 513,598	7%	$ -	-	$ 204,237	15%	$ -	-	$ -	$ -	-	$ -	-

Innodisk Corporation
Information on major shareholders
December 31, 2023

Schedule 10

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

Note 1: The information on major shareholders in this Exhibit is compiled by Taiwan Depository & Clearing Corporation based on the 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 holding more than 10 percent of the shares 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

(113) Cai-Shen-Bao-Zi No. 23003740

To the Board of Directors of Innodisk Corporation:

Opinions

We have duly audited the consolidated balance sheet of Innodisk Corporation and subsidiaries (the "Group") as of December 31, 2023 and 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement from January 1 to December 31, 2023 and 2022 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, 2023 and 2022, and the consolidated financial performance and consolidated cash flows from January 1 to December 31, 2023 and 2022.

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 2023. 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 2023 consolidated financial statements are stated as follows:

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. Conduct period-end physical inventory count to identify whether there are slow-moving, damaged or unsaleable inventories.
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, so as to evaluate the impact on inventory valuation.
4. Obtain the net realizable value report of each inventory to confirm the calculation logic and test relevant parameters such as source data of sales files and the relevant supporting valuation documents. Recalculate loss in valuation allowance of each item number at the lower of cost and net realizable value.
5. Compare the differences in provisions of inventory allowance for the current period and the most recent year to estimate the valuation loss in inventory allowance.

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, 2023 and 2022.

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 2023. 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 22,2024

Innodisk Corporation and Subsidiaries
Consolidated Balance Sheet
Years ended December 31, 2023 and 2022

Expressed in Thousands of NTD

	Assets	Note	December 31, 2023			December 31, 2022 (Adjusted)		
				Amount	%		Amount	%
	Current assets							
1100	Cash and cash equivalents	6 (1)	$	3,557,022	38	$	4,000,049	43
1150	Notes receivable	6 (4)		1,017	-		2,565	-
1170	Accounts receivable, net	6 (4)		1,333,627	14		1,418,794	15
1180	Accounts receivable - related parties	6 (4) and 7 (2)		31	-		109	-
1200	Other receivables			18,452	-		5,217	-
1210	Other receivables - related parties	7 (2)		31	-		52	-
1220	Current income tax assets	6 (27)		4,838	-		2,741	-
130X	Inventories	6 (5)		1,159,248	13		1,158,475	12
1410	Prepayments			66,066	1		61,317	1
11XX	**Current Assets**			6,140,332	66		6,649,319	71
	Non-current assets							
1517	Non-current financial assets at fair value through other comprehensive income	6 (2)		28,105	-		27,839	1
1535	Non-current financial assets at amortized cost	6 (3) and 8		11,206	-		10,706	-
1550	Investments accounted for using equity method	6 (6)		38,534	-		12,953	-
1600	Property, plant and equipment	6 (7) and 8		2,677,880	29		2,138,510	23
1755	Right-of-use assets	6 (8)		214,578	2		207,483	2
1760	Investment property, net	6 (10) and 8		118,355	1		119,318	1
1780	Intangible assets	6 (11)		39,375	1		44,117	1
1840	Deferred income tax assets	6 (27)		86,861	1		89,302	1
1920	Refundable deposit			6,354	-		5,535	-
1990	Other non-current assets - others			126	-		-	-
15XX	**Non-current assets**			3,221,374	34		2,655,763	29
1XXX	**Total Assets**		$	9,361,706	100	$	9,305,082	100

(Continued)

Innodisk Corporation and Subsidiaries
Consolidated Balance Sheet
Years ended December 31, 2023 and 2022

Expressed in Thousands of NTD

	Liabilities and Equity	Note	December 31, 2023 Amount	%	(Adjusted) December 31, 2022 Amount	%
	Current liabilities					
2130	Current contract liabilities	6 (20)	$ 27,548	-	$ 42,079	-
2170	Accounts payable		730,973	8	706,617	8
2180	Accounts payable - related parties	7 (2)	187	-	65	-
2200	Other payables	6 (12)	508,917	6	607,012	7
2220	Other payables - related parties	7 (2)	114	-	-	-
2230	Current income tax liabilities	6 (27)	288,855	3	212,868	2
2250	Provisions for liabilities-current	6 (16)	22,232	-	16,326	-
2280	Current lease liabilities		28,001	1	22,229	-
2320	Long-term liabilities - current portion	6 (13)	11,705	-	11,006	-
2399	Other current liabilities, others		7,174	-	6,276	-
21XX	**Current Liabilities**		1,625,706	18	1,624,478	17
	Non-current liabilities					
2540	Long-term loans	6 (13)	357,755	4	310,070	3
2550	Provisions for non-current liabilities	6 (16)	37,337	-	52,785	1
2570	Deferred income tax liabilities:	6 (27)	3,790	-	8,542	-
2580	Non-current lease liabilities		190,523	2	188,184	2
2645	Guarantee deposit received	7 (2)	3,310	-	1,586	-
25XX	**Non-current Liabilities**		592,715	6	561,167	6
2XXX	**Total liabilities**		2,218,421	24	2,185,645	23
	Equity attributable to owners of parent					
	Share capital	6 (17)				
3110	Share capital - common stock		883,977	10	865,531	10
	Capital surplus	6 (18)				
3200	Capital surplus		1,416,781	15	1,356,462	15
	Retained earnings	6 (19)				
3310	Legal reserve		951,850	10	766,831	8
3320	Special reserve		924	-	13,147	-
3350	Unappropriated retained earnings		3,774,896	40	4,011,820	43
	Other equity interests					
3400	Other equity interests		8,489	-	(924)	-
31XX	**Total equity attributable to owners of parent**		7,036,917	75	7,012,867	76
36XX	**Non-controlling interest**		106,368	1	106,570	1
3XXX	**Total equity**		7,143,285	76	7,119,437	77
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total Liabilities and Equity**		$ 9,361,706	100	$ 9,305,082	100

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

Chairman: Chien, Chuan-Sheng　　Management Officer: Chien, Chuan-Sheng　　Principal Accounting Officer: Hsiao, Wen-Kui

Innodisk Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2023 and 2022

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

	Item	Note	2023 Amount	2023 %	2022 Amount	2022 %
4000	Operating revenue	6 (20) and 7 (2)	$ 8,313,778	100	$ 10,303,229	100
5000	Operating cost	6 (5) and 7 (2)	(5,467,866)	(66)	(6,844,611)	(66)
5950	Gross profit from operations		2,845,912	34	3,458,618	34
	Operating expenses	6 (25) and 7 (2)				
6100	Marketing expenses		(650,597)	(8)	(601,799)	(6)
6200	General and administrative expenses		(422,263)	(5)	(465,302)	(5)
6300	Research and development expenses		(409,328)	(5)	(332,000)	(3)
6450	Expected gain (loss) on credit impairment	12 (2)	16,304	-	(20,056)	-
6000	Total operating expenses		(1,465,884)	(18)	(1,419,157)	(14)
6900	Operating profit		1,380,028	16	2,039,461	20
	Non-operating income and expenses					
7100	Interest income	6 (21)	39,476	1	14,248	-
7010	Other income	6 (22) and 7 (2)	21,697	-	16,571	-
7020	Other gains and losses	6 (23)	1,258	-	209,316	2
7050	Financing cost	6 (24)	(7,097)	-	(7,484)	-
7060	Shares of losses of associates and joint ventures accounted for using equity method	6 (6)	(4,274)	-	(5,785)	-
7000	Total non-operating income and expenses		51,060	1	226,866	2
7900	**Profit before income tax**		1,431,088	17	2,266,327	22
7950	Income tax expense	6 (27)	(286,921)	(3)	(385,039)	(4)
8200	**Net income for the year**		$ 1,144,167	14	$ 1,881,288	18

(Continued)

Innodisk Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2023 and 2022

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

	Item	Note	2023 Amount	2023 %	2022 Amount	2022 %
	Other comprehensive income for the year (net)					
	Items that will not be reclassified to profit or loss					
8316	Unrealized gains or losses of equity instruments measured at fair value through other comprehensive income		$ 266	-	($ 2,131)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		266	-	(2,131)	-
	Items that may be reclassified to profit or loss					
8361	Exchange difference arising on translation of foreign operations		9,168	-	14,354	-
8360	Total of Items that may be reclassified to profit or loss		9,168	-	14,354	-
8300	**Other comprehensive income for the period, net of tax**		$ 9,434	-	$ 12,223	-
8500	**Total comprehensive income for the year**		$ 1,153,601	14	$ 1,893,511	18
	Profit attributable to:					
8610	Owners of the parent		$ 1,147,616	14	$ 1,850,189	18
8620	Non-controlling interest		(3,449)	-	31,099	-
	Net income for the year		$ 1,144,167	14	$ 1,881,288	18
	Comprehensive income attributable to					
8710	Owners of the parent		$ 1,157,029	14	$ 1,862,412	18
8720	Non-controlling interest		(3,428)	-	31,099	-
	Total comprehensive income for the year		$ 1,153,601	14	$ 1,893,511	18
	Basic earnings per share	6 (28)				
9750	Net income for the year		$ 12.98		$ 21.04	
	Diluted earnings per share	6 (28)				
9850	Net income for the year		$ 12.74		$ 20.81	

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

Chairman: Chien, Chuan-Sheng   Management Officer: Chien, Chuan-Sheng   Principal Accounting Officer: Hsiao, Wen-Kui

Innodisk Corporation and Subsidiaries
Consolidated Statement of Changes in Equity
For the years ended December 31, 2023 and 2022

Expressed in Thousands of NTD

		Equity attributable to owners of parent									
				Retained earnings			Other equity interests				
	Note	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements of foreign operations Exchange differences	Unrealized appraisal gains and losses of financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
January 1 to December 31, 2022											
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
Net income 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
Employees exercise 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
January 1 to December 31, 2023											
Balance as of January 1, 2023		$ 865,531	$ 1,356,462	$ 766,831	$ 13,147	$ 4,011,820	$ 1,207	($ 2,131)	$ 7,012,867	$ 106,570	$ 7,119,437
Net income for the year		-	-	-	-	1,147,616	-	-	1,147,616	(3,449)	1,144,167
Other comprehensive profit and loss for the year		-	-	-	-	-	9,147	266	9,413	21	9,434
Total comprehensive profit and loss for the year		-	-	-	-	1,147,616	9,147	266	1,157,029	(3,428)	1,153,601
Appropriation and distribution of 2022 earnings	6 (19)										
Legal reserve		-	-	185,019	-	(185,019)	-	-	-	-	-
Special reserve		-	-	-	(12,223)	12,223	-	-	-	-	-
Stock dividends		17,311	-	-	-	(17,311)	-	-	-	-	-
Cash dividends		-	-	-	-	(1,194,433)	-	-	(1,194,433)	-	(1,194,433)
Share-based payment	6 (15)	-	48,121	-	-	-	-	-	48,121	-	48,121
Employees exercise options	6 (17)	1,135	8,104	-	-	-	-	-	9,239	-	9,239
Changes in net value of equities of associates and joint ventures recognized by using the equity method		-	2,994	-	-	-	-	-	2,994	-	2,994
Share-based remuneration for employees of subsidiaries		-	580	-	-	-	-	-	580	3,109	3,689
Share-based payment	6 (15)	-	-	-	-	-	-	-	-	117	117
Exercise right of disgorgement		-	520	-	-	-	-	-	520	-	520
Balance as of December 31, 2023		$ 883,977	$ 1,416,781	$ 951,850	$ 924	$ 3,774,896	$ 10,354	($ 1,865)	$ 7,036,917	$ 106,368	$ 7,143,285

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

Chairman: Chien, Chuan-Sheng　　Management Officer: Chien, Chuan-Sheng　　Principal Accounting Officer: Hsiao, Wen-Kui

Innodisk Corporation and Subsidiaries
Consolidated Cash Flow Statement
For the years ended December 31, 2023 and 2022

Expressed in Thousands of NTD

	Note	January 1, 2023 to December 31 2023	January 1, 2022 to December 31 2022
Cash flow from operating activities			
Net profit before tax for the period		$ 1,431,088	$ 2,266,327
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation charges on property, plant and equipment	6 (25)	112,843	97,474
Depreciation expenses for right-of-use assets	6 (25)	33,323	29,827
Amortization expenses on intangible assets and deferred assets.	6 (25)	24,027	26,074
Depreciation expenses of real estate investment	6 (23)	1,446	1,398
Expected loss (gain) on credit impairment	12 (2)	(16,304)	20,056
Recovered gain or loss on falling prices of inventory	6 (5)	(67,781)	53,432
Losses on scrapping of inventory	6 (5)	21,550	17,048
Gain on lease modifications	6 (8)	(1)	(48)
Interest income	6 (21)	(39,476)	(14,248)
Dividend income	6 (22)	(1,127)	-
Interest expense	6 (24)	7,097	7,484
Share-based compensation costs	6 (15)	48,238	31,447
Shares of losses of associates and joint ventures accounted for using equity method	6 (6)	4,274	5,785
Loss (gain) on disposal of property, plant and equipment	6 (23)	25	35
Disposal of investment gains	6 (23)	-	(4,228)
Changes in operating assets and liabilities			
Net change in assets related to operating activities			
Notes receivable		1,548	(579)
Accounts receivable, net		101,786	115,787
Accounts receivable - Net from related parties		78	(107)
Other receivables		(12,721)	1,286
Other receivables - related parties		21	(10)
Inventories		45,458	435,394
Prepayments		(4,749)	41,341
Net change in liabilities related to operating activities			
Current contract liabilities		(14,531)	10,269
Accounts payable		24,356	(250,040)
Accounts payable - related parties		122	(320)
Other payables		(59,059)	84,680
Other payables - Related parties		114	-
Current provisions		5,906	(629)
Non-current provisions		(15,448)	9,889
Other current liabilities, others		898	255
Cash flow from operating activities		1,633,001	2,985,079
Interest received		38,962	13,780
Dividends received		1,127	-
Income taxes paid		(215,395)	(483,765)
Net cash flow from operating activities		1,457,695	2,515,094

(Continued)

Innodisk Corporation and Subsidiaries
Consolidated Cash Flow Statement
For the years ended December 31, 2023 and 2022

Expressed in Thousands of NTD

	Note	January 1, 2023 to December 31 2023	January 1, 2022 to December 31 2022
Cash Flow from Investing Activities			
Acquisition of non-current financial assets at fair value through other comprehensive income		$ -	($ 29,970)
Financial assets at amortized cost - Decrease in current		-	600,000
Increase in non-current financial assets at amortized cost		(500)	-
Acquisition of investments accounted for using equity method	6 (6)	(26,861)	-
Proceeds from disposal of investments accounted for using equity method		-	4,228
Acquisition of property, plant and equipment	6 (29)	(687,105)	(479,879)
Disposal of property, plant and equipment		-	104
Acquisition of investment property	6 (10)	-	(26,236)
Acquisition of intangible assets	6 (11)	(19,287)	(21,974)
Refundable deposits (increase)		(2,568)	(2,395)
Decrease in refundable deposits		1,685	1,488
Other non-current assets - Other decreases (increases)		(126)	(7,369)
Net cash (used in) generated from investing activities		(734,762)	37,997
Cash Flow from Financing Activities			
Increase in long-term borrowings	6 (30)	229,000	180,000
Repayment of long-term borrowings	6 (30)	(181,166)	(2,195)
Increase in guarantee deposit received	6 (30)	1,771	771
Decrease in guarantee deposit	6 (30)	(6)	(599)
Cash dividends paid	6 (30)	(1,194,433)	(967,217)
Employees exercise options		9,239	124,968
Interest paid		(6,989)	(7,767)
Repayment of principal of lease liabilities	6 (30)	(31,969)	(29,320)
Exercise right of disgorgement		520	-
Net cash used in financing activities		(1,174,033)	(701,359)
Effects of changes in foreign exchange rates		8,073	10,426
Increase (decrease) in cash and cash equivalents in the current period		(443,027)	1,862,158
Beginning cash and cash equivalents		4,000,049	2,137,891
Ending cash and cash equivalents		$ 3,557,022	$ 4,000,049

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

Chairman: Chien, Chuan-Shengn Management Officer: Chien, Chuan-Sheng Principal Accounting Officer: Hsiao, Wen-Kui

Innodisk Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

Expressed in Thousands of NTD
(Unless otherwise specified)

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 listed on the OTC board on November 27, 2013.

II. Date and procedures for approving the financial report

This consolidated financial report was approved and issued by the board meeting on February 22, 2024.

III. Application of new standards, amendments, and interpretations

(III) The impact of adopting the newly released and revised International Financial Reporting Standards recognized and issued into effect by the Financial Supervisory Commission (FSC)

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized and issued into effect by the Financial Supervisory Commission in 2023:

Newly released / corrected / amended standards and interpretations	Effective Date Issued by IASB
Amendment to IAS 1 - "Disclosure of Accounting Policies"	January 1, 2023
Amendment to IAS 8 - "Definition of Accounting Estimates"	January 1, 2023
Amendment to IAS 12, "Deferred Income Taxes Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023
Amendment to IAS 12 "International Tax Reform - Pillar Two Model Rules"	May 23, 2023

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

Amendment to IAS 12, "Deferred Income Taxes Related to Assets and Liabilities Arising from a Single Transaction”

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

The Group recognizes deferred income tax assets and liabilities for all deductible and taxable temporary differences related to right-of-use assets and lease liabilities as of January 1, 2022, and deferred income tax assets increased by NT$3,548, NT$1,489 and NT$4,145, and deferred income tax liabilities increased by NT$3,548, NT$1,489 and NT$4,145 on December 31, 2023 and January 1 and December 31, 2022.

(IV) Impact of the newly released and amended IFRS recognized by the FSC not yet adopted by the Company

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2024:

Newly released / corrected / amended standards and interpretations	Effective Date Issued by IASB
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024
Amendment to IAS 1 “Classification of Liabilities as Current or Non-Current”	January 1, 2024
Amendment to IAS 1 “Non-Current Liabilities With Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Financing Arrangements”	January 1, 2024

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

(V) IFRSs issued by the IASB but not yet recognized by the FSC

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

Newly released / corrected / amended standards and interpretations	Effective Date Issued 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 the IASB
IFRS 17 - “Insurance contracts”	January 1, 2023
Amendment to IFRS 17 - “Insurance contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRSs 17 and IFRS 9 - Comparative Information”	January 1, 2023
IAS No. 21 Amendment “Lack of Convertibility”	January 1, 2025

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

IV. Summary of significant accounting policies

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

(VI) 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").

(VII) 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.

(VIII) Basis of consolidation

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

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

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

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

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

2. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activity	Percentage of Equity Holdings December 31, 2023	Percentage of Equity Holdings December 31, 2022	Remarks
Innodisk Corporation	Innodisk USA Corporation	Industrial embedded storage devices	100	100	
Innodisk Corporation	Innodisk Japan Corporation	After-sales services and support of industrial embedded storage devices	100	100	
Innodisk Corporation	Innodisk Europe B.V.	After-sales services and support of industrial embedded storage devices	100	100	
Innodisk Corporation	Innodisk Global-M Corporation	Investment holdings	100	100	
Innodisk Corporation	Aetina Corporation	Manufacturing and sales of industrial graphics cards	73.67	74.20	Note 1
Innodisk Corporation	Antzer Tech Co., Ltd.	Electronic parts and components manufacturing.	100	100	
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	
Aetina Corporation	Aetina USA Corporation	After-sales service and support for industrial graphics cards	100	100	Note 2
Aetina Corporation	Aetina Europe B.V.	After-sales service and support for industrial graphics cards	100	100	Note 3
Aetina Corporation	Aetina (Shenzhen) Artificial Intelligence Co., Ltd.	After-sales service and support for industrial graphics cards	100	-	Note 4
Aetina Corporation	Innodisk Japan Corporation	After-sales service and support for industrial graphics cards	100	-	Note 5

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, 2023 and 2022 were audited by the Company's independent auditors.

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

Note 2: Aetina Corporation established its subsidiary Aetina USA Corporation in September

2021, and the capital injection has been completed on January 10, 2023.

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

Note 4: Aetina Corporation established the subsidiary Aetina (Shenzhen) Artificial Intelligence Co., Ltd. in July 2023, and the capital injection has been completed on November 10, 2023.

Note 5: Aetina International Co., Ltd. established the subsidiary, Aetina Japan Co., Ltd. in October 2023, and the capital injection was completed on October 12, 2023.

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

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

5. Significant restrictions: none.

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

(IX) 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 (NTD)", and the functional currencies of subsidiaries are "New Taiwan dollar (NTD)", "Renminbi (RMB)", "US dollar (USD)", "Euro (EUR)" and "Japanese yen(JPY)." 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 remeasured. 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) <u>Classification of current and non-current items</u>

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. Refers to an irrevocable election at the time of initial recognition to report the fair value changes of equity investments that are 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. At the end of year, inventories are evaluated at the lower of cost or net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost needed for completion and estimated cost needed 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 there is still significant influence over the associate, only the amount previously recognized in other comprehensive income will be transferred out in the abovementioned manner.

(XV) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated

with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
4. The Group reviews the assets' residual values, useful lives and depreciation methods at the end of each fiscal year. If the estimates of the residual values and useful lives are different from the previous estimates or the expected pattern of consumption of future economic benefits embodied in the assets has changed significantly, then from the date of change, it shall be handled in accordance with the provisions of International Accounting Standards No. 8 "Changes and Errors in Accounting Policies and Accounting Estimates" regarding accounting estimate changes.

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

Buildings and structures	2 to 50 years
Machinery 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 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 remeasured 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 remeasured, the amount of re-measurement is recognized as an adjustment to the right-of-use asset.

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

(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. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

3. Remuneration for employees and directors

   Remunerations for employees and directors 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 difference between the resolved amounts and the subsequent actually distributed amounts shall be treated as accounting estimate changes. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(XXVI) Employee share-based payments

The share-based payment agreement for delivery of equity is a transaction in which employees' labor service received as consideration for the Company's equity instrument at fair value, and it is recognized as compensation costs during the vesting period, and the equity is adjusted accordingly. The fair value of equity instrument 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 liability method, on temporary differences arising 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 entity 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 record date of issuance of new shares.

(XXX) Revenue recognition

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

evidence that all criteria have been met.

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

(XXXI) Government grants

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

(XXXII) Operating segments

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

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

In the Group's preparation of the consolidated financial statements, the management has used its judgment to determine the accounting policies to be adopted, and based on the current situation on the balance sheet date, has made accounting estimates and assumptions based on reasonable expectations for future events. Significant accounting estimates and assumptions may differ from the actual results, and continuous evaluation and adjustment will be made based on historical experience and other factors. Such estimates and assumptions have a risk of causing an adjustment to the carrying amounts of assets and liabilities in the next financial year. Please see the following explanation of critical accounting judgments and key sources of estimation and uncertainty:

(I) Critical judgments adopted by the accounting policies

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

(II) Significant Accounting Estimates and Assumptions

Inventory Evaluation

During the inventory valuation, the Group needs to use judgment to evaluate the wear and tear, obsolescence and market sales value of the inventory to estimate the net realizable value, and write down the inventory cost to the net realizable value. Technological changes, environmental changes and sales conditions will change the inventory value, further affecting its valuation. The book value of the Group's inventory as of December 31, 2023 is detailed in note 6(5).

VI. Contents of significant accounts

(I) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash:		
Cash on hand and working capital	$ 1,225	$ 1,076
Checking accounts and demand deposits	1,970,297	2,663,473
Cash equivalents:		
Time deposits	1,585,500	1,335,500
	$ 3,557,022	$ 4,000,049

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 transferred restricted bank deposits to financial assets measured at amortized cost - non-current. Please refer to Note 8 for details.

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

	December 31, 2023	December 31, 2022
Non-current items:		
Equity instruments		
Domestic listed stocks - Preferred stock	$ 29,970	$ 29,970
Valuation adjustment	(1,865)	(2,131)
	$ 28,105	$ 27,839

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

	December 31, 2023	December 31, 2022
Non-current items:		
Pledged time deposits	$ 11,206	$ 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

	December 31, 2023	December 31, 2022
Notes receivable	$ 1,017	$ 2,565
Less: Loss allowance	-	-
	$ 1,017	$ 2,565
Accounts receivable	$ 1,339,613	$ 1,441,399
Account receivable - Related parties	31	109
	1,339,644	1,441,508
Less: Loss allowance	(5,986)	(22,605)
	$ 1,333,658	$ 1,418,903

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, 2023 and 2022, and both the balances of notes and accounts receivable as of January 1, 2022 were NT$1,559,070.
3. The Group does not hold any collateral for the aforementioned notes and accounts receivable.

(V) Inventories

	December 31, 2023		
	Cost	Loss allowance for falling prices	Book value
Raw materials	$ 885,869	($ 155,352)	$ 730,517
Work in process	235,190	(22,909)	212,281
Finished goods	210,156	(25,154)	185,002
Merchandise	39,572	(8,124)	31,448
	$ 1,370,787	($ 211,539)	$ 1,159,248

	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 goods	355,613	(43,818)	311,795
Merchandise	30,805	(6,980)	23,825
	$ 1,437,795	($ 279,320)	$ 1,158,475

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

	2023	2022
Cost of inventory sold	$ 5,491,831	$ 6,745,767
Inventory (price recovery gain) valuation loss	(67,781)	53,432
Loss on scrapping of inventory	21,550	17,048
Others	22,266	28,364
	$ 5,467,866	$ 6,844,611

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

(VI) Investments accounted for using equity method

	December 31, 2023		December 31, 2022	
	Amount	Shareholding percentage	Amount	Shareholding percentage
Affiliates:				
AccelStor Inc.	$ -	-	$ -	-
Millitronic Co.,Ltd.	26,256	32.16%	6,134	33.55%
Sysinno Technology Inc.	12,278	42.95%	6,819	43.00%
	$ 38,534		$ 12,953	

In 2023 and 2022, the Group's share of profits (losses) from affiliates recognized by the equity method was (NT$4,274) and (NT$5,785), 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. Sysinno Technology Inc. increased its capital by NT$17,500 in cash on March 21, 2023; the Company participated in the capital increase with NT$7,500 and obtained 300,000 shares, resulting in a decrease in our shareholding ratio to 42.95%.

3. Millitronic Co.,Ltd. increased its capital by cash of NTD 70,000 on December 19, 2023. The Company participated in the capital increase with NT$19,361 and acquired 1,382,944 shares, so the Company's shareholding decreased from 33.55% to 32.16%. The difference from the net worth of equity is increased by $2,994 for "capital surplus" and "investment under equity method", respectively.

4. As of December 31, 2023 and 2022, the Group had no significant affiliates, and the consolidated book values of individual non-significant affiliates were NT$38,534 and NT$12,953 respectively. Their operating results are summarized as follows:

	2023	2022
Profit (loss) from continuing operations	($ 4,274)	($ 5,785)
Other comprehensive income or loss (net)	-	-
Total comprehensive income for the year	($ 4,274)	($ 5,785)

(blank below)

(VII) Property, plant and equipment

	2023										
	Land			Buildings and structures			Machinery and equipment	Office equipment	Unfinished construction and equipment to be inspected	Others	Total
	For self use	For lease	Subtotal	For self use	For lease	Subtotal	For self use	For self use	For self use	For self use	
January 1											
Cost	$ 818,658	$ -	$ 818,658	$1,033,833	$ -	$1,033,833	$ 324,396	$ 72,451	$ 220,157	$ 98,940	$ 2,568,435
Accumulated depreciation and impairments	-	-	-	(137,282)	-	(137,282)	(191,254)	(43,944)	-	(57,445)	(429,925)
	$ 818,658	$ -	$ 818,658	$ 896,551	$ -	$ 896,551	$ 133,142	$ 28,507	$ 220,157	$ 41,495	$ 2,138,510
January 1	$ 818,658	$ -	$ 818,658	$ 896,551	$ -	$ 896,551	$ 133,142	$ 28,507	$ 220,157	$ 41,495	$ 2,138,510
Addition	-	213,475	213,475	24,419	109,359	133,778	2,869	21,835	257,112	22,001	651,070
Reclassification	-	-	-	8,549	-	8,549	15,225	(7)	(30,309)	6,542	-
Disposal	-	-	-	-	-	-	(16)	(9)	-	-	(25)
Depreciation expense	-	-	-	(35,663)	(1,356)	(37,019)	(40,831)	(20,749)	-	(14,244)	(112,843)
Net exchange difference	155	-	155	982	-	982	(4)	29	-	6	1,168
December 31	$ 818,813	$ 213,475	$1,032,288	$ 894,838	$ 108,003	$1,002,841	$ 110,385	$ 29,606	$ 446,960	$ 55,800	$ 2,677,880
December 31											
Cost	$ 818,813	$ 213,475	$1,032,288	$1,059,117	$ 109,359	$1,168,476	$ 342,453	$ 78,969	$ 446,960	$ 129,926	$ 3,199,072
Accumulated depreciation and impairments	-	-	-	(164,279)	(1,356)	(165,635)	(232,068)	(49,363)	-	(74,126)	(521,192)
	$ 818,813	$ 213,475	$1,032,288	$ 894,838	$ 108,003	$1,002,841	$ 110,385	$ 29,606	$ 446,960	$ 55,800	$ 2,677,880

	2022						
	Land	Buildings and structures	Machinery and equipment	Office equipment	Unfinished construction and equipment pending acceptance	Others	Total
	For self use	For self use	For self use	For self use	For self use	For self use	
January 1							
Cost	$ 624,621	$ 901,182	$ 260,429	$ 36,304	$ 55,500	$ 78,572	$ 1,956,608
Accumulated depreciation and impairments	-	(107,886)	(154,334)	(29,539)	-	(48,063)	(339,822)
	$ 624,621	$ 793,296	$ 106,095	$ 6,765	$ 55,500	$ 30,509	$ 1,616,786
January 1	$ 624,621	$ 793,296	$ 106,095	$ 6,765	$ 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	-	(35,494)	(36,914)	(13,950)	-	(11,116)	(97,474)
Net exchange difference	1,531	5,147	3	6	-	27	6,714
December 31	$ 818,658	$ 896,551	$ 133,142	$ 28,507	$ 220,157	$ 41,495	$ 2,138,510
December 31							
Cost	$ 818,658	$ 1,033,833	$ 324,396	$ 72,451	$ 220,157	$ 98,940	$ 2,568,435
Accumulated depreciation and impairments	-	(137,282)	(191,254)	(43,944)	-	(57,445)	(429,925)
	$ 818,658	$ 896,551	$ 133,142	$ 28,507	$ 220,157	$ 41,495	$ 2,138,510

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 2023 and 2022.

(VIII) Leasing arrangements - lessee

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

	Land	Buildings	Company vehicles	Total
January 1, 2023	$ 175,260	$ 27,702	$ 4,521	$ 207,483
Addition	-	36,982	3,267	40,249
Early termination of leases	-	(168)	-	(168)
Depreciation expense	(6,647)	(23,017)	(3,659)	(33,323)
Effects of changes in foreign exchange rates	-	216	121	337
December 31, 2023	$ 168,613	$ 41,715	$ 4,250	$ 214,578

	Land	Buildings	Company vehicles	Total
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	$ 175,260	$ 27,702	$ 4,521	$ 207,483

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

Items affecting current profit and loss	2023	2022
Interest expenses on lease liabilities	$ 2,554	$ 2,529
Lease modification loss (gain)	(1)	(48)

4. In 2023 and 2022, other than the cash outflow from lease-related expenses mentioned in Note 6(8)3 above, please refer to Note 6(30) for details of the amount of cash outflow arising from the repayment of principal of lease liabilities.

(IX) Leasing arrangements - lessor

1. The Group leases out assets such as land and buildings. The periods of lease contracts are typically from 1 to 6 years, and the terms of lease contracts are negotiated separately. In order to preserve the condition of leased assets, the Group 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, 2023	December 31, 2022
2023	$ -	$ 4,666
2024	15,536	333
2025	11,285	-
2026	1,437	-
2027 and afterwards	1,874	-
	$ 30,132	$ 4,999

(X) Investment property

	2023		
	Land	Buildings and structures	Total
January 1			
Cost	$ 86,688	$ 44,153	$ 130,841
Accumulated depreciation and impairments	-	(11,523)	(11,523)
	$ 86,688	$ 32,630	$ 119,318
January 1	$ 86,688	$ 32,630	$ 119,318
Depreciation expense	-	(1,446)	(1,446)
Net exchange difference	221	262	483
December 31	$ 86,909	$ 31,446	$ 118,355
December 31			
Cost	$ 86,909	$ 44,468	$ 131,377
Accumulated depreciation and impairments	-	(13,022)	(13,022)
	$ 86,909	$ 31,446	$ 118,355

	2022		
	Land	Buildings and structures	Total
January 1			
Cost	$ 73,690	$ 37,316	$ 111,006
Accumulated depreciation and impairments	-	(11,655)	(11,655)
	$ 73,690	$ 25,661	$ 99,351
January 1	$ 73,690	$ 25,661	$ 99,351
Addition	16,343	9,893	26,236
Reclassification	(3,590)	(1,821)	(5,411)
Depreciation expense	-	(1,398)	(1,398)
Net exchange difference	245	295	540
December 31	$ 86,688	$ 32,630	$ 119,318
December 31			
Cost	$ 86,688	$ 44,153	$ 130,841
Accumulated depreciation and impairments	-	(11,523)	(11,523)
	$ 86,688	$ 32,630	$ 119,318

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

	2023	2022
Rental income from investment property	$ 6,652	$ 6,840
Direct operating expenses incurred by investment property that generates rental income for the period	$ 1,862	$ 2,351

2. The fair values of the investment property held by the Group as of December 31, 2023 and 2022 were NT$181,961 and NT$181,673, 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 2023 and 2022.

(XI) Intangible assets

	2023				
	Patent	Computer software	Trademark rights	Goodwill	Total
January 1					
Cost	$ 6,000	$ 99,750	$ 3,000	$ 12,466	$ 121,216
Accumulated amortization and impairments	(3,333)	(72,099)	(1,667)	-	(77,099)
	$ 2,667	$ 27,651	$ 1,333	$ 12,466	$ 44,117
January 1	$ 2,667	$ 27,651	$ 1,333	$ 12,466	$ 44,117
Additions - from separate acquisition	-	19,287	-	-	19,287
Amortization expense	(2,000)	(21,027)	(1,000)	-	(24,027)
Net exchange difference	-	-	-	(2)	(2)
December 31	$ 667	$ 25,911	$ 333	$ 12,464	$ 39,375
December 31					
Cost	$ 6,000	$ 119,037	$ 3,000	$ 12,464	$ 140,501
Accumulated amortization and impairments	(5,333)	(93,126)	(2,667)	-	(101,126)
	$ 667	$ 25,911	$ 333	$ 12,464	$ 39,375

	2022				
	Patent	Computer software	Trademark rights	Goodwill	Total
January 1					
Cost	$ 6,000	$ 77,776	$ 3,000	$ 11,386	$ 98,162
Accumulated amortization and impairments	(1,333)	(49,025)	(667)	-	(51,025)
	$ 4,667	$ 28,751	$ 2,333	$ 11,386	$ 47,137
January 1	$ 4,667	$ 28,751	$ 2,333	$ 11,386	$ 47,137
Additions - from separate acquisition	-	21,974	-	-	21,974
Amortization expense	(2,000)	(23,074)	(1,000)	-	(26,074)
Net exchange difference	-	-	-	1,080	1,080
December 31	$ 2,667	$ 27,651	$ 1,333	$ 12,466	$ 44,117
December 31					
Cost	$ 6,000	$ 99,750	$ 3,000	$ 12,466	$ 121,216
Accumulated amortization and impairments	(3,333)	(72,099)	(1,667)	-	(77,099)
	$ 2,667	$ 27,651	$ 1,333	$ 12,466	$ 44,117

1. Breakdown of intangible assets amortization:

	2023	2022
Operating cost	$ 1,476	$ 1,684
Marketing expenses	116	201
General and administrative expenses	11,457	10,305
Research and development expenses	10,978	13,884
	$ 24,027	$ 26,074

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

	December 31, 2023	December 31, 2022
Innodisk USA Corporation	$ 10,933	$ 10,935
Others	1,531	1,531
	$ 12,464	$ 12,466

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.

3. As of December 31, 2023 and 2022, the Group had not provided intangible assets as pledged collaterals.

(XII) Other payables

	December 31, 2023	December 31, 2022
Payroll and bonus payable	$ 304,206	$ 305,046
Remunerations payable to employees and directors	97,981	152,364
Accrued expenses	73,781	77,502
Payable on machinery and equipment	16,766	52,801
Others	16,183	19,299
	$ 508,917	$ 607,012

(XIII) Long-term loans

Type of borrowing	Borrowing period and payment method	Range of interest rate	Collateral	December 31, 2023
Borrowing with installment repayments				
Innodisk Corporation				
E.Sun Commercial Bank Credit loan	The borrowing period is from August 23, 2023 to August 15, 2033; the grace period for the principal is two years, and the interest is paid monthly.	1.25%	No	$ 229,000
Innodisk Europe B.V.				
Chinatrust Commercial Bank Credit loan	The borrowing period is from December 8, 2023 to December 8, 2028; the principal is amortized annually and the interest is paid quarterly.	1.15%	No	10,194
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	4,078
Aetina Corporation				
Chinatrust Commercial Bank Secured borrowings	The borrowing period is from November 24, 2021 to November 24, 2041; the grace period for the principal is two years, and the interest is paid monthly.	0.94%	Please see Note 8 for details.	89,649
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	36,539
				369,460
Less: Long-term loans, current portion				(11,705)
				$ 357,755

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

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 stipulated any employee pension regulations, and there is no mandatory requirement by local laws and regulations. Innodisk USA Corporation, Innodisk Europe BV, Innodisk Japan Co., Ltd., and Aetina Japan Co., Ltd. adopt the defined contribution pension plan. The Company has no further obligation other than a certain percentage of the total local employee's total salary to be appropriated on a monthly basis.
3. Innodisk Memory Technology (Shenzhen) Co., Ltd. and Aetina (Shenzhen) Artificial Intelligence contribute monthly to the endowment insurance in accordance with the endowment insurance system stipulated by the government of the People's Republic of China, which is based on a certain percentage of the total salary of the local employees. 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 2023 and 2022, the pension cost recognized by the Group in accordance with the above regulations was NTD 46,844 and NTD 39,079, respectively.

(XV) Share-based payment

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

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions	Delivery method
Employee stock option plan - A	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 resolution on July 6, 2022 determined the first employee stock option plan of 2022 and established the stock option method. A total of 3,500,000 units of employee stock options was to be issued, and each unit of stock option subscribed to

1 share, and measures became effective on July 26, 2022. The Company has processed the issuance of employee stock options on August 5, 2022.

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions	Delivery method
Employee stock option plan - B	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%.

(3) On November 16, 2023, the board of directors of Aetina International Co., Ltd., the Company's subsidiary, resolved to issue the first employee stock options in 2023 and stipulated the measures for issuing employee stock options. It is planned to issue employee stock options of 1,383,000 units, and the number of shares to be subscribed per unit is 1 share. The Company issued the employee stock option options on December 22, 2023.

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions	Delivery method
Employee Stock Option Plan - Aetina	2023.12.22	1,383 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 above share-based payment arrangement

	2023					
	Innodisk				Aetina	
	Employee stock option plan - A		Employee stock option plan - B		Employee stock option plan	
	Number of stock options (thousand shares)	Weighted average exercise price (NT$)	Number of stock options (thousand shares)	Weighted average exercise price (NT$)	Number of stock options (thousand shares)	Weighted average exercise price
(NT$)Options outstanding as of January 1	123	81.40	3,455	168.00	-	-
Share options granted this period	-	-	-	-	1,383	16.04
Share options foregone this period	(10)	81.40	(93)	168.00	-	-
Share options exercised this period	(113)	81.40	-	-	-	-
Share options expired this period	-	-	-	-	-	-
Options outstanding as of December 31	-	-	3,362	168.00	1,383	16.04
Options exercisable as of December 31	-		-		-	

	2022					
	Innodisk				Aetina	
	Employee stock option plan - A		Employee stock option plan - B		Employee stock option plan	
	Number of stock options (thousand shares)	Weighted average exercise price (NT$)	Number of stock options (thousand shares)	Weighted average exercise price (NT$)	Number of stock options (thousand shares)	Weighted average exercise price
(NT$)Options outstanding as of January 1	1,628	89.80	-	-	-	-
Share options granted this period	-	-	3,500	168.00	-	-
Share options foregone this period	(100)	89.80	(45)	168.00	-	-
Share options exercised this period	(1,405)	88.74	-	-	-	-
Share options expired this period	-	-	-	-	-	-
Options outstanding as of December 31	123	81.40	3,455	168.00	-	-
Options exercisable as of December 31	123		-		-	-

3. The Company's weighted-average share prices of the stock options exercised in 2023 and 2022 were NT$221.28 and NT$185.69, 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:

(1) The Company

		December 31, 2023	
Approved issue date	Expiration date	Number of shares (thousand)	Exercise price (NT$)
August 5, 2022	August 5, 2026	3,362	168.00

		December 31, 2022	
Approved issue date	Expiration date	Number of shares (thousand)	Exercise price (NT$)
January 29, 2019	January 29, 2023	123	81.40
August 5, 2022	August 5, 2026	3,455	168.00

(2) The Company's subsidiary, Aetina Corporation

		December 31, 2023	
Approved issue date	Expiration date	Number of shares (thousand)	Exercise price (NT$)
December 22, 2023	December 21, 2027	1,383	16.04

2022: None.

5. The fair value of stock options granted by the Company and the subsidiary Aetina Corporation 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 Option Plan-Innodisk-A	108.1.29	105.50	105.50	34.34%	4 years	NA	0.61%	26.4442
Employee stock option plan-Innodisk-B	111.8.5	168.00	168.00	30.62%	3.25 years	NA	0.95%	38.5462
Employee Stock Option Plan - Aetina	112.12.22	22.00	16.04	36.77%	3.25 years	NA	1.13%	8.7668

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

Equity delivery

	2023	2022
The Company	$ 48,121	$ 31,447
Subsidiary of the Company - Aetina	117	-
	$ 48,238	$ 31,447

(XVI) Provisions

	2023	2022
Balance on January 1	$ 69,111	$ 59,851
Provisions used for the period	(27,148)	(11,392)
Provision added this period	17,606	20,652
Balance on December 31	$ 59,569	$ 69,111

The analysis of provisions is as follows:

	December 31, 2023	December 31, 2022
Current	$ 22,232	$ 16,326
Non-current	37,337	52,785
	$ 59,569	$ 69,111

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, 2023, the Company’s authorized capital was $1,000,000, consisting of 100,000 thousand shares (including 10,000 thousand shares which can be subscribed to as employee stock options). The paid-in capital was $883,977 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)

	2023	2022
January 1	86,553,081	82,668,040
Stock dividends	1,731,061	2,480,041
Employees exercise options	113,500	1,405,000
December 31	88,397,642	86,553,081

2. The shareholders’ meeting on May 31, 2023 resolved to increase the Company’s capital by issuing new shares with the 2022 undistributed retained earnings of NT$17,311 thousand. The record date for the capital increase is August 27, 2023.
3. The shareholders’ meeting on May 31, 2022 resolved to increase the Company’s capital by issuing new shares with the 2021 undistributed retained earnings of NT$24,801 thousand. The record date for the capital increase is August 6, 2022.
4. The ordinary shares issued due to the exercise of employee stock options in 2023 were 113,500 shares, and all of them had been registered for share capital change.
5. The ordinary shares issued due to the exercise of employee stock options in 2022 were 1,405,000 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 surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2023						
	Issue of shares at premium	Difference between acquisition or disposal price and carrying value of equity in subsidiaries	Changes in ownership interests in subsidiaries recognized	Changes in net value of equities of associates and joint ventures recognized by using the equity method	Employee stock options	Others	Total
January 1	$ 1,302,829	$ 802	$ 24,806	$ -	$ 23,320	$ 4,705	$ 1,356,462
Share-based payment	-	-	-	-	48,121	-	48,121
Changes in net value of equities of associates and joint ventures recognized by using the equity method	-	-	-	2,994	-	-	2,994
Remuneration to subsidiary's employees	-	-	580	-	-	-	580
Issuance of shares							
Employees exercise options	13,157	-	-	-	(5,053)	-	8,104
Exercise right of disgorgement	-	-	-	-	-	520	520
Lapsed options	-	-	-	-	(3,714)	3,714	-
December 31	$ 1,315,986	$ 802	$ 25,386	$ 2,994	$ 62,674	$ 8,939	$ 1,416,781

	2022					
	Issue of shares at premium	Difference between acquisition or disposal price and carrying value of equity in subsidiaries Changes in ownership interests in subsidiaries recognized		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
Employees exercise options	145,335	-	-	(34,417)	-	110,918
Lapsed options	-	-	-	(4,031)	4,031	-
December 31	$ 1,302,829	$ 802	$ 24,806	$ 23,320	$ 4,705	$ 1,356,462

(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 2022 and 2021 as approved by the shareholders’ meeting on May 31, 2023 and May 31, 2022 is as follows:

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

(2) The distribution of 2023 earnings had been resolved by the Board of Directors on February 22, 2024. Details are summarized below:

	2023	
	Amount	Dividends Per Share (NT$)
Legal reserve allocated	$ 114,762	
(Reversed) Recognized special reserve	(924)	
Stock dividends	17,680	0.20
Cash dividends	901,656	10.20
	$ 1,033,174	

(XX) Operating revenue

1. Segmentation of revenue from contracts with customers

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

	Industrial storage devices and memory modules					
2023	Taiwan	Asia	Americas	Europe	Others	Total
Revenue from contracts with customers	$ 2,621,083	$ 2,427,848	$ 1,188,032	$ 1,934,982	$ 141,833	$ 8,313,778

	Industrial storage devices and memory modules					
2022	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

2. Contract liabilities

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

	December 31, 2023	December 31, 2022	January 1, 2022
Product sales contracts	$ 27,548	$ 42,079	$ 31,810

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

	2023	2022
Product sales contracts	$ 39,917	$ 30,267

(XXI) Interest income

	2023	2022
Interest on bank deposits	$ 38,674	$ 11,363
Interest income from financial assets measured at amortized cost	785	2,876
Others	17	9
	$ 39,476	$ 14,248

(XXII) Other income

	2023	2022
Government grants	$ 130	$ 2,283
Rental income	12,444	7,910
Dividend income	1,127	-
Others	7,996	6,378
	$ 21,697	$ 16,571

(XXIII) Other gains and (losses)

	2023	2022
Net currency exchange gain (loss)	$ 3,714	$ 205,496
Gain (loss) on disposal of property, plant and equipment	(25)	(35)
Disposal of investment gains	-	4,228
Depreciation expenses of real estate investment	(1,446)	(1,398)
Others	(985)	1,025
	$ 1,258	$ 209,316

(XXIV) Financing cost

	2023		2022	
Interest expense on bank borrowings	$	4,489	$	4,912
Interest expenses on lease liabilities		2,554		2,529
Others		54		43
	$	7,097	$	7,484

(XXV) Expenses by nature

	2023		2022	
Employee benefits expense	$	1,395,071	$	1,349,067
Depreciation charges on property, plant and equipment	$	112,843	$	97,474
Depreciation expenses for right-of-use assets	$	33,323	$	29,827
Amortization expense on intangible assets	$	24,027	$	26,074

(XXVI) Employee benefits expense

	2023		2022	
Payroll expenses	$	1,145,269	$	1,130,470
Employee stock options		48,238		31,447
Labor and health insurance fees		95,815		81,009
Pension expense		46,844		39,079
Directors' remuneration		15,386		24,056
Other employee benefit expenses		43,519		43,006
	$	1,395,071	$	1,349,067

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

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

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

2. The estimated amount of employees' remuneration for 2023 and 2022 is NT$84,079 and NT$120,225, respectively; the estimated amount of directors' remuneration is NT$13,700 and NT$21,000, respectively; these amounts are recorded as salary expenses.

   The employees' remuneration and directors' remuneration were estimated and respectively accrued based on 5.50% and 0.90% of the Company's profit of 2023.

The employees' remuneration and directors' remuneration approved by the board meeting for 2022 were NT$120,225 and NT$21,000, respectively, which were consistent with the amounts recognized in the 2022 consolidated financial statements, and NT$120,225 and NT$21,000 have been paid respectively in cash as of December 31, 2023.

3. Information about employees remuneration and director remuneration of the Company as resolved by the board will be posted in the Market Observation Post System.

(XXVII) Income tax

1. Income tax expense

(1) Components of income tax expense

	2023	2022
Current tax:		
Current income tax liabilities and (assets)	$ 284,017	$ 210,127
Amount of income tax not paid in the previous year	(2,816)	(83)
Prior year income tax underestimate (overestimate)	(1,455)	(21,188)
Withholding and provisional tax	9,539	212,618
Additional surtax on undistributed earnings	(25,566)	(20,254)
Total current tax	263,719	381,220
Deferred income tax:		
Origination and reversal of temporary differences	(2,311)	(12,700)
Others:		
Additional surtax on undistributed earnings	25,566	20,254
Effects of changes in foreign exchange rates	(53)	(3,735)
Income tax expense	$ 286,921	$ 385,039

(2) For the year ended 2023 and 2022, 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

	2023	2022
Income tax calculated based on profit before tax and statutory tax rate (note)	$ 287,112	$ 477,103
Investment deductible tax effect	(28,000)	(30,000)

Realized investment loss on domestic operations	-	(45,052)
Unrealized investment gain on domestic operations	3,152	(17,865)
Impact that cannot be recognized according to laws and regulations	626	566
Tax overestimate in the previous year	(1,455)	(21,188)
Additional surtax on undistributed earnings	25,566	20,254
Others	(80)	1,221
Income tax expense	$ 286,921	$ 385,039

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:

	2023		
	January 1	Recognized in profit or loss	December 31
Deferred income tax assets:			
Temporary difference			
Loss from the price drop of inventory	$ 54,735	($ 13,454)	$ 41,281
Deferred unrealized gain on sales	2,102	1,021	3,123
Provisions for after-sales services	13,822	(1,908)	11,914
Attendance bonus	3,066	143	3,209
Exchange difference arising on translation of foreign operations			
Unrealized investment losses	-	5,052	5,052
Unrealized exchange loss	3,204	3,762	6,966
Lease liabilities	4,145	(597)	3,548
Others	-	273	273
Tax loss	8,228	3,267	11,495
Subtotal	89,302	(2,441)	86,861
Deferred income tax liabilities:			
Temporary difference			
Exchange difference arising on translation of foreign operations			
Unrealized investment gains	(4,397)	4,155	(242)
Right-of-use assets	(4,145)	597	(3,548)
Subtotal	(8,542)	4,752	(3,790)
Total	$ 80,760	$ 2,311	$ 83,071

	2022		
	January 1	Recognized in profit or loss	December 31
Deferred income tax assets:			
Loss from the price drop of inventory	$ 44,087	$ 10,648	$ 54,735
Deferred unrealized gain on sales	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
Lease liabilities	1,489	2,656	4,145
Subtotal	77,828	11,474	89,302
Deferred income tax liabilities:			
Exchange difference arising on translation of foreign operations			
Unrealized investment gains	(8,279)	3,882	(4,397)
Right-of-use assets	(1,489)	(2,656)	(4,145)
Subtotal	(9,768)	1,226	(8,542)
Total	$ 68,060	$ 12,700	$ 80,760

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, 2023				
	Occurring year	Declared amount/approved amount	Amount not yet deducted	Income from unrecognized deferred income tax assets	Last deduction year
Aetina	2023 (declared amount)	$ 19,207	$ 19,207	$ -	122

	December 31, 2023				
	Occurring year	Declared amount/approved amount	Amount not yet deducted	Income from unrecognized deferred income tax assets	Last deduction year
Antzer Tech Co., Ltd.	2017 (approved amount)	$ 19,055	$ 18,310	$ -	116
	2018 (approved amount)	21,381	21,381	1,425	117
	2019 (approved amount)	16,927	16,927	16,927	118
	2020 (approved amount)	14,317	14,317	14,317	119
	2021 (approved amount)	3,283	3,283	3,283	120
		$ 74,963	$ 74,218	$ 35,952	

	Occurring year	Declared amount/approved amount		Amount not yet deducted		Income from unrecognized deferred income tax assets		Last deduction year
		December 31, 2022						
Antzer Tech Co., Ltd.	2016 (approved amount)	$	8,217	$	2,126	$	-	115
	2017 (approved amount)		19,055		19,055		-	116
	2018 (approved amount)		21,381		21,381		1,425	117
	2019 (approved amount)		16,927		16,927		16,927	118
	2020 (approved amount)		14,317		14,317		14,317	119
	2021 (declared amount)		3,283		3,283		3,283	120
		$	83,180	$	77,089	$	35,952	

5. The Company's income tax returns through 2021 have been assessed and approved by the tax authority.

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

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

(blank below)

(XXVIII) Earnings per share

	2023		
	Amount after tax	Weighted average Outstanding shares Number of shares (thousand)	Earnings per share (NT$)
Basic earnings per share			
Current net profit attributable to ordinary shareholders of the parent company	$ 1,147,616	88,395	12.98
Diluted earnings per share			
Current net profit attributable to ordinary shareholders of the parent company	$ 1,147,616	88,395	
Impact of conversion of all dilutive potential ordinary shares			
- Employee remuneration	-	358	
- Employee stock options	-	1,359	
Current net profit attributable to ordinary shareholders of the parent company plus the impact of potential ordinary shares from conversion	$ 1,147,616	90,112	12.74

	2022		
	Amount after tax	Weighted average Outstanding shares Number of shares (thousand)	Earnings per share (NT$)
Basic earnings per share			
Current net profit attributable to ordinary shareholders of the parent company	$ 1,850,190	87,931	21.04
Diluted earnings per share			
Current net profit attributable to ordinary shareholders of the parent company	$ 1,850,190	87,931	
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	$ 1,850,190	88,889	20.81

The aforesaid weighted average number of outstanding shares in 2022 has been retroactively adjusted according to the ratio of capital increase from surplus in 2022.

(XXIX) Supplemental cash flow information

1. Investing activities with partial cash payments:

	2023	2022
Purchase of property, plant and equipment	$ 651,070	$ 516,332
Add: Opening balance of payable on equipment	52,801	16,348
Less: Ending balance of payable on equipment	(16,766)	(52,801)
Cash paid during the year	$ 687,105	$ 479,879

2. Financing activities with no cash flow effects:

	2023	2022
Capitalization of profit	$ 17,311	$ 24,801

(XXX) Changes in liabilities arising from financing activities

	2023			
	Other payables - Cash dividends payable	Long-term loans (including the current portion)	Lease liabilities (current/non-current)	Guarantee deposit received
January 1	$ -	$ 321,076	$ 210,413	$ 1,586
Increase in borrowings	-	229,000	-	-
Repayment of borrowings	-	(181,166)	-	-
Declared cash dividends	1,194,433	-	-	-
Cash dividends paid	(1,194,433)	-	-	-
Increase in principal of lease liabilities	-	-	40,249	-
Repayment of principal of lease liabilities	-	-	(31,969)	-
Other non-cash transactions	-	-	(169)	-
Increase in guarantee deposit received	-	-	-	1,771
Decrease in guarantee deposit received	-	-	-	(6)
Impact of changes in foreign exchange rates	-	550	-	(41)
December 31	$ -	$ 369,460	$ 218,524	$ 3,310

	2022			
	Other payables - Cash dividends payable	Long-term loans (including the current portion)	Lease liabilities (current/non-current)	Guarantee deposit received
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	-
Repayment of principal of lease liabilities	-	-	(29,320)	-
Other non-cash transactions	-	-	(11,000)	-
Increase in guarantee deposit received	-	-	-	771
Decrease in guarantee deposit received	-	-	-	(599)
Impact of changes in foreign exchange rates	-	617	-	12
December 31	$ -	$ 321,076	$ 210,413	$ 1,586

VII. Related-Party Transactions

(I) Related parties' names and relationship

Name of the related party	Relationship with the Group
Affiliates:	
Millitronic Co.,Ltd.	An entity over which the Group has significant influence
Sysinno Technology Inc.	An entity over which the Group has significant influence
Other related parties:	
I-Media Tech Co., Ltd.	The director of that company and one of the Company's directors are the same person.
Innodisk Foundation	The amount donated by the Company and the directors is more than one-third of the total fund received by the foundation.
All directors, the general manager and key executives.	The Group's key executives and governance units

(II) Significant transactions with the related parties

1. Sales of goods

(1) Operating revenue

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

	2023	2022
An entity over which the Group has significant influence	$ 190	$ 213

The prices of products sold and services provided to the related parties from the Group are based on the agreements between the parties. The payment terms are net 25 to net 35. There are no significant differences with the non-related parties. The payment terms for non-related parties are payment in advance and net 30 to 90 days.

(2) Accounts receivable

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

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

2. Purchase transaction

(1) Operating costs

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

	2023	2022
An entity over which the Group has significant influence	$ 393	$ 633
Other related parties	149	92
	$ 542	$ 725

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:

	December 31, 2023	December 31, 2022
An entity over which the Group has significant influence	$ 108	$ 53
Other related parties	79	12
	$ 187	$ 65

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:

	2023	2022
Innodisk Foundation	$ 3,000	$ 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:

	2023		2022	
	Rental income	Other income	Rental income	Other income
An entity over which the Group has significant influence	$ 997	$ 360	$ 960	$ 360

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

(3) Guarantee deposits received

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

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

5. Marketing promotion services / Operating expense

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

	2023	2022
An entity over which the Group has significant influence	$ 187	$ -

The Group's other accounts payable arising from the above-mentioned related party transactions in 2023 and 2022 were NTD 114 and NTD 0, respectively.

6. Acquisition of financial assets

Counterparty	Accounting item	Number of shares traded	Subject of transaction	2023 Price of acquisition
Sysinno Technology Inc.	Investments accounted for using equity method	300,000	Common stock	$ 7,500
Millitronic Co., Ltd.	Investments accounted for using equity method	1,382,944	Common stock	19,361
				$ 26,861

2022 : None.

(III) Compensation of key management personnel

	2023	2022
Short-term employee benefits	$ 110,413	$ 104,868
Post-employment benefits	1,069	835
Share-based payment	11,308	7,390
	$ 122,790	$ 113,093

VIII. Pledged assets

Assets pledged by the Group as collateral are as follows:

Assets	Book value December 31, 2023	Book value December 31, 2022	Purpose of collateral
Financial assets measured at amortized cost			
Non-current			
- Pledged time deposits	$ 11,206	$ 10,706	Provide pledged time deposits for lease and customs tax guarantee
Land and buildings	153,375	450,313	Long-term loans
Investment property			
- Land and buildings	-	32,839	Long-term loans
	$ 164,581	$ 493,858	

IX. Significant contingent liabilities and unrecognized contract commitments

(I) Material contingent liabilities

None.

(II) Material unrecognized contractual commitments

1. As of December 31, 2023 and 2022, the amount of endorsements and guarantees for individual entities in the Group was NT$19,323 and NT$27,768, respectively, and the amount used was NT$14,272 and NT$14,397, respectively.
2. Capital expenditures that have been signed but not yet incurred

	December 31, 2023	December 31, 2022
Property, plant and equipment (Note)	$ 144,703	$ 383,940

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

X. Losses due to major disasters

None.

XI. Significant events after the balance sheet date

Please refer to Note 6(19) for the distribution of 2023 earnings resolved by the board meeting on February 22, 2024.

XII. Others

(I) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. The total debt is the total liabilities reported in the Consolidated Balance Sheet. Total capital is calculated as "equity" as shown in the Consolidated Balance Sheet, plus net debt.

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

(II) Financial instruments

1. Types of financial instrument

The Group's financial assets (cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), financial assets measured at fair value through other comprehensive income - non-current , Financial assets at amortized cost - non-current and refundable deposits) and financial liabilities (accounts payable (including related parties), other payables (including related parties), long-term borrowings (including current portion) , deposits, lease liabilities (current and non-current), 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. <u>Foreign exchange risk</u>

(A) The Group is a multinational operation and therefore is subject to exchange rate risk arising from transactions between the different currencies of the Company and its subsidiaries, mainly in USD, RMB, JPY and EUR. 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 NTD, and for other certain subsidiaries, the functional currency is EUR, USD, JPY and RMB), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values that would be materially affected by exchange rate fluctuations are as follows:

	December 31, 2023		
(Foreign currency: functional currency)	Foreign currency (in thousands)	Exchange rate	Book value (NT$)
Financial Assets			
Monetary items			
USD : NTD	69,139	30.7050	$ 2,122,913
RMB : NTD	24,519	4.3270	106,094
JPY : NTD	144,556	0.2172	31,398
EUR : NTD	251	33.9800	8,529
GBP : NTD	6	39.1500	235
Financial liabilities			
Monetary items			
USD : NTD	19,175	30.7050	$ 588,768
RMB : NTD	170	4.3270	736
EUR : NTD	5	33.9800	170
JPY : NTD	5,944	0.2172	1,291
USD : RMB	6,714	7.0960	206,153

(Foreign currency: functional currency)	December 31, 2022 Foreign currency (in thousands)	Exchange rate	Book value (NT$)
Financial Assets			
Monetary items			
USD : NTD	83,904	30.7100	$ 2,576,692
RMB : NTD	9,803	4.40800	43,212
JPY : NTD	125,186	0.2324	29,093
EUR : NTD	399	32.7200	13,055
GBP : NTD	5	37.0900	185
Financial liabilities			
Monetary items			
USD : NTD	19,271	30.7100	$ 591,812
JPY : NTD	4,662	0.2324	1,083
EUR : NTD	4	32.7200	131
USD : RMB	2,336	6.9670	71,739

(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 2023 and 2022.

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

	2023 Sensitivity Analysis		
	Fluctuation	Effect on profit or loss	Effect on other comprehensive income
Financial Assets			
Monetary items			
USD : NTD	1%	$ 21,229	$ -
RMB : NTD	1%	1,061	-
JPY : NTD	1%	314	-
EUR : NTD	1%	85	-
GBP : NTD	1%	2	-
Financial liabilities			
Monetary items			
USD : NTD	1%	(5,888)	-
RMB : NTD	1%	(7)	-
EUR : NTD	1%	(2)	-
JPY : NTD	1%	(13)	-
USD : RMB	1%	(2,062)	-

	2022		
	Sensitivity Analysis		
	Fluctuation	Effect on profit or loss	Effect on other comprehensive income
Financial Assets			
Monetary items			
USD : NTD	1%	$ 25,767	$ -
RMB : NTD	1%	432	-
JPY : NTD	1%	291	-
EUR : NTD	1%	131	-
GBP : NTD	1%	2	-
Financial liabilities			
Monetary items			
USD : NTD	1%	(5,918)	-
JPY : NTD	1%	(11)	-
EUR : NTD	1%	(1)	-
USD : RMB	1%	(717)	-

B. Price risk

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

(B) The Group mainly invests in equity instruments issued by domestic companies, and the price of such equity instruments will be affected by the uncertainty of the future values of the investment objects. If the price of such instruments rises or falls by 1% while all other factors remain unchanged, the other comprehensive income classified as equity investments measured at fair value through other comprehensive income from January 1 to December 31, 2023 and 2022 will increase or decrease by NT$281 and NT$278, 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 2023 and 2022 were denominated in NTD and EUR.

(B) On December 31, 2023 and 2022, if the borrowing rate increased by 1% with all other reasons remained unchanged, the net profit before tax in 2023 and 2022 would decrease by NT$3,695 and NT$3,211 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
December 31, 2023						
Expected loss rate	0.03%~0.20%	0.03%~0.61%	0.03%~1.22%	0.03%~76.51%	100%	
Notes receivable	$ 1,017	$ -	$ -	$ -	$ -	$ 1,017
Accounts receivable	1,273,748	52,472	4,015	9,408	1	1,339,644
Total book value	$ 1,274,765	$ 52,472	$ 4,015	$ 9,408	$ 1	$ 1,340,661
Loss allowance	($ 440)	($ 34)	($ 496)	($ 5,015)	($ 1)	($ 5,986)

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

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

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

	2023	2022
	Accounts receivable	Accounts receivable
January 1	$ 22,605	$ 2,445
Expected loss (gain) on credit impairment	(16,304)	20,056
Effects of changes in foreign exchange rates	(315)	104
December 31	$ 5,986	$ 22,605

(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, 2023 and 2022, 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 by maturity groups based on the remaining period from the balance sheet date to the contractual maturity date. Except those listed in the table below, the liabilities mature within a year. The undiscounted cash flow amount is equivalent to the amount listed in the balance sheet. The remaining undiscounted cash flow of non-derivative financial liabilities is shown as follows:

December 31, 2023	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Non-derivative financial liabilities:					
Lease liabilities (current/non-current)	$ 28,501	$ 20,742	$ 34,693	$ 171,846	$ 255,782
Long-term loans (including current portion)	17,028	22,458	122,750	247,356	409,592

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

(III) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

   Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume 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: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

   Level 3: Unobservable inputs for the asset or liability.

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, 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 (related parties), long-term borrowings, 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:

December 31, 2023	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
- Equity securities	$ 28,105	$ -	$ -	$ 28,105
December 31, 2022	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
- Equity securities	$ 27,839	$ -	$ -	$ 27,839

(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 2023 and 2022.

XIII. Supplementary 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 Schedule 2.
4. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.
5. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: Please see Schedule 3.
6. Disposal of real estate exceeding $300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to Schedule 4.

8. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please see Schedule 5.
9. Engaged in derivative trading: None.
10. Business relationships and significant intercompany transactions between the parent company and subsidiaries: 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 see Schedule 9.

(IV) Information of principal shareholders

Information on principal shareholders: Detailed in Schedule 10.

XIV. Operating Segments Information

(I) General information

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

(II) Measurement of segment information

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

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

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

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

1. Sales between segments are conducted according to the principle of transactions at fair value. The operating revenue from external customers reported to the operating decision maker is measured in a manner consistent with that in the comprehensive income

statement. A reconciliation of reportable segment income to the profit before income tax from continuing operations is provided as follows:

	2023	2022
Profit (loss) from reportable segments	$ 1,380,028	$ 2,039,462
Interest income	39,476	14,248
Other income	21,697	16,571
Other gains and losses	1,258	209,316
Financing cost	(7,097)	(7,484)
Shares of losses of associates and joint ventures accounted for using equity method	(4,274)	(5,785)
Income (loss) before tax from continuing operations	$ 1,431,088	$ 2,266,328

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:

	2023	2022
Industrial embedded storage devices	$ 4,496,366	$ 5,418,952
Industrial dynamic random-access memory module	3,058,601	3,968,015
Others	758,811	916,262
	$ 8,313,778	$ 10,303,229

(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:

	2023		2022	
	Revenue	Non-current assets (note)	Revenue	Non-current assets (note)
Taiwan	$ 2,621,083	$ 2,901,058	$ 3,158,884	$ 2,372,172
United States	1,077,128	70,839	1,478,064	70,260
Japan	563,437	10,894	793,895	4,580
Germany	633,578	-	796,753	-
China	1,397,522	13,064	1,594,896	7,712
Others	2,021,030	54,459	2,480,737	54,704
	$ 8,313,778	$ 3,050,314	$ 10,303,229	$ 2,509,428

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 2023 and 2022.

Innodisk Corporation
Provision of endorsements and guarantees to others
January 1 to December 31, 2023

Schedule 1

Expressed in Thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser / guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	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/guarantees by the parent company to the subsidiary	Provision of endorsements/ guarantees by the subsidiary to the parent company	Provision of endorsements/ guarantees to the party in China	Remarks
0	Innodisk Corporation	Innodisk Europe B.V.	2	$ 1,407,383	$ 14,272	$ 14,272	$ 14,272	$ -	0.20%	$ 3,518,459	Y	N	N	
1	Innodisk Europe B.V.	Innodisk France SAS	4	9,827	5,051	5,051	-	-	10.28%	24,567	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, 2023

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: Number of Shares	Period end: Book value	Period end: Shareholding percentage	Period end: Fair value	Remarks
Innodisk Corporation	Preference shares of TWSE/TPEx list domestic companies - Supreme Electronics Co., Ltd.	No	Non-current financial assets at fair value through other comprehensive income	666,000	$ 28,105	2.22%	$ 28,105	

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 NT$300 million or 20% of the paid-in capital or more
January 1 to December 31, 2023

Schedule 3

Expressed in Thousands of NTD
(Except as otherwise indicated)

The company which acquired the real estate	Property name	Date of fact	Transaction amount (Note)	Payment status	Counterparty	Relationship with the endorser/ guarantor	Previous transfer information if the counterparty is a related party				Reference for price determination	Purpose of acquisition and status of use	Other agreed matters
							Owner	Relationship with the Issuer	Transfer date	Amount			
Innodisk Corporation	Real estate in Xizhi District, New Taipei City	May 2023	$ 322,834	2023: Paid NT$322,834 in total.	Ikonix Manufacturing Co., Ltd	-	-	-	-	-	In accordance with the contract.	For the Company's operation.	No

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

Innodisk Corporation
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, 2023

Schedule 4

Expressed in Thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms of general transactions and reasons		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty name	Relationship with the endorser/ guarantor	Purchase/Sales	Amount	Percentage of total purchases (sales)	Credit term	Unit Price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Remarks
Innodisk Corporation	Innodisk USA Corporation	Subsidiary	(Sales)	($ 807,025)	(11%)	Net 60	None	None	$ 208,963	15%	
Innodisk Corporation	Innodisk Shenzhen Corporation	Subsidiary	(Sales)	(513,598)	(7%)	Net 60	None	None	204,237	15%	
Innodisk USA Corporation	Innodisk Corporation	Parent company	Purchase	807,025	17%	Net 60	None	None	(208,963)	(30%)	
Innodisk Shenzhen Corporation	Innodisk Corporation	Parent company	Purchase	513,598	11%	Net 60	None	None	(204,237)	(29%)	

Innodisk Corporation
Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more:
January 1 to December 31, 2023

Schedule 5

Expressed in Thousands of NTD
(Except as otherwise indicated)

Companies with accounts receivable	Counterparty name	Relationship with the endorser/ guarantor	Balance of account receivable from related parties	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Amount of recognized allowance for bad debts
					Amount	Action taken		
Innodisk Corporation	Innodisk USA Corporation	Subsidiary	$ 208,963	4.63	$ -	Not applicable	$ 67,114	$ -
Innodisk Corporation	Innodisk Shenzhen Corporation	Subsidiary	204,237	3.62	-	Not applicable	58,159	-

Innodisk Corporation
Significant inter-company transactions during the reporting periods and their business relationships.
January 1 to December 31, 2023

Schedule 6
Individual transactions less than NT$10 million will not be disclosed. Transactions which are disclosed as part of the parent company's transactions will not be disclosed again.

Expressed in Thousands of NTD
(Except as otherwise indicated)

				Status of transaction			
Number (Note 1)	Relationship	Counterparty	Relationship	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 2)
0	Innodisk Corporation	Innodisk USA Corporation	Parent company to subsidiary	Sales	$ 807,025	Same with other customers	10%
0	Innodisk Corporation	Innodisk Shenzhen Corporation	Parent company to subsidiary	Sales	513,598	Same with other customers	6%
0	Innodisk Corporation	Innodisk USA Corporation	Parent company to subsidiary	Accounts receivable	208,963	Same with other customers	2%
0	Innodisk Corporation	Innodisk Shenzhen Corporation	Parent company to subsidiary	Accounts receivable	204,237	Same with other customers	2%
0	Innodisk Corporation	Innodisk Japan Corporation	Parent company to subsidiary	Operating expenses	35,236	Same with other customers	0%
0	Innodisk Corporation	Innodisk Europe B.V.	Parent company to subsidiary	Operating expenses	83,643	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, 2023

Schedule 7

Expressed in Thousands of NTD
(Except as otherwise indicated)

Name of Investor	Investee	Location	Main business activities	Initial investment amount (Note 1): Balance at the end of period	Initial investment amount (Note 1): End of the previous year	Shares held as of the end of period: Number of Shares	Shares held as of the end of period: Percentage	Shares held as of the end of period: Book value	Net profit (loss) of the investee for the current period	Investment income(loss) recognized by the Company for the current period	Remarks
Innodisk Corporation	Innodisk USA Corporation	United States	Industrial embedded storage devices	$ 140,499	$ 140,499	2,046,511	100.00	$ $ 103,027	($ 10,674)	($ 10,413)	
Innodisk Corporation	Innodisk Japan Corporation	Japan	After-sales services and support of industrial embedded storage devices	3,533	3,533	196	100.00	11,024	2,043	1,940	
Innodisk Corporation	Innodisk Europe B.V.	Netherlands	After-sales services and support of industrial embedded storage devices	17,802	17,802	50,000,100	100.00	49,133	4,664	4,664	
Innodisk Corporation	Innodisk Global-M Corporation	Mauritius	Investment holdings	20,154	20,154	665,000	100.00	6,525	(42,752)	(43,064)	
Innodisk Corporation	Aetina Corporation	Taiwan	Manufacturing and sales of industrial graphics cards	24,091	24,091	23,884,103	73.67	297,277	(13,244)	(9,754)	
Innodisk Corporation	Antzer Tech Co., Ltd.	Taiwan	Electronic parts and components manufacturing.	57,133	57,133	58,400,000	100.00	30,819	1,270	(1,730)	
Innodisk Corporation	AccelStor Inc.	Taiwan	Electronic parts and components manufacturing.	73,518	54,157	6,798,664	32.16	26,256	(6,634)	(2,233)	Note6
Innodisk Corporation	Millitronic Co.,Ltd.	Taiwan	Electronic parts and components manufacturing.	20,400	12,900	945,000	42.95	12,278	(4,749)	(2,041)	Note 5
Innodisk Europe B.V.	Innodisk France SAS	France	After-sales services and support of industrial embedded storage devices	175	175	5,000	100.00	4,066	1,802	1,802	
Aetina Corporation	Aetina USA Corporation	United States	After-sales services and support of industrial graphics cards	6,098	-	200,000	100.00	6,500	213	213	Note 2
Aetina Corporation	Aetina USA Corporation	Netherlands	After-sales service and support for industrial graphics cards	-	-	100	100.00	1,259	941	941	Note 3
Aetina Corporation	Innodisk Japan Corporation	Japan	After-sales service and support for industrial graphics cards	1,087	-	500	100.00	985	(103)	(103)	Note 4

Note 1: Disclosed at the historical exchange rate
Note 2: Aetina Corporation established the subsidiary Aetina USA Corporation in September 2021, and the capital injection has been completed on January 10, 2023.
Note 3: Aetina Corporation established the subsidiary Aetina Europe B.V. in January 2022, and the capital injection has been completed on March 13, 2023.
Note 4: Aetina Corporation established the subsidiary, Aetina Japan Co., Ltd. in October 2023, and the capital injection has been completed on October 12, 2023.
Note 5: The Company injected an additional investment capital of NT$7,500 thousand to Sysinno Technology Inc. and acquired additional 300 thousand shares in March 2023.
Note 6: The Company injected an additional investment capital of NT$19,361 thousand to Millitronic Co., Ltd. and acquired additional 1,383 thousand shares in December 2023.

Innodisk Corporation
Information on investments in China - Basic data
January 1 to December 31, 2023

Schedule 8

Expressed in Thousands of NTD
(Except as otherwise indicated)

Investee in China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to China	Amount remitted from Taiwan to China/Amount remitted back to Taiwan for the year: Remitted to	Remitted back	Accumulated amount of remittance from Taiwan to China	Net profit (loss) of the investee for the current period	Ownership held by the Company (direct or indirect)	Investment income(loss) recognized 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
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$600 thousands) (Note 3)	($ 42,624)	100	($ 42,624)	($ 3,349)	$ -	
Aetina (Shenzhen) Artificial Intelligence Co., Ltd.	After-sales service and support for industrial graphics cards	$1,360 (US$42 thousands) (Note 5)	1. Aetina Corporation	$1,360 (US$42 thousands) (Note 5)	$ -	$ -	$1,360 (US$42 thousands) (Note 5)	($ 214)	100	($ 214)	$ 1,087	$ -	註 6

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

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

(2). Re-investment in China through a company in a third area (please specify the company in the third area)

(3). Other methods

Note 2: The investment income (loss) recognized in the current period is based on the 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 3)	$18,168 (US$600 thousands) (Note 3)	$ 4,285,971
Aetina Corporation	$1,360 (US$42 thousands) (Note 5)	$1,360 (US$42 thousands) (Note 5)	$ 242,202

Note 4: The cap is 60% of the net worth in accordance with the provisions of the (90) Tai-Cai-Zheng (I) No.006130 announced by the Securities and Futures Commission, Ministry of Finance on November 16, 2001.

Note 5: Investment amount of Aetina Corporation approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) is USD 42 thousand.

Note 6: Aetina Corporation established the subsidiary Aetina (Shenzhen) Artificial Intelligence Co., Ltd. in July 2023, and the capital injection has been completed on November 10, 2023.

Innodisk Corporation
Significant transactions, either directly or indirectly through a third area, with investee companies in China
January 1 to December 31, 2023

Schedule 9

Expressed in Thousands of NTD
(Except as otherwise indicated)

	Sales (Purchases)		Property transactions		Accounts receivable / payable		Notes endorsement and guarantee or provision of collateral		Financial intermediation				
Investee in China	Amount	%	Amount	%	Balance	%	Balance at the end of the period	Purpose	Highest balance	Balance at the end of the period	Range of interest rate	Current interest rate	Others
Innodisk Shenzhen Corporation	$ 513,598	7%	$ -	-	$ 204,237	15%	$ -	-	$ -	$ -	-	$ -	-

Innodisk Corporation
Information on major shareholders
December 31, 2023

Schedule 10

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

Note 1: The information on major shareholders in this Exhibit is compiled by Taiwan Depository & Clearing Corporation based on the 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 holding more than 10 percent of the shares 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