

Stock Code : 3570

Otsuka Information Technology Corp.

2020 ANNUAL REPORT

(In case of any discrepancy between the Chinese and English versions,
the Chinese version shall prevail.)

June 04, 2021

**Annual Report is available at : <http://mops.twse.com.tw>
<http://www.oitc.com.tw>**

I. Names, Titles, and Contact Information of the Spokesman and Acting Spokesman

Items	Spokesperson	Acting Spokesperson
Name	Hsu, Hui-Ju	Lin, Chih-Ming
Title	Vice General Manager	Finance Associate Manager
Contact Number	(02)8964-6668	(02)8964-6668
EMAIL	vicky@oitc.com.tw	angus@oitc.com.tw

II. Contact Information of the Head Office, Branch Office, and the Factory

1. Head Office : 6F., No. 68, Sec. 2, Xianmin Blvd., Banqiao Dist., New Taipei City 220, Taiwan
(R.O.C.)

Tel : (02)8964-6668

2.Branch Offices :

Taoyuan-Hsinchu Branch : 13F.-2, No.251, Fuxing 1st St., Zhubei City, Hsinchu County
30271, Taiwan (R.O.C.)

Tel : (03)550-5568

Taichung Branch : 14F.-3, No. 213, Chaofu Rd., Xitun Dist., Taichung City 407, Taiwan
(R.O.C.)

Tel : (04)2258-2355

Tainan Branch : Rm. C1, 8F., No. 189, Sec. 1, Yongfu Rd., West Central Dist., Tainan City
700, Taiwan (R.O.C.)

Tel : (06)215-3356

Kaohsiung Branch : 6F.-1, No. 315, Minghua Rd., Gushan Dist., Kaohsiung City 804, Taiwan
(R.O.C.)

Tel : (07)550-1398

3.Factory : None

III. Contact Information of the Stock Transfer Agency

Name : SinoPac Securities

Website : <http://www.sinotrade.com.tw>

Address : 3F., No.17, Bo' ai Rd., Taipei City 100

Tel : (02)2381-6288

IV. Contact Information of the Certified Public Accountants for the Latest Annual Reports

CPA Name : Wu, Mei-Ping and Fu Hong-Wen

CPA Firm : KPMG TW

Website : <http://www.kpmg.com.tw>

Address : 68F, Taipei 101 Tower, No.7, Sec.5, Xinyi Road, Taipei City

Tel : (02)8101-6666

V. Company's listed overseas securities and trade places : None

VI. Company Website : <http://www.oitc.com.tw>

Table of Contents

I. LETTER TO SHAREHOLDERS	1
II. COMPANY PROFILE	
I. DATE OF INCORPORATION	6
II. COMPANY HISTORY	6
III. CORPORATE GOVERNANCE REPORT	
I. Organizational System	8
II. Information on the company’s directors, supervisors, general manager, assistant general managers, associates and the supervisors, of all the company’s divisions and brand units.	11
III. REMUNERATION PAID DURING THE MOST RECENT FISCAL YEAR TO DIRECTORS, SUPERVISORS, THE GENERAL MANAGER, AND ASSISTANT GENERAL MANAGERS.	18
IV. THE STATE OF THE COMPANY’S IMPLEMENTATION OF CORPORATE GOVERNANCE.....	23
V. INFORMATION ON ACCOUNTANT FEES	48
VI. INFORMATION ON THE CHANGE OF ACCOUNTANTS.....	49
VII. INFORMATION ON THE SERVICE OF THE COMPANY’S CHAIRMAN, GENERAL MANAGER, AND FINANCIAL OR ACCOUNTING MANAGERS AT THE ACCOUNTING FIRM OR ITS AFFILIATES WITHIN A YEAR.....	49
VIII. ANY TRANSFER OF EQUITY INTERESTS AND/OR PLEDGE OF OR CHANGE IN EQUITY INTERESTS (DURING THE MOST RECENT FISCAL YEAR OR DURING THE CURRENT FISCAL YEAR UP TO THE DATE OF PUBLICATION OF THE ANNUAL REPORT) BY A DIRECTOR, SUPERVISOR, MANAGER, OR SHAREHOLDER WITH A STAKE OF MORE THAN 10 PERCENT DURING THE MOST RECENT FISCAL YEAR OR DURING THE CURRENT FISCAL YEAR UP TO THE DATE OF PUBLICATION OF THE ANNUAL REPORT	49
IX. INFORMATION, IF ANY, ON THE COMPANY’S 10 LARGEST SHAREHOLDERS THAT IS A RELATED PARTY, SPOUSE, OR A RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP OF ANOTHER.....	51
X. THE TOTAL SHARES HELD ON THE SAME RE-INVESTED BUSINESS BY THE COMPANY, ITS DIRECTORS AND SUPERVISORS, MANAGERS, AND ANY COMPANIES CONTROLLED EITHER DIRECTLY OR INDIRECTLY BY THE COMPANY, ALONG WITH THE TOTAL SHAREHOLDING RATIO.....	51
IV. CAPITAL RAISING ACTIVITIES	
I. CAPITAL AND SHARES	52
II. CORPORATE BONDS	57
III. PREFERRED SHARES	57
IV. OVERSEAS DEPOSITARY RECEIPTS	57
V. EMPLOYEE STOCK OPTIONS	57
VI. NEW RESTRICTED EMPLOYEE SHARES OR ISSUANCE OF NEW SHARES FOR ACQUISITION OR EXCHANGE OF OTHER COMPANIES’ SHARES	57
VII. FINANCING PLANS AND IMPLEMENTATION	57
V. OPERATIONS PROFILE	
I. BUSINESS SCOPE	58
II. MARKET AND SALES OVERVIEW	69
III. THE NUMBER OF EMPLOYED FOR THE TWO MOST RECENT FISCAL YEARS, AND DURING THE CURRENT FISCAL YEAR UP TO THE DATE OF PUBLICATION OF THE ANNUAL REPORT, THEIR AVERAGE YEARS OF SERVICE, AVERAGE AGE, AND EDUCATION LEVELS.....	75
IV. ENVIRONMENTAL EXPENDITURE INFORMATION	75

V. LABOR RELATIONS	75
VI. IMPORTANT CONTRACTS	77

VI. FINANCIAL PROFILE

I. CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME FOR THE PAST 5 FISCAL YEARS, SHOWING THE NAME OF THE CERTIFIED PUBLIC ACCOUNTANT AND THE AUDITOR’S OPINION GIVEN THEREBY	78
II. FINANCIAL ANALYSIS OF THE PAST 5 FISCAL YEARS	82
III. AUDIT COMMITTEE’S’ REPORT ON THE MOST RECENT YEAR’S FINANCIAL STATEMENT	86
IV. LATEST CONSOLIDATED COMBINED FINANCIAL STATEMENT REPORTS AUDITED AND CERTIFIED BY CPAs.....	87
V.LATEST CONSOLIDATED INDIVIDUAL FINANCIAL STATEMENT REPORTS AUDITED AND CERTIFIED BY CPAs.....	87
VI. FINANCIAL DIFFICULTIES FACED ANT ITS EFFECT ON THE COMPANY’S FINANCIAL STATUS IF THE COMPANY OR ITS AFFILIATES HAVE EXPERIENCED FINANCIAL DIFFICULTIES IN THE MOST RECENT FISCAL YEAR OR DURING THE CURRENT FISCAL YEAR UP TO THE DATE OF PUBLICATION OF THE ANNUAL REPORT	87

VII.REVIEW AND ANALYSIS OF FINANCIAL STATUS AND BUSINESS RESULTS AND RISK ISSUES

I. FINANCIAL STATUS	88
II. FINANCIAL PERFORMANCE	89
III. CASH FLOW	90
IV. IMPACT OF MAJOR CAPITAL EXPENDITURES ON THE FINANCIAL STATUS DURING THE MOST RECENT FISCAL YEAR	90
V. INVESTMENT POLICY FOR THE MOST RECENT FISCAL YEAR, THE MAIN REASONS FOR THE PROFITS OR LOSSES, IMPROVEMENT PLANS, AND INVESTMENT PLANS FOR THE COMING YEAR.....	90
VI.ANALYSIS AND ASSESSMENT OF RISK ISSUES DURING THE MOST RECENT FISCAL YEAR, UP TO THE DATE OF PUBLICATION OF THE ANNUAL REPORT	91
VII. OTHER IMPORTANT MATTERS	96

VIII. SPECIAL NOTES

I. INFORMATION ABOUT THE COMPANY’S AFFILIATES	97
II. TRANSACTION ABOUT THE COMPANY’S PRIVATE PLACEMENT OF SECURITIES DURING THE MOST RECENT FISCAL YEAR OR DURING THE CURRENT FISCAL YEAR UP TO THE DATE OF PUBLICATION O F THE ANNUAL REPORT	99
III. HOLDING OR DISPOSAL OF SHARES IN THE COMPANY BY THE COMPANY’S SUBSIDIARIES DURING THE MOST RECENT FISCAL YEAR OR DURING THE CURRENT FISCAL YEAR UP TO THE DATE OF THE ANNUAL REPORT	99
IV. OTHER NECESSARY SUPPLEMENTARY NOTES.....	99

IX. MATTERS DURING THE MOST RECENT FISCAL YEAR AND AS OF THE DATE OF PUBLICATION OF THE ANNUAL REPORT WHICH HAVE A SUBSTANTIAL IMPACT ON OWNER’S EQUITY AS STIPULATED IN ITEM 2, PARAGRAPH 2 OF ARTICLE 36 OF THE SECURITIES EXCHANGE LAW

99

I. Letter to Shareholders

I. 2020 Business Report

(I) Implementation Results of Business Plans

The Corporation has been dedicated to assisting clients in the introduction and application integration of 3D Painting software systems, providing middle-to-high level CAX/CAM software application solutions and technical consultation to our clients. In recent years, in order to correspond to market changes, we expanded new high-level application opportunities continuously and developed agency service for new products, as we assisted customers in introducing mixed reality and mobile data processes to drive digital transformation of customers. As a result, despite the outbreak of the pandemic in 2020, operating income and profit in 2020 could still maintain a satisfactory performance.

1. The Corporation's Operation results and sales condition of primary products are shown in the table below:

(1) Operation result comparison:

The corporation's 2020 operating revenue is NTD 1,129,672,000, which decreased by NTD 75,703,000, 6.28% from last year; operating margin is NTD 437,977,000, which decreased by 113,000, 0.03% from last year, and net income is NTD 136,279,000, which decreased by 6,723,000, 4.7% from last year.

Otsuka Consolidated Financial Statement

Unit: NTD thousands

Year	2019		2020		Gain/Loss	
	Amount	%	Amount	%	Amount	%
Operating Revenue	1,205,375	100.00	1,129,672	100.00%	-75,703	-6.28%
Gross Profit	438,090	36.34	437,977	38.77%	-113	-0.03%
Operating Expenses	263,912	21.89	275,422	24.38%	11,510	4.36%
Operating Income	174,178	14.45	162,555	14.39%	-11,623	-6.67%
Income before Tax	176,815	14.67	164,591	14.57%	-12,224	-6.91%
Net Income	143,002	11.86	136,279	12.06%	-6,723	-4.70%

(2) Financial Receipts and Expenditure (Structure) and Profitability Analysis

Item		2019	2020	Difference	
Financial Structure	Debt to Assets Ratio	28.08	23.70	-4.38	
	Long-term Funds to Fixed Assets Ratio	2,623.10	2,759.46	136.36	
Debt Paying Ability	Current Ratio	361.53	423.27	61.74	
	Quick Ratio	319.28	375.96	56.68	
Profitability	Return on Assets (%)	17.07	14.85	-2.22	
	Shareholders' Return on Equity (%)	23.05	19.96	-3.09	
	Profit before Tax to Capital Stock (%)	Operating Profit	101.88	95.08	-6.80
		Net Profit Before Tax	103.42	96.27	-7.15
	Net Profit Ratio (%)	11.86	12.06	0.20	
Earnings per Share(NTD)	8.37	8.00	-0.37		

(3) Conditions of Research and Development

The Corporation's R&D expense and proportion to each year's operating net operating revenue in the recent three years are shown in the following table:

Unit: NTD thousands ; %

Item and Year	2018	2019	2020
R&D Expense(A)	7,023	6,232	7,715
Net Operating Revenue(B)	923,668	1,205,375	1,129,672
(A)/(B)	0.76%	0.52%	0.68%

Besides cooperation on certain large projects, adding new features as expected by our clients, and leading clients through digital transformation via the integration of AR/VR virtual reality, substantially enhancing their 3D design effects, the Corporation's R&D department is, in 2020, dedicated to internal system integration with a view to facilitate overall business management effectiveness.

(4) The condition of budget execution

In 2020, the company established the internal goals for budget, which has not been publicized. The Company's goal in overall income, profit, and operation has been achieved

II. 2021 Business Plan Abstract:

(I) Guideline for management

1. Maintaining long-term relationships with clients, and trailblazing new business opportunities:

The corporation is entering its 25th year on the management of Taiwanese computer-aided design software market, and service is the core of maintaining the relationships between our clients and us. This year, the client management system development will be fortified through big data analysis and systematic management of customer problem solutions, etc. We wish to review and discover our clients' changing needs and continuously heighten the coverage rate of repurchases by our existing clients. In addition, the Corporation will have further promotions on client value service, providing differentiated services and solutions such as online technical counseling, professional introduction courses and value-added toolkits, etc., with an objective to segment our brands from our competitors. We believe that through a stable, long-term and systematic management, we can experience overall competitive edge facilitation.

2. Providing complete product line technical integration

(1) The corporation has the dealership for the entire Autodesk product line, including manufacturing, construction and Autodesk Media & Entertainment (M&E), and will establish a complete technical incubation and service team. Also, the Corporation has experiences in introductions of all types of projects and has accumulated rich technical consultation and system planning experiences; therefore, with the support from complete product line planning, we will provide more effective solutions to clients for their satisfaction.

(2) The Corporation's innovative business department is involved in the sale of PTC's advanced level 3D CAD software CREO. This product is the system with extraordinarily extensive use among Taiwanese computer manufacturers, containing extraordinary features of strong advanced surface design, structural static analysis, etc. Moreover, the parametric 3D CAD/CAM design platform and integrated solution feature demonstrates sublime performance, showing more powerful functions, flexibility and efficiency. Also, as the Corporation is equipped with solid industry guidance experiences and serves as an agent providing Windchill product life cycle management system, we

are able to facilitate the internal collaboration efficiency between the departments of our clients. Under the development orientation for intelligence industry nowadays, in addition, the brand-new IoT technology allows businesses to capture and utilize relevant information on effectiveness during the operation of their products, and significantly raise the quality of existing and future products. We believe that through the technical edge gained by our ownership of PDM technology, the raising of our product line's profitability is certain and we can seal our position in the market.

(3) We provide consultative Total Solutions package and enhanced ability for multi-brand maintenance services. We continue to provide domestic clients CAD software integration with diverse application, information security protection, virtual reality and augmented reality market expansion, and by integrating the development technology of computer graphics, computer simulation, artificial intelligence, sensing, display and network parallel processing, we provide clients with computer technology-assisted high-tech simulation systems and internal management paperless process consultant introduction, making our way forward versatile.

3. Integration of the internal management process:

With the trend of digitization, the Corporation's management process shall be more prompt and equipped with data analysis features. The Corporation has established a portal in 2019 that assists supervisors of business development departments, technical departments and responsibility centers to obtain access to clients' case status, service progress and sales performance while managing ongoing cases, making the Corporation's management information process smoother. In 2021, we plan to introduce an automation module of the enterprise's internal expense process with the vision of effectively improve accounting system posting efficiency.

(II) Expected sales amount and its accordance

On basis of the changes to domestic and overseas circumstances and industry development trend, a 5% growth in sales of the Corporation in 2021 is expected.

(III) Important selling and promotion strategies

1. Enhance internal information system to integrate client needs, deliver business opportunities, and actively enhance organizational response and service network efficiency, while developing core technologies to meet industry development requirements on the technical side.

2. In response to the rapid changes in the business environment of the industry, rapid growth was driven in emerging application markets such as mobile apps, cloud computing, and artificial intelligence, plus, companies are moving towards smart development or actively carrying out digital transformations, which allows manufacturers to build an automated equipment of high flexibility, fast sample change and introduction of intelligent robot system technology, and furthermore attain flexible manufacturing needs with quick line change. We will actively engage in client proposals with high potential on automation introduction and provide complete system solutions.

3. In addition, our business department continues to gain an in-depth understanding on the needs of existing clients and large target clients, and actively keeps abreast of the pulse and development of products from the original manufacturers, performing a more active and effective business drive through more comprehensive product services. Furthermore, we will maintain a concrete introduction of our product lines with value-adding synergy and increase width and depth of product lines.

4. Innovation is the motility to an enterprise's development. As VR/MR (Mixed Reality) and 3D sensing elements are surging in production, and the pandemic era has changed consumption habits and led to the digital transformation of remote zero-contact interfaces, many applications including hardware, service and contents are benefitting from such; therefore, we actively cultivate

professional marketing staff and new-generation technical support consultants to provide a complete and integrated sales model and client service, to facilitate consultative selling ability and cultivate management trainees, to pass on the Corporation's technical ability, and furthermore enhance the Corporation's competitive edge and overall coherence.

(IV) Future development strategies

1. Provide integrated business systems via professional service

CAD and video call software technology is widely applied to personal computers, smart handheld devices, digital TVs, AR and VR. 3D image display smoothness and control precision and user-friendliness determine the competitiveness of a single CAD software. The Corporation, by cooperating with complete and diverse solutions platforms and actively cultivating certified engineers, performs Total Solution services to drive sales as the significant management strategy and establishes a close and reciprocal partnership to make a win-win situation among the Corporation, manufacturers and sales force.

2. As the manufacturing industry has, in recent years, faced rapid changes in the international market and a strong challenge from the Chinese supply chain, enhancement in finishing efficiency operation model shall be made to maintain competitiveness and raise the added value, therefore, the Corporation started off from hastening the pace of client product development, offering versatile manufacturing industry solutions and technical support, assisting clients in the new product's research and development and acceleration of product launch efficiency, and with all efforts expanding business domains to operations and development of different franchised product lines to navigate Taiwan toward the goal of intelligent manufacturing.

3. Future R&D orientation:

(1) Due to the sales strategy change of the original manufacturer Autodesk and PTC to the subscription model, Otsuka must gradually build its own solution to raise competitiveness. Currently, the Corporation has developed relevant toolkits and optimized systems for Autodesk Manufacturing Solutions, Moldflow and PTC Creo to strengthen the utility of original products.

(2) Subscription model is the trend of future product authorization. The initial stage of the transformation will cause authorization assignment problems for system administrators. In this transitional period, Otsuka will provide clients with effective and legal tools for managing subscription accounts, so that clients will maintain their support for the original product.

(3) Cloud service is the trend of future development. Leveraging the fast computing function of the cloud platform and integrating the collaborative design environment, product development efficiency can be comprehensively enhanced. Otsuka will combine the CAD/CAM/CAE technology accumulated over the years with the resources on the cloud platform to create a unique cloud solution.

(V) Effects of the external competitive environment, laws & regulations and overall operating environment

1. Effects of the external competitive environment

As the challenges of the US-China trade war, the impact of the pandemic, and the high variety and short manufacturing cycle of products are impending, the Corporation has prepared itself in providing solutions of professional CAD software to manufacturing, construction, multimedia, etc. With the ability to propose and perform high-level integration, digital security management and research and development in data management system, the Corporation is a professional technical CAD software distributor oriented toward broadening future intelligent automation technology. The Corporation is an agency of core technology products with high competitiveness, together with a strong sales consultation service group. We facilitate clients' product specifications and

adherence to technical services to create a distinction from our competitors while gaining higher profit margins.

2. Effects of laws and regulations

Significant domestic or overseas laws and regulation changes include revision of the IFRS, which didn't cause major impacts to the Corporation's finance, and as the government's laws on the operation of a company became stricter, the Corporation will pay constant attention and propose a revision on relevant internal procedures and measurements, promptly convening discussion meetings with accountants and attorneys at law when necessary in order to minimize the potential impacts.

3. Effects of the overall operating environment

The research report of TIER indicated that the world economic performance in 2021 will show improvement from 2020. For example, the IMF predicts that the global gross domestic product (GDP) will increase by 5.5% in 2021. When faced with domestic and overseas economic environment changes, the Corporation will strive to facilitate technical integration, quality and R&D of technology to raise client satisfaction and profitability. For internal efficiency, the Corporation will also perform systematic analysis and process control on sales data via internal operation process integration with a view to enable business departments to keep abreast of client needs and for colleagues and the technical department to be on top of controlling important production and sales information including client project progress, while raising client satisfaction .

(VI) Prospects

The outlook of the world economy in 2021 is more positive than that of 2020. According to the latest prediction as announced by Chung-Hua Institution Economic Research in December 2020, the domestic economy growth rate is 3.73%. The Corporation, as the CAD/CAM leader in the Taiwanese market, holds the must-have in-depth service to facilitate product value and spirits, striding towards the goal of expanding technical edge, continuous market share expansion. This year, in response to the market competitions and the ever-innovating digital services, the Corporation will face challenges with a more cautious attitude to ensure the sustainable growth and development of Otsuka Information.

We would like to show our appreciation to the endeavors by our employees in the previous year and the support and trust for a long period of time, which contributed the stable growth in the Corporation's profit in 2020. Since founded, we have persisted in the idea that only through consistent and pragmatic management style and financial structure will we be dauntless in facing challenges, expecting to continuously create higher values for all shareholders with the support of every shareholder and director as well as the efforts by our staff. As for the distribution of the 2020 retained earnings, all are pursuant to the Corporation's long-term and stable dividend policies, and we anticipate creating a rosier business prospect for our clients and all shareholders.

Chairman: Hironobu Tsurumi

General Manager: GUO, Yi Long

Manager of Accounting: FU, Kai Li

II. Company Profile

I. Date of incorporation:

August 4, 1997

II. Company History:

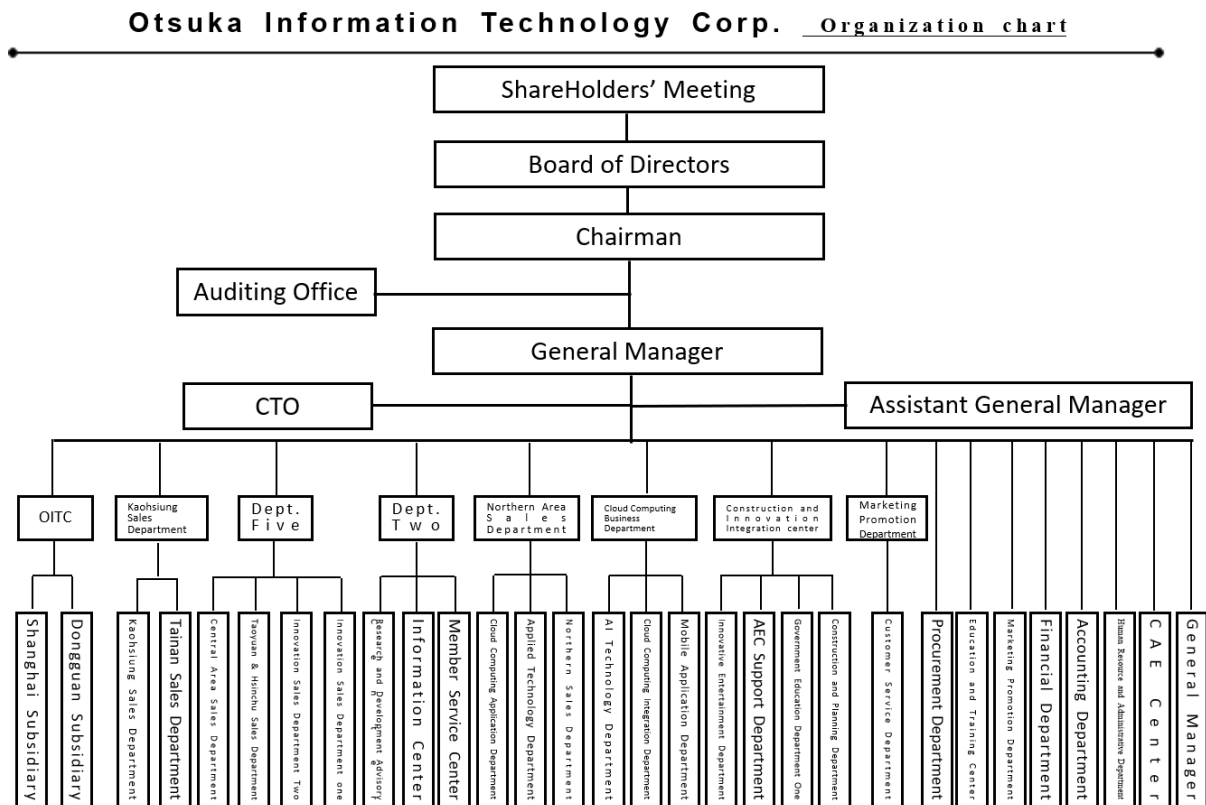
Year	Month	Company History
1997	August	Japan Otsuka Corp. and Taiwan Aurora Group join together and co-founded the joint venture Aurora Otsuka Corp., with a capital of NT\$ 100,000,000 majoring in selling CAD/CAM software and IT system integration.
	October	Signed the right to distribute the products of the AutoCAD series with US-based company Autodesk.
1998	March	Established the ITSI system integration place.
	September	Established the Taichung office, and received acknowledgement from the Ministry of Economic Affairs and the Institute for Information Industry to go to Japan to inspect the result of incorporating the CALS plan in the government, industry, and universities.
	October	Cash capital increases by 60 million.
1999	April	Established the Kaohsiung Office.
	October	Established the Tainan Office.
2000	January	Obtained the distribution rights of the software in the China region and became the only distributor with rights across both shores.
	May	Capital reduced by 77 million and then increased by 33.2 million, resulting in a total capital of 116.2 million.
	December	Established the IPO international Purchasing Department to assist the headquarters in Japan in purchasing information products.
2002	January	Acknowledged by Autodesk as the sole agent of MCAD (a series of products for the manufacturing industry) products in the Taiwan region.
	October	Otsuka Corporation obtained all the shares previously owned by the Aurora Group and became the sole shareholder of the company. Later renamed the company as Otsuka Information Technology Corp.
2003	January	Introduced a brand new corporate identification system called the Otsuka IT.
2004	May	Established the Hsinchu Office.
2005	February	Listed as the sole agent of Autodesk in the Taiwan region to distribute the educational series products in the manufacturing industry, spreading our business into the education market. Established the storage system department and provided information back-up security managed services for our clients.
2006	March	Obtained sole distribution rights for all Autodesk's products, and started a direct selling business in the education market; Obtained the right to sell Autodesk Alias series products.
2007	January	Obtained sole distribution rights of all Autodesk Alias series products and expanded our business into the most important market in the product development process, the industrial design market.
	July	Approved by the Securities and Futures Bureau, FSC, to initiate public offerings.
	September	Approved by the TPEX to be listed as an emerging stock.
	November	Approved by the Investment Commission to invest in the Mainland region.
2008	January	Otsuka Software Trading Corp. in Dongguan obtained its business registration certificate
	January	Introduced the self-developed software HyperPDM (Product Data Management).
	October	Company's stock officially listed in the OTC market
	November	Obtained a VAR-value added reseller contract from Autodesk in the China region.

Year	Month	Company History
2009	April	Approved by the Investment Commission to increase investment in the Mainland region.
	June	Otsuka Software Corp. in Suzhou obtained its business registration certificate.
	October	Obtained the distribution rights for Autodesk digital construction series product; Invested in real estate in Zhubei and established it as the Hsinchu office location.
2010	October	Approved by the Investment Commission to increase our investment in the Mainland region.
	December	Passed the corporate governance policy evaluation.
2011	January	Obtained the right of agency to sell Siemens' NX products.
	November	Obtained the right of agency to sell Pro/E, the parametric technology drawing software.
2012	February	Approved by the Investment Commission to increase investment in the Mainland region.
2013	June	Obtained the distribution rights for SAPVE products.
	July	Promoted by Autodesk with rights to sell DVAR contracts directly in all regions of China
2014	January	Otsuka Software Corp. in Suzhou obtained its business registration certificate.
2015	July	Approved by the Investment Commission to merge our subsidiary companies in the Mainland region, Otsuka Software Corp. in Suzhou and Oite Information Technology Corp. in Shanghai
	September	Registered the DO Information Technology Corp.
2016	October	Obtained platinum distribution rights for PTC.
	November	Obtained distribution rights for all of Autodesk's product lines.
2017	January	Named as the only Platinum Agent of all Autodesk's product lines. Named as the only Platinum Agent of all of PTC's products.
	October	Obtained golden distribution rights for Siemens's NX products in both Taiwan and China.
2018	January	Obtained the agency agreement of ConMas i-Reporter
2019	January	Completed the merger of subsidiaries of the Company, Oite Information Technology Corp. in Shanghai and Otsuka Software Corp. in Suzhou.
2019	July	The subsidiary of "To Gather Corporation" was established.
2020	March	Obtained the dealership agreement of the PTC Vuforia Engine
2020	August	The subsidiary UnLink Innovation Information Technology Corporation was established.

III. Corporate Governance Report

I. Organizational System :

(I) Corporate Organizational Structure



(II) Department Functions:

Department	Main Functions
General Manager	(1) In charge of making and overlooking the Company's operation and management policies. (2) In charge of setting the Company's short term or overall general business strategies along with adjusting the operating performance ratio. (3) In charge of planning and executing resolutions made by the Directors.
Auditing Office	(1) Investigates and evaluates the viability, rationality, effectiveness and the status of implementation of the regulations in each department (2) Establishes and executes audit proceedings (3) Writes audit reports and checks on the improvement of (4) Implements the internal control system and self-regulation
Computer-Aided Engineering Center	(1) Support and promotion of business (2) Training about of the ware (3) Planning for introducing AI to enterprises (4) Consulting services (5) Cases for professional analysis in the industry (6) Support and development of CAE in cross-strait interaction.
Human Resource and Administrative Department	(1) Human Resources management and Recruitment (2) Performance Evaluation (3) Employee Training and development (4) In charge of general affairs, and the handling of official documents and mails. (5) Inventory Control (6) Management of fixed assets
Finance Department	(1) In charge of financing and fund raising along with investment management (2) Re-Auditing overseas subsidiary accounting affairs.
Accounting Department	(1) In charge of accounting, tax related issues, and financial analysis and planning
Marketing Department	(1) In charge of the Company's website design, planning and maintenance. (2) In charge of the planning and execution of marketing events of each products, including real-life and online events. (3) In charge of planning and execution under the year's marketing budget and planning for the Company's co-selling products. (4) Cooperates with upstream original manufacturer's marketing plans and proposals.

Department	Main Functions
Education and Training Center	<ol style="list-style-type: none"> (1) In charge of the planning of internal personnel training, the management of educational materials and publications. (2) Planning and execution of the training courses for clients' software. (3) In charge of training new employees, ensuring professionally certified abilities. (4) In charge of creating new content on the online learning platform and platform maintenance.
Procurement Department	<ol style="list-style-type: none"> (1) Regular reports with upstream original manufacturers and working towards reaching the target of the year. (2) In charge of contacting and requesting quotation of products and comparing offers. (3) In charge of purchasing and product shipment.
Marketing Assistance Department	<ol style="list-style-type: none"> (1) Assist and manage telephone marketing, service, and development of the agent products. (2) Assists and manages all distributors.
Customer Service Department	<ol style="list-style-type: none"> (1) Offering proactive customer service and cooperating with related departments to develop new business opportunities. (2) In charge of the sales of yearly maintenance contracts and OITC value-added products.
Member center	<ol style="list-style-type: none"> (1) Online technical support (2) Offer clients effective solutions that cater to the clients' needs by incorporating 3D graphic software (3) Help the entry-level engineers and salespersons to improve their knowledge and competence in promoting and developing products (4) Research and inspection on new products of Siemens; display products and offer after-sales service; developing and maintain new products.
Research and Development Advisory Department	<ol style="list-style-type: none"> (1) In charge of the development, maintenance, and management of products (2) Developing customized projects and time management. (3) Providing technology support to the Company about the Company's internal IT systems. (4) PLM project plan proposals and consulting services. (5) In charge of PLM implementation, training, assisting, and providing related technology support services.
Information Center	<ol style="list-style-type: none"> (1) Plan for the security, application, and integration of information system, (2) Suggest, plan, establish, and maintain the equipment and the intranet and internet network of the Company. (3) To establish and maintain the monitoring system for the computer information system. (4) Educational training about computers and guidance for information application system (5) To plan and execute management on information system recovery. (6) To develop, maintain, and manage the company's home-developed software products. (7) The development and schedule management of customized projects.
Department of Cloud Computing	<ol style="list-style-type: none"> (1) Development & Internal educational training of products for cloud computing / information security (2) To assist the sales centers in promotion of cloud computing / information security products. (3) To work with Office of AI and mobile application to plan for integration of the existing products.
Department of Artificial Intelligence	<ol style="list-style-type: none"> (1) Internal product management: AI, AVR project, online course (2) Management of external AVR and relevant segmented software. (3) Evaluation of new products.
Department of Mobile Applications	<ol style="list-style-type: none"> (1) Plan solutions of mobile data collection, plan sales strategies, and assist in marketing activities. (2) To research on the application of the original equipment manufacturer and technical inspection. (3) Plan and execute marketing events; offer training for sales persons; guidance for consultants (4) To develop new clients, offer quotations; to assist clients in display of products and conceptual inspection
Media & Entertainment Business Department	<ol style="list-style-type: none"> (1) In charge of Autodesk Media & Entertainment (M&E) solution plans that mainly focus on the sales and promotion of products like Maya, and 3ds Max.
AEC Support Department	<ol style="list-style-type: none"> (1) In charge of the planning of AEC software' sales strategy and promotion plans. (2) Regularly reports with upstream original manufacturers and works towards reaching the target of the year. (3) Provides technology support services and resources for AEC software.
Construction and Planning Department	<ol style="list-style-type: none"> (3) Provides technology support services and resources for AEC software.
Government Education Department One	<ol style="list-style-type: none"> (1) Promotes the application of software and related hardware products in schools.
Department of Cloud computing application	<ol style="list-style-type: none"> (1) Collect information of cloud computing products on the market; develop trend analysis, and plan for development of new products (2) Explore new clients, manage client data, offer quotations to clients, and receive and process orders.
Department of Application Techniques	<ol style="list-style-type: none"> (1) To support sales team in offering before- and after-sales services; to propose procedures and solutions to assist clients in applying the products. (2) To conduct professional execution and guidance; assist the company to establish standardized operational procedures.

Department		Main Functions
Northern Sales Department		(1) In charge of the sales and promotion of products within their designated region. (2) In charge of communication with the products' contact and quote inquiries within their designated region (3) Providing technology support services and related resources. (4) Manage and carry out the display and after-sales support service (5) Provide the client with training and relevant service
Taoyuan & Hsinchu Sales Department		
Central Taiwan Sales Department		
Tainan Sales Department		
Kaohsiung Sales Department		
Innovation Sales Department One		(1) Mainly in charge of promoting the integration of PTC'S 3D CAD/CAM drawing software.
Innovation Sales Department Two		
OITC	Dongguan subsidiary	(1) In charge of sales and promotion of products in the China region. (2) In charge of communication and quote inquiry of products sold in the China region. (3) Provides technology support services and resources for products sold in the China region.
	Shanghai Subsidiary	

II. Information on the company's directors, supervisors, general manager, assistant general managers, associates and the supervisors, of all the company's divisions and brand units.

(I) Names, experiences, shareholdings and nature of relationship with the directors and supervisors.

1. Board directors and supervisors

May 1, 2019
Unit : shares; %

Title ¹	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Dated First Elected ²	Shares held upon election		Current Shares Held		Current Shares Held by the Spouse & Minor Children		Current Shares held in the Name of Others		Experience (Education)	Current Position in the Company and Other Companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship			Remarks (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairperson of the Judicial person	Japan	Otsuka Corp.	Male	June 24, 2019	3	November 20, 2001	6,465,900	37.82%	6,465,900	37.82%	0	0%	0	0%						
Chairman	Japan	Otsuka Corp. Representative: Tsurumi Hironobu	Male	June 24, 2019	3	November 20, 2001	0	0%	0	0%	0	0%	0	0%	Kokugakuin University, Department of Economics	1. Director of Otsuka Corp. 2. Managing Director	-	-	-	-
Director	Japan	Otsuka Corp. Representative: Wakamatsu Yasuhiro	Male	June 24, 2019	3	October 29, 2007	0	0%	0	0%	0	0%	0	0%	University of Hyogo, Department of Economics	1. Director of Otsuka Corp.	-	-	-	-
Director	R.O.C.	Kuo, Yi-Lung	Male	June 24, 2019	3	June 29, 2016	10,000	0.06%	20,000	0.12%	0	0%	0	0%	National Kaohsiung University of Science and Technology, Industrial Engineering and Management Department	1. General Manager of the Company 2. Director of Otsuka Information Technology Ltd. 3. Director and General Manager of Otsuka Software Trading Corp. in Dongguan 4. Director and General Manager of Oitic Information Technology Corp. in Shanghai 5. President and general manager of To Gather Corporation 6. President and general manager of UniLink Innovation Information Technology Corporation	-	-	-	-

Title ¹	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Dated First Elected ²	Shares held upon election		Current Shares Held		Current Shares Held by the Spouse & Minor Children		Current Shares held in the Name of Others		Experience (Education)	Current Position in the Company and Other Companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship			Remarks (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C	Hsu, Hui-Ju	Female	June 24, 2019	3	October 29, 2007	123,000	0.94%	116,000	0.68%	0	0%	0	0%	Shiga University, Master of Education	1. Assistant General Manager and spokesman of the Company 2. Supervisor at Otsuka Software Trading Corp. in Dongguan 3. Supervisor at Oitc Information Technology Corp. in Shanghai 4. Director of To Gather Corporation 5. Director of UniLink Innovation Information Technology Corporation	-	-	-	-
Independent Director	R.O.C.	Yan, Jun-De	Male	June 24, 2019	3	October 29, 2016	0	0%	0	0%	0	0%	0	0%	Tunghai University, Department of Accounting	1. CFO at Winking Entertainment Co., Ltd. 2. Independent Director, Audit Committee and Remuneration Committee Member of Patec Precision Industry Co., Ltd.	-	-	-	-

Title ¹	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Dated First Elected ²	Shares held upon election		Current Shares Held		Current Shares Held by the Spouse & Minor Children		Current Shares held in the Name of Others		Experience (Education)	Current Position in the Company and Other Companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship			Remarks (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C.	Lin, Hui-Fen	Female	June 24, 2019	3	October 29, 2007	0	0%	0	0%	0	0%	0	0%	National Cheng Kung University, Doctoral Degree of Accounting	1. Accountant at Weyong International CPAs & CO. 2. Supervisor at Sunrex Technology Corp. 3. Independent Director, Audit Committee and Remuneration Committee Member of Powertip Image corp. 4. Independent Director, Audit Committee and Remuneration Committee Member of Lin Horn Technology Co., Ltd. 5. Independent Director, Audit Committee and Remuneration Committee Member of Joytech Corp.	-	-	-	-
Director	R.O.C.	Huang, Xiang-Min	Male	June 24, 2019 (Note5)	3	June 22, 2020 (Note 5)	0	0%	0	0%	0	0%	0	0%	Columbia University, Master of Architecture and Urban Design	1. CEO at Fortune Construction Co., Ltd. 2. Chairman and General Manager of Rongshi Construction Co., Ltd. 3. Supervisor Representative at Excelsior Biopharma Inc	-	-	-	-

Title ¹	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Dated First Elected ²	Shares held upon election		Current Shares Held		Current Shares Held by the Spouse & Minor Children		Current Shares held in the Name of Others		Experience (Education)	Current Position in the Company and Other Companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship			Remarks (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Liu Cheng Ho	Male	June 24, 2019 (Note5)	3	June 22, 2020 (Note 5)	0	0%	0	0%	0	0%	0	0%	Department of Computer Science and Information Engineering, Tamkang University	1. Director and vice general manager of Koei TECMO Co., Ltd.	-	-	-	-
Director	Japan	Tamehiro Akio	Male	June 24, 2019 (Note5)	3	June 22, 2020 (Note 5)	610,050	3.57%	610,050	3.57%	0	0%	0	0%	Dokkyo University, Department of Law	1. Chairman and General Manager of Noah International Taiwan Corp.	-	-	-	-

Note1: The titles of corporate shareholders and the representative should be listed separately (the title of the corporate shareholder that an individual represents should be specified). Such representatives should be listed in the table below.

Note2: Explanation should be provided when the tenure of first session for the Company's supervisor or director was disconnected.

Note3: Any experience related to the position currently taken in the Company should be specified (e.g. when an individual was employed in the CPA firms or affiliations mentioned previously, the position and the responsibility of the individual should be specified.) : None.

Note4: When the president is the same person, the spouse, or the first-degree kinsman of the general manager or equivalent position (CEO), the Company should specify the reason, rationale, necessity, and complementary measures (e.g. recruiting more independent directors and ensuring that the majority of directors do not concurrently take common or managerial positions of the Company), and other relevant information: None.

Note5: After the Company establishes the audit committee, the supervisors were transferred as directors on the regular shareholder meeting of June 22, 2020.

2. Major shareholders of institutional directors or supervisors (Name and Shareholding Percentage with more than 10% shareholding):

Name of Institutional Shareholder	Major Shareholders (Note 2)	Shares held %
OTSUKA CORP.	Otsuka Sobi Co., Ltd.	30.97
	The Master Trust Bank of Japan, Ltd.(Trust Account)	5.66
	Custody Bank of Japan, Ltd.(Trust Account)	5.53
	Yuji Otsuka	2.99
	Custody Bank of Japan, Ltd. (Trust Account 9)	2.85
	OTSUKA CORPORATION Employee Stock-Sharing Plan	2.52
	Terue Otsuka	2.04
	Keiko Otsuka	1.94
	JPMorgan Securities Japan Co., Ltd.	1.35
	SMBC Nikko Securities Inc.	1.34

Note 1: The title of a corporate director or supervisor represented by an individual should be listed here.

Note 2: The major shareholder of a corporate shareholders (whose shareholding ratio is ranked in top 10) and its shareholding ratio should be listed here. The corporate shareholders whose stocks are mostly possessed by other corporates should be listed in Table 2 below.

Note 3: The title and shareholding ratio of on-corporate shareholding organizations are the sponsors or major donors and the sponsorship or donation ratio of such organizations.

3. Major shareholders of the Company's major institutional shareholders

Name of Institutional Shareholder ¹	Major Shareholders (Note 2)	Shares held %
Otsuka Sobi Co., Ltd.	Yuji Otsuka	98.96%
	Hiroko Otsuka	1.04%
OTSUKA CORPORATION Employee Stock-Sharing Plan	Not a Corporate organization, more like an Employee Stock Ownership Trust Organization with joint shareholding	—

Note 1: If the major shareholder is an institutional shareholder, it should write the name of the Institutional Shareholder

Note 2: Should write the name and the shareholding ratio of the major shareholders that holds the top 10 shareholdings

Note 3: A non-corporate shareholder its shareholding ratio as mentioned above should disclose the titles of the sponsor or donor as well as the ratio or sponsor.

4. Professional qualifications and independence analysis of directors and supervisors

Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Attribute ¹												Number of Concurrent Independent Director Position Held in Other Public Companies
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting or Other Academic Department Related to the Business Need of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Otsuka Corp. Representative: Tsurumi Hironobu			✓			✓	✓		✓			✓	✓	✓		—
Otsuka Corp. Representative: Wakamatsu Yasuhiro			✓			✓	✓		✓			✓	✓	✓		—
Kuo, Yi-Lung			✓		✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	—
Hsu, Hui-Ju			✓		✓		✓	✓	✓		✓	✓	✓	✓	✓	—
Yan, Jun-De			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Lin, Hui-Fen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Huang, Xiang-Min			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Liu, Cheng Ho			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Tamehiro Akio			✓				✓	✓	✓	✓		✓	✓	✓	✓	—

Note 1 : The Directors and Supervisors comply with the following conditions from two years before being elected and appointed, and during their term of office, please check the appropriate corresponding boxes.

- (1) Not an employee of this Company or its affiliates.
- (2) Not a Director or Supervisor of the Company or its affiliates. (Does not apply to cases in which the person is an Independent Director of the Company or its parent company, subsidiary, or a subsidiary of the Company's parent company, as appointed concurrently in accordance with the laws of the country of the parent or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking in the top ten in holdings.
- (4) Not a manager as listed in (1) or a spouse, second-degree relative or third-degree relative of those listed in items (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds an aggregate amount of five percent or more of the total number of outstanding shares of the Company, those who holds shares ranking in the top five in holdings, or those who are assigned the position according to Article 27, item 1 or item 2 of Company Law. (Does not apply to cases in which the person is an Independent Director of the Company or its parent company, subsidiary, or a subsidiary of the Company's parent company, as appointed concurrently in accordance with the laws of the country of the parent or subsidiary.)
- (6) Not a director, supervisor, or an employee of another corporate of which over half of the BOD members or the majority of shareholding votes are controlled by the same individuals who have the same power over the Company. (Does not apply to cases in which the person is an Independent Director of the Company or its parent company, subsidiary, or a subsidiary of the Company's parent company, as appointed concurrently in accordance with the laws of the country of the parent or subsidiary.)
- (7) Not a director, supervisor, or employee of a corporate or organization of which the president, general manager, or other equivalent positions are taken by those who take the same positions in the Company or the spouses of such individuals. (Does not apply to cases in which the person is an Independent Director of the Company or its parent company, subsidiary, or a subsidiary of the Company's parent company, as appointed concurrently in accordance with the laws of the country of the parent or subsidiary.)
- (8) Not a director, supervisor, manager, or shareholder possessing 5% or more of the Company's outstanding stocks of a specific corporate or institution that has financial or business interactions with the Company. (Does not apply to cases in which the person is an Independent Director of the Company or its parent company, subsidiary, or a subsidiary of the Company's parent company, as appointed concurrently in accordance with the laws of the country of the parent or subsidiary.)
- (9) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company, whose received accumulated payment for such service is under 500 NT dollars over the most recent 2 years, or to any affiliate of the company, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee who exercises powers pursuant to Security Law, Business Mergers and Acquisitions Act, or related laws or regulations, the public tender offers review committee, or special committee for merger/consolidation and acquisition.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not a person of any conditions defined in Article 30 of the Company Law.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(II) Information on the general manager, deputy general manager, associates, managers of each departments and branch units

May 1, 2021

Title	Nationality	Name	Gender	Inauguration Date	Shares held		Shares Held by the Spouse & Minor Children		Current Shares Held in the name of Others		Experience (Education)	Current Position in Other Companies	Managers who are spouses or within two degrees of kinship			Remark (note 1)
					Shares	Shares	Shares	%	Shares	%			Title	Name	Relation	
General Manager	R.O.C.	Kuo, Yi-Lung	Male	105.01.16	20,000	0.12%	—	—	—	—	National Kaohsiung University of Applied Sciences, Industrial Engineering and Management	1. Director of Otsuka Information Technology Ltd. 2. Director and General Manager at Otsuka Software Trading Corp. in Dongguan 3. Director and General Manager at Oite Information Technology Corp. in Shanghai 4. President and general manager of To Gather Corporation 6. president and general manager of unlinK innovative information Technology Corp.	—	—	—	—
Assistant General Manager and Director of Office Five	R.O.C.	Song, Jin-Cheng	Male	108.01.10	—	—	—	—	—	—	Lunghwa University of Science and Technology, Department of Business Administration	1. Director of unlinK innovation information technology Corp.	—	—	—	—
Assistant General Manager and Head of Administration and Human Resource Department	R.O.C.	Hsu, Hui-Ju	Female	108.01.10	116,000	0.68%	—	—	—	—	Shiga University, M.Ed.	1. Supervisor at Otsuka Software Trading Corp. in Dongguan 2. Supervisor at Oite Information Technology Corp. in Shanghai 3. Director of To Gather Corporation 4. Director of unlinK innovation information technology Corp.	—	—	—	—
CTO	R.O.C.	Xie, Qi-Lu	Male	100.12.01	4,072	0.02%	—	—	—	—	Technical Director of Dylan Information Technology Corp.	--	—	—	—	—
Finance Associate Manager	R.O.C.	Lin, Chih-Ming	Male	105.3.15	—	—	—	—	—	—	M.A. in Economics at Fu-Jen Catholic University Auditing Manager at Timerwell Technology (Taiwan) Co., Ltd.) Underwriting Manager at Fuhwa Securities Finance	1. Supervisor of To Gather Corporation 2. Supervisor of unlinK innovation information technology Corp.	—	—	—	—
Accounting Deputy Manager	R.O.C.	Fu, Kai-Li	Female	107.8.6	—	—	—	—	—	—	National Dong Hwa University, Department of Accounting	—	—	—	—	—

Note 1: When the president, his spouse, or his first-degree kinsman concurrently serves as the general manager or take the equivalent position (chief manager), the reason, rationale, necessity, compensation measures (e.g. recruiting more independent directors, the majority of directors are not concurrently employees or managers of the Company), and other relevant information should be revealed.

(III) When the president, his spouse, or his first-degree kinsman concurrently serves as the general manager or take the equivalent position (chief manager), the reason, rationale, necessity, compensation measures (e.g. recruiting more independent directors, the majority of directors are not concurrently employees or managers of the Company), and other relevant information should be revealed: None.

(III) Remuneration paid during the most recent fiscal year (2020) to directors, supervisors, the general manager, and assistant general manager (2018):

1. Remunerations of Directors and independent directors

Unit : NT\$1000

Title	Name	Remunerations of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant remuneration received by directors who are also employees						Ratio of total compensation (A + B+C+D+E+F+G) to the net income		Compensation paid to directors from an invested company other than the company's subsidiary or parent company			
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses and Allowances (E)		Severance Pay (F)		Employee Compensation (G)							
		The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	Cash	Stock	Cash	Stock	The Company	Companies in the consolidated financial report				
Chairman	Tsurumi Hironobu	1,365	1,365	-	-	1,255	1,255	-	-	1.9%	1.9%	12,528	12,528	-	-	750	-	750	-	11.6%	11.6%	none	
Director Representative	Wakamatsu Yasuhiro																						
Director	Kuo, Yi-Lung																						
Director	Hsu, Hui-Ju																						
Director	Liu Cheng He (note 4)																						
Director	Huang Xiang Min (note 4)																						
Director	Tamehiro Akio (note 4)	1,375	1,375	-	-	991	991	17	17	1.7%	1.7%	-	-	-	-	-	-	-	-	1.7%	1.7%	none	
Independent Director	Yan, Jun-De																						
Independent Director	Lin, Hui-Fen																						
Independent Director	Chen, Yen-Xun (note 5)																						

1. The payment policy, system, standard and structure of remuneration for independent directors should be explained, and the connection between the amount of payment and obligation, risk, and devoted time for taking the position should be specified: the remuneration for independent directors is allocated according to the guidelines for allocating remuneration to directors and members of functional committees; the allocated amount is determined by the devotion of each director and independent director for the Company's operation while the general payment standard among domestic companies of the industry is also considered.

2. Except the sheet disclosed above, the remuneration for all the directors who served for all the companies within the consolidated financial statement (such as a consultant not an employee) in the most recent fiscal year : None

Note 1: The Company did not pay Directors and Supervisors any Severance in 2019.

Note 2: The Severance Pay set for directors who are also employees at the Company is set at NT\$ 200,000.

Note 3: The remuneration of Directors and Employee Bonus Stock are approved and decided by the board.

Note 4: The supervisor Liu, Cheng-ho, Huang Xiang Min and Tamehiro Akio was reelected as director on June 22th, 2020.

Note 5: The independent director Chen, Yen-Xun was resign on Dec. 31, 2020.

Note 6: The Company does not disclose the remuneration of the Directors and Supervisors.

Range of Remunerations

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial report(H)	The Company	Companies in the consolidated financial report (I)
Under NT\$ 1,000,000	Tsurumi Hironobu Wakamatsu Yasuhiro Kuo, Yi-Lung Hsu, Hui-Ju Liu Chien-he (note1) Huang Xian Min (note 2) Tamehiro Akio (note 3) Yan, Jun-De Lin, Hui-Fen Chen, Yen-Xun (note 4)	Tsurumi Hironobu Wakamatsu Yasuhiro Kuo, Yi-Lung Hsu, Hui-Ju Liu Chien-he (note1) Huang Xian Min (note 2) Tamehiro Akio (note 3) Yan, Jun-De Lin, Hui-Fen Chen, Yen-Xun (note 4)	Tsurumi Hironobu Wakamatsu Yasuhiro Liu Chien-he (note1) Huang Xian Min (note 2) Tamehiro Akio (note 3) Yan, Jun-De Lin, Hui-Fen Chen, Yen-Xun (note 4)	Tsurumi Hironobu Wakamatsu Yasuhiro Liu Chien-he (note1) Huang Xian Min (note 2) Tamehiro Akio (note 3) Yan, Jun-De Lin, Hui-Fen Chen, Yen-Xun (note 4)
NT\$1,000,000 (included) ~ NT\$2,000,000 (excluded)	—	—	—	—
NT\$2,000,000 (included) ~ NT\$3,500,000 (excluded)	—	—	—	—
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)	—	—	Hsu, Hui-Ju	Hsu, Hui-Ju
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)	—	—	Kuo, Yi-Lung	Kuo, Yi-Lung
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)	—	—	—	—
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded) .000.000 (excluded)	—	—	—	—
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)	—	—	—	—
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Total	10	10	10	10

Note 1: The supervisor Liu, Cheng-ho was reelected as director on June 22th, 2020.

Note 2: The supervisor Huang Xiang Min was reelected as director on June 22th, 2020.

Note 3: The supervisor Tamehiro Akio was reelected as director on June 22th, 2020.

Note 4: The independent director Chen, Yen-Xun was resign on Dec. 31, 2020.

2. Remunerations of Supervisors

Unit : NT\$1000

Title	Name	Remuneration of Supervisors						Ration of Total Remuneration (A+B+C) to Net Income (%)		Compensation paid to directors from an invested company other than the company's subsidiary or parent company
		Base Compensation (A)		Compensation(B)		Allowances(C)		The Company	Companies in the consolidated financial report	
		The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report			
Supervisor	Huang, Xiang-Mi (note 2)	450	450	396.5	396.5	6	6	0.62%	0.62%	N/A
Supervisor	Liu, Cheng-Ho (note 3)									
Supervisor	Tamehiro Akio (note 4)									

Note1. : The remuneration of Supervisors are approved and decided by the board.

Note 2 : The supervisor Liu, Cheng-ho was reelected as director on June 22th, 2020.

Note 3: The supervisor Huang Xiang Min was reelected as director on June 22th, 2020.

Note 4: The supervisor Tamehiro Akio was reelected as director on June 22th, 2020.

Range of Remunerations

Range of Remuneration paid to the Company's supervisors	Name of Supervisors	
	Total of (A+B+C)	
	The Company	Companies in the consolidated financial report (D)
Under NT\$2,000,000	Tamehiro Akio Liu, Cheng-Ho Huang, Xiang-Min	Tamehiro Akio Liu, Cheng-Ho Huang, Xiang-Min
NT\$1,000,000 (included) ~ NT\$2,000,000 (excluded)	—	—
NT2,000,000 (included) ~ NT\$3,500,000 (excluded)	—	—
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)	—	—
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)	—	—
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)	—	—
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)	—	—
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)	—	—
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)	—	—
Over NT\$100,000,000	—	—
Total	3	3

3. Remunerations of General Manager and Assistant General Manager

Unit : NT\$1000

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to Net Income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company		Companies in the consolidated financial report		The Company	Companies in the consolidated financial report	
								Cash	Stock	Cash	Stock			
General Manager	Kuo, Yi-Lung	4,528	4,528	-	-	12,731	12,731	980	-	980	-	13.33%	13.33%	N/A
Assistant General manager	Sung, Jin-Cheng													
Assistant General manager	Hsu, Hui-Ju													

Note 1 : Employee Remunerations were decided and approved by the board.

Note 2: The Company does not disclose the remuneration of the top 5 highest paid managerial staff.

Range of Remunerations

Range of remuneration paid to general managers and assistant general managers	Names of General Managers and Assistant General Mangers	
	The Company	All companies in the consolidated financial statement (E)
Under NT\$1,000,000	-	-
NT\$1,000,000 (included) ~ NT\$2,000,000 (excluded)		
NT2,000,000 (included) ~ NT\$3,500,000 (excluded)	Hsu, Hui-Ju	Hsu, Hui-Ju
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)	Sung, Jin-cheng,	Sung, Jin-cheng,
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)	Kuo, Yi-Lung	Kuo, Yi-Lung
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)	-	-
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)	-	-
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)	-	-
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)	-	-
Over NT\$100,000,000	-	-
Total	3	3

4. Employees Profit Sharing Granted to The Management Team

December 31, 2020 Unit : NT\$1000

	Title	Name	Stock	Cash	Total	Rate of total amount to pure profits after tax (%)
Manager	General Manager	Kuo, Yi-Lung	—	1,340	1,340	0.98%
	CTO	Xie, Qi-Lu				
	Assistant General Manager and Director of Office Five	Song, Jin-Cheng				
	Assistant General Manager and Head of the Administration and Human Resources Department	Hsu, Hui-Ju				
	Associate Finance Manager	Lin, Chih-Ming				
	Assistant Accounting Manager	Fu, Kai-Li				

Note : This sheet was approved and decided by the board.

(IV) Analysis of the proportion of the total remuneration of directors, supervisors, general managers and assistant general managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years. Explanation of remuneration policies, standards and packages, the procedure to determine remuneration, and its linkage to operating performance and future risk exposure :

1. Analysis of the proportion of the total remuneration of directors, supervisors, general managers and deputy general managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years:

Unit : NT\$1000

Title	Year 2019				Year 2020			
	Total Remuneration		Ratio of total remuneration paid to net income (%)		Total Remuneration		Ratio of total remuneration paid to net income (%)	
	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report
Director	17,317	17,317	12.1%	12.1%	18,281	18,281	13.36%	13.36%
Supervisor	1,878	1,878	1.31%	1.31%	853	853	0.62%	0.62%
General Manager	17,707	17,707	12.37%	12.37%	18,239	18,239	13.33%	13.33%

2. Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure :

- (1) The Company's salary structure is basically made up of three parts, salary, year-end bonus, and performance bonus (variable pay).
- (2) The remuneration of Directors and Supervisors should include compensation, allowances payment; The compensation and allowances should follow the Company's policy set according to the contribution made to the Company by the board, at the same time follow a general reasonable amount in the industry. The amount of payment made to directors and supervisors were made under the consideration of both the operation outcome and performance evaluation of the board. According to Act 25 of the Company's policy, if the Company makes a profit for the said year, the Company shall give 3% to the directors and supervisors as payment. Performance evaluation and the reasonability of salary were all reviewed by the remuneration committee and the board, and adjust the remuneration policy accordingly to the actual operational situation in order to maintain the balance between sustainable operation and risk control.
- (3) The Company's remuneration committee reviews remuneration for the Company's higher-level managers, including salary, bonus, employee payment, employee stock ownership trust. It also determines the salary structure, including the basic salary, bonuses, allowances; the review report would be sent to the board. The remuneration committee takes into consideration the nature of the employee's job, responsibilities, along with the employees' educational and work experiences, seniority and performance result. After being reviewed and passed by the board as well as adopted by the shareholders, the employee payment formulated according to each employee's performance, seniority, position, and special contribution made to the company shall be distributed.

IV The State of The Company's Implementation of Corporate Governance

(I) The state of operations of the board of directors

Seven meetings were held by the Board of Directors in the fiscal years or from the current fiscal year until the date of annual report publication (May 10, 2021); The Attendance of directors is shown below :

Title	Name	In-Person Attendance (B)	By Proxy	In-Person Attendance Rate (%) (B/A)	Remarks
Chairman	Otsuka Corp. Representative: Tsurumi Hironobu	7	0	100.00%	
Juridical Person Director	Otsuka Corp. Representative: Wakamatsu Yasuhiro	4	3	57.14%	
Director	Kuo, Yi-Lung	7	0	100.00%	
Director	Hsu, Hui-Ju	7	0	100.00%	
Director	Liu, Cheng-Ho	7	0	100.00%	
Director	Huang Xian-Min	5	0	100.00%	(Note1)
Director	Liu, Cheng Ho	5	0	100.00%	(Note1)
Director	Tamehiro Akio	5	0	100.00%	(Note1)
Independent Director	Yen Jun De	7	0	100.00%	
Independent Director	Lin Hue Fen	7	0	100.00%	
Independent director	Chen Yen Xun (Note 2)	5	0	100.00%	(註 2)

Note 1: After the Company established the audit committee, the supervisors were relected as directors on June 22, 2020, and have convened 5 meetings after being elected.
Note 2: The director Chen, Yen-Xun's was resign on December 31st, 2020

Other matters to be recorded :

1. During the operations of the Board of Directors, the meeting date, period, content, qualified opinion and resolution made by any independent director should be specified.

(1) Matters specified in Article 14.3 of the Taiwan Securities and Exchange Act

Meeting Date	Content	Qualified Opinion from any Independent Director
Meeting 5 of 9 th Board March 16, 2020	<ol style="list-style-type: none"> 1. Review the plan to allocate remuneration for the Company's employees. 2. Review the plan to allocate and distribute remuneration for the Company's directors and supervisors. 3. Amend the Company's "Regulations governing Organization of Remuneration Committee. 4. Adopt the 2019 business report, individual financial report, and consolidated financial report. 5. Distribute the annual earnings of 2019. 6. Regular review on the independence of the Company's certified accountant. 7. Replace the Company's certified accountant in the first quarter of 2020. 8. Establish "Statement of Internal Control" based on the self-inspection on internal control in 2019. 9. Amend the Company's Articles of association. 10. Amend the Company's Rules and Procedures of Shareholders' Meetings. 11. Amend the Company's Procedures for Election of Directors and Supervisors. 12. Amend the Company's Regulations Governing Making Endorsements, Procedures for Loaning Funds, and Procedures for Acquisition and Disposal of Assets. 13. Establish the Company's Regulations governing organization of audit committee 14. Amend the Company's Rules for Board of Directors Meetings. 15. Amend the Company's Ethical Corporate Management Best Practice Principles 16. Elect new directors. 17. The Board nominate and review candidates of directors. 18. Lift the non-competition limitations on the Company's new directors. 19. Loans to the Company's subsidiaries. 20. Plan relevant affairs of convening the Company's 2020 Regular Meeting of Shareholders. 	Approved by all Independent Directors

Meeting Date	Content	Qualified Opinion from any Independent Director
Meeting 6 of 9 th Board May 11, 2020	<ol style="list-style-type: none"> 1. Adopt the Company's consolidated financial report of 2020 Q1 and CPA's review report 2. Determine the report date and payment date of cash dividend in 2019. 3. Amend the Company's "Corporate Governance Best Practice Principles" and "Corporate Social Responsibility Best Practice Principles." 4. Amend the Company's "Procedures for Handling Chairperson's requests" and the proposal for review. 5. Amend the Company's Management Process. 6. Amend the Company's "Guidelines for responsibility distribution." 	Relevant proposals gave been accepted by all independent directors with consensus
Meeting 7 of 9 th Board August 10, 2020	<ol style="list-style-type: none"> 1. Review the 2020 summer assessments on managers 2. Review the plan for distribution of 2020 mid-term performance bonuses. 3. Review the plan to distribute remunerations for the Company's employees in 2019. 4. Amend the Company's Regulations governing organization of remuneration committee 5. Adopt the Company's consolidate financial report and auditors' review report on quarter 2 of 2020. 6. Reinvest in establishing the Company's subsidiaries. 7. Lift non-competition limitations on the Company's directors. 8. Amend the Company's "Procedures for Election of Directors". 9. Amend the Company's Guidelines for management and Internal Control. 	
Meeting 8 of 9 th Board November 09, 2020	<ol style="list-style-type: none"> 1. Adopt the Company's consolidated financial report and auditors' review report on quarter 3 of 2020. 2. Lift non-competition limitations on the Company's managers. 3. Amend the Company's "Procedures for Loaning Funds". 4. Expand the Company's "Guidelines for Distribution of Responsibilities." 5. Amend the Company's "Procedure to compile and manage Financial Statements." 	
Meeting 9 of 9 th Board December 21, 2020	<ol style="list-style-type: none"> 1. Plan to review on the policy, system, and structure of remunerations for the Company's directors. 2. Review the items in of remunerations for the Company's managers to be launched in 2021. 3. Review the 2020 Annual assessment on managers. 4. Review the distribution of the 2020 year-end bonus for managers. 5. The Company's 2021 annual budget for operation 6. The Company's 2020 annual audit fee for certification of accountants. 7. Review the Company's "System for internal control." 8. The Company's 2021 annual audit plan. 9. Adopt the least contract of the Company and its subsidiary unlink innovation information technology Co. Ltd. 	
Meeting 10 of 9 th Board March 22, 2021	<ol style="list-style-type: none"> 1. Review the plan for allocation of the Company's employees 2. Review the plan for allocation and distribution of the Company's directors and supervisors. 3. Adopt the Company's 2020 business report, individual financial report, and consolidated financial report. 4. Distribute earnings of the 2020. 5. Regular evaluation on independence of the Company's certified accountants 6. Establish "Statements about internal control system" based on the internal control self-inspection in 2020. 7. Expand the Company's "Guidelines for distribution of responsibilities." 8. The 15 million capital increase of the subsidiary To Gather Corporation. 9. Refill the vacancies of independent directors 10. The Board nominate and review the candidates for independent directors. 11. Lift the non-competition limitations on the Company's new directors. 12. Plan to recruit members for the Company's remuneration committee. 13. Plan for relevant affairs for convening the Company's 2021 Shareholders' regular meeting. 	
Meeting 11 of 9 th Board May 10, 2021	<ol style="list-style-type: none"> 1. Adopt the Company's consolidated financial report and auditors' review report on quarter 1 of 2021. 2. Establish base date for the cash Dividends and distribution date. 3. Lift the non-competition limitations on the Company's new directors. 	

(2) Unless otherwise stated, other Independent Directors who expressed opposition or qualified opinions that were recorded or declared in writing : None

2. To avoid conflict of interest among directors, the Director's name, meeting content, and reason for avoiding conflict of interest and participation in the voting process must be properly recorded :

(1) Meeting 7 of the 9th Board on August 10, 2020

During the review of the 2020 summer evaluation of managers, the 2020 employee compensation plan, the 2020 Mid-Year performance bonus plan, Director and General Manager Kuo, Yi-Lung, and Director and Associate General manager Hsu, Hui-Ju did not participate in discussion and voting to avoid conflict of interest.

(2) Meeting 8 of the 9th Board Meeting on November 09, 2020:

During the review of lift of non-competition limitations on the Company's general managers; General Manager Kuo, Yi-Lung, did not participate in discussion and voting to avoid conflict of interest.

(3) Meeting 9 of the 9th Board on December 21, 2020

The audit managers plan so implement the strategy to review each item in remunerations of 2021, the 2020 year-end evaluation on managers, and distribution of 2020 year-end bonus for manages. Director and general

manager Kuo Yi-Lung, and director and Director and Associate General manager Hsu, Hui-Ju didn't participate in the discussion and voting to avoid conflict of interest.

(4) Meeting10 of the 9th Board on March 22, 2021

Review the plan for allocation and distribution of the Company's directors and supervisors.. Director and general manager Kuo Yi-Lung, and director and Director and Associate General manager Hsu, Hui-Ju didn't participate in the discussion and voting to avoid conflict of interest.

3. The frequency, duration, range of evaluation, method, and content of evaluation, and other matters of implementation of self-evaluation (or peer evaluation) of the Board of Directors Meeting:

Frequency	Duration	Range	Method	Content
Once every year	January 1, 2020 to December 31, 2020	Performance of each individual director and peer performance	Self-evaluation and peer-evaluation among Board of Directors members	Self-evaluation of each individual covers the criteria of mastering the goal and responsibility of the Company, awareness about a director's obligations, participation in business operation, management of relationship and communication within the unit, further studies and professional training for directors, internal control, and other aspects. The peer performance review of the Board covers the criteria of participation in the business operation, quality of the Board's decision making, composition and structure of the Board, Election and further studies of the directors, internal control, and other aspects.

4. Strengthening the functions of the board in the current and recent fiscal years (e.g. establishing the Audit Committee, promoting information transparency, etc.) and conducting performance assessment

(1) Strengthening the Functions of The Board:

Since the formation of the Remuneration Committee in 2011, the committee has been assisting the Board of Directors with regular evaluations and deciding the compensation of directors and managers; and regularly reviewing the directors and managers' performance evaluation and the compensation policy, regulations and structure. Please refer to the "Operation Status of the Remuneration Committee" on pg. 34 for performance assessment.

Since the Company established the audit committee in June 2020, the committee has been responsible for appropriately compiling financial reports, election (dismissing) of certified accountants as well as assessment on their independence and performance, the effective implementation of the Company's internal control, observation of relevant laws, and monitoring the existing or potential risks of the Company. Please refer to "Operation of Audit Committee" on pg. 26 for the condition of execution.

(2) Promoting Information Transparency:

Information about the Company's finance, important decision matters, and directors' training courses can all be found on the market observatory post system according to the related regulations. All financial information about the Company were all disclosed on the Company's website, and open to the public at any time.

(II) The attendance of the Audit Committee and supervisors in the Board's meeting is as below:

1. The attendance of supervisors in the Board's meeting is as below:

In this year as to the printing date of the annual report, the Board convened 7 (A) meetings, and attendance of supervisors is summarized as below:

Title	Name	In-Person Attendance (B)	In-person Attendance Rate (%) (B/A)	remarks
Supervisor	Tamehiro Akio	2	100.00%	Note1
Supervisor	Huang, Xiagn-min	2	100.00%	Note 1
Supervisor	Liu, Cheng-he	2	100.00%	Note 1

Other matters to be recorded:

1. The structure formation of supervisors and their responsibility :

(1) The communication status between Supervisors and employees and shareholder :

The Company's supervisors understand the company status by attending the shareholders' meeting and communicating directly with the employees and shareholders when it's necessary. The supervisors email addresses are disclosed on the Company's website for employees and shareholders to ensure they are able to communicate directly with the supervisors.

(2) The communication status between Supervisors and Auditing manager and accountants :

The Auditing Unit will present the auditing report every month for the supervisors to review and conduct the auditing report during the directors and supervisors' meeting. The accountant will report to the supervisors about the year's financial situation. The Supervisor will always check on the Company's sales performance and financial status and ask the board of directors and managers for status reports.

2. If the Supervisors had spoken any opinion during the attendance of the Board meetings, the date of the meeting, the meeting number, content and board decisions and the boards' final resolution regarding the supervisors' opinions should be listed as followed : None

Note1: After the audit committee was established, the supervisors were re-elected to be directors on June 22, 2020, and the Company convened 2 meetings before the election.

2. The attendance of the Audit Committee is as below:

In this year as to the printing date of the annual report, the Audit Committee convened 6 (A) meetings, and attendance of Independent Director is summarized as below:

Title	Name	In-Person Attendance(B)	In-Person Attendance Rate (%) (B/A)	Remarks
Audit Committee Member	Lin, Hui-Fen	6	100.00%	
Audit Committee Member	Yan, Jun-De	6	100.00%	
Audit Committee Member	Chen, Yen-Xun	4	100.00%	(Note 1)

Other matters to be recorded:

1.If any of the following conditions occurred during the operation of the audit committee, the date of the meeting, the meeting number, content and board decisions, the committee's final resolution regarding, and the Company's responses shall be specified.

(1) provisions in Article 14.5 of Securities and Exchange Act

Date of Meeting	Content	Independent directors' opinions	The Company's response to the independent directors' opinions
Meeting 1 of the 1 st Audit Committee 2020.06.22	To elect the convener of the 1 st Audit Committee	Relevant proposals gave been accepted by all independent directors with consensus	Not applicable
Meeting 2 of the 1 st Audit Committee 2020.08.10	The Company's consolidated financial statements for quarter 2 of 2020.		
Meeting 3 of the 1 st Audit Committee 2020.11.09	The Company's consolidated financial statements for quarter 3 of 2020.		
Meeting 4 of the 1 st Audit Committee 2020.12.21	1.To adopt the Company's 2021 annual operational budget. 2.To adopt the Company's 2021 annual audit plan.		
Meeting 5 of the 1 st Audit Committee 2020.03.22	1.The Company's 2020 annual business report, individual financial statements and consolidated financial statement. 2.The distribution of Company's 2020 earnings. 3. Statement of the Company's internal control.		
Meeting 6 of the 1 st Audit Committee 2020.05.10	The Company's consolidated financial statements for quarter 1 of 2021.		

(2) Other than the above mentioned matters, the matters adopted by two-thirds of the Board with the adoption of the audit committee: none.

2.To avoid conflict of interest among directors, the Director's name, meeting content, and reason for avoiding conflict of interest and participation in the voting process must be properly recorded: none.

3.The communication status between Independent directors and Auditing manager and accountants (including matters, methods, and outcomes of the communication over the financing condition of the Company and the business operation):

(1)The audit managers attend both the meetings of the audit committee and the meetings of the Board. They report the audit matters to the audit committee and the Board; they also make immediate report to the audit committee when there is a special condition and amendment in relevant regulations.

(2)The Company's certified accountants regularly present the audit or review report of the financial statement for the quarter to the audit committee in March and August each year. Communication over other requirements in relevant laws is also conducted. They make immediate report about special conditions; the Company's audit committee keeps a good communication status with the certified accountants.

Note 1 : The independent director Chen Yen-Cun resigned on December 31st, 2020.

(III) The state of the Company’s implementation of corporate governance, any deviation of such implementation from the Governance Best-Practice principles for TWSE/TPEX Listed Companies, and the reason for such deviation.

Items	Implementation Status			Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Its Reasons
	Yes	No	Description	
1. Does the company disclose the Corporate Governance Best-Practice Principles based on the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established Corporate Governance Practices and Principles and disclosed it on the Company’s website.	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
2. Shareholding structure & Shareholders’ rights. (1) Does the company establish an internal operating procedure to deal with shareholder’s suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insides trading with undisclosed information?	V V V V		(1) The company has hired a stock transfer agency to assist in dealing with related matters and appointed a spokesperson and an acting spokesperson. The company also set up an email account for investors to deal with recommendation from shareholders and related matters. (2) The Company gains understanding of the structure of our major shareholders, and information about internal personnel applying for share transfers under regulation, and the shareholding status of the company at all times through the help of a stock transfer agency. (3) The Company has established policies for “Business Transactions between a Group Enterprise, Specific Companies and Affiliated Enterprises”, “Operational Code for Managing Subsidiaries”, and “Operational Code for Risk Management” and follows the codes when dealing with affiliated enterprises. (4) The company has established “Procedures for Handling Material Inside Information” and “Codes of Ethical Conduct” to avoid insider trading from happening.	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Items	Implementation Status			Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Its Reasons
	Yes	No	Description	
<p>3. Composition and Responsibilities of the Board of Directors.</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p>	V		<p>(1) The Company has established the “Corporate Governance Practices and Principles” to ensure diversity in the board directors and supervisors and take operational method and requirements for future development into consideration when deciding what kind of diversity the Company needs. Besides the basic requirements and values like gender, age, nationality, and cultures, the candidates’ professional skills and background (E.g. Background in law, accounting, industry, finance, marketing, technology), and experiences in the industry should also be taken into consideration. On the Company’s Eighth Board of Directors, there are two female members that are familiar with leadership, making operational decisions, business management, crisis management, and knowledgeable with the industry. As for candidate with a keen eye on the international market, we have Mr. Tsurumi Hironobu, Mr. Wakamatsu Yasuhiro, Mr. Kuo, Yi-Lung and Ms. Hsu, Hui-Ru. Three of our independent directors, Mr. Yan, Zheng-De, and Ms. Lin, Hui-Fen, and Chen Yen-Xun are experienced in administrative management, finance, and accounting (Chen Yen-Xun has resigned on December 31, 2020, and the new independent director will be elected on this years Shareholders’ regular meeting.). The board has established a diversity guideline according to the formation of the Board of Directors. The guidelines are disclosed on the Company’s website.</p>	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
<p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p>		V	<p>(2) The Company has established the Remuneration Committee and Audit Committee according to relevant laws to strengthen the corporate governance system.</p>	The company observes provisions in Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

Items	Implementation Status			Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Its Reasons
	Yes	No	Description	
<p>(3) Does the company establish a standard to measure the performance of the Board, and implement it annually, submit the performance evaluation outcome to the Board of Directors as the reference for remuneration of directors as well as nomination for candidates of an extended tenure?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>	V		<p>(3) The Company has established rules and procedures for the Board of Directors’ performance assessment and conducts yearly performance assessment before the end of each year and produces an assessment report for the Board of Directors according to the regulations. The 2020 performance assessment has been reported to the Board of Directors on March, 22, 2021, with no major incidents recorded on the report as a result.</p> <p>(4) Each year, the Company’s Board of Directors evaluate the independence and suitability of the CPA at least once. The evaluation focuses on the reputation and scale of the accounting firm; the years that they have been conducting auditing services; the nature and level of assurance of the non-audit services they offer; their audit fee; peer reviews; whether they have been taking courses to further improve themselves; and their interactions with people on the management team and the audit manager. The company will ask the accountant and their affiliated accounting firm to provide the information mentioned above, along with a statement of independence. Both evaluation results for the past two years have passed the Board of Directors’ review separately on March 16, 2020 and March 22, 2021.</p>	
<p>4. As a TWSE/TPEX listed company, does the Company appoint appropriate number of staff and designate a director for corporate governance (concurrent) the concerned affairs (including but not limited to offering necessary</p>	V		<p>The Company does not have a designated director for corporate governance affairs; currently, all matters related to the Company’s corporate governance are all conducted by the unit that oversees meetings, and the unit that handles stock affairs. Their main duties include preparing the documents needed for the directors and supervisors when they conduct business, document needed for the shareholders’ meeting and the board meeting, company registration</p>	<p>Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”</p>

Items	Implementation Status			Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Its Reasons
	Yes	No	Description	
materials for the directors and supervisors, assisting directors and supervisors with law-abiding affairs, executing matters pursuant to the board of directors’ resolutions, executing the corporate registration and change of registration, proceedings for the board of directors and shareholder meetings and so on)?			and the changing of registration, etc.	
5. Does the Company establish communication channels and dedicate a section for stakeholders (including but not limited to the shareholders, employees, clients and suppliers) on its website to respond to important issues of corporate social responsibility concerns?	V		The Company had disclosed the spokesperson and acting spokesperson’s contact information and emails for the investors, supervisors, employees on the Company’s website. In addition to that, the Company also established a communication channel for stakeholders to discuss related matters, in order maintain a healthy communication with our stakeholders.	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company authorized SinoPac Securities as our shareholder services agent to conduct shareholder affairs.	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
7. Disclosure of Information (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	V		(1) The Company has set up a website to disclose the business and financial information along with information on corporate governance.	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Items	Implementation Status			Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Its Reasons
	Yes	No	Description	
<p>(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conferences)?</p> <p>(3) Does the Company submit the annual financial report within 2 months after a fiscal year ends and disclose the financial report of Q1, Q2, and Q3, as well as the business operation in each month prior to the designated date?</p>	V		<p>(2) The Company has designated a specific person for data collection and the disclosure of information on the market observatory post system. The Company has also appointed a spokesperson and an acting spokesperson.</p> <p>(3) The Company reveals relevant financial information following the schedule specified in relevant laws and makes no plan for disclosure in advance.</p>	The plan for disclosure in advance depends on the company policy in the future
<p>8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, right of stakeholders, directors and supervisors’ training records, the implementation of risk management policies and risk evaluation</p>	V		<p>1. The rights and interests, and the caring for our employees : The Company values the relationship between employee and employer. Our employees all have the benefits of Labor/Health Insurance, Group Insurance, and regular health check-ups. In addition, the Company also established Regulations for the Employee Welfare Committee to follow when handling the benefits of the employees.</p> <p>2. Relationship with the Investors : The Company values our social responsibility in the society. Not only do we aim to maintain the operations of the company, at the same time maximize the profits of our shareholders, we would also pay attention the rights and interests of our investors, as well</p>	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Items	Implementation Status			Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Its Reasons
	Yes	No	Description	
measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>as our social responsibility as a company, the environment of our community, and the balance of the securities exchange market order.</p> <p>3. Relationship with our suppliers : The Company maintains a good relationship with our suppliers. We have been conducting business with honesty and trustworthiness as our principles, in order to maintain the stability of our cost and supply.</p> <p>4. Relationship with stakeholders : The Company has established a Grievance procedure, disclosed on the company’s website. We have also established a spokesperson policy, set up emails addresses disclosed on our website for our investors, supervisors, and stakeholders to provide a communication channel for our stakeholders, to protect the legal rights that our stakeholders possess.</p> <p>5. Furthering education opportunities for directors and supervisors : The Directors and Supervisors of the Company all possessed professional industry backgrounds and experiences in operating and management and have being continuously furthering their studies in hopes to improve their professional skill and gain new knowledges each year. Please refer to page 43 of this report regarding to the status for their furthered education.</p> <p>6. Implementation of risk management policy and risk measurement standards : The Company has established a “Risk Management Policy” as set according to the governance of the Company. Internal audit officers will plan and execute the year’s auditing plans according to the results of the risk evaluation, in order to ensure the</p>	

Items	Implementation Status			Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Its Reasons
	Yes	No	Description	
			<p>implementation of the supervising policy and risk management.</p> <p>7. Implementation of customer policies : The Company has appointed a specific person to deal with customer complaints.</p> <p>8. Liability insurance for the Company’s directors and supervisors : Following the regulations, the Company has covered the liability insurance for our directors and supervisors and minimized the risk in the execution of business for our directors and supervisors in order to protect the interests of our investors.</p>	
<p>9. According to the latest results of the Corporate Governance Evaluation System by the Corporate Governance Center of TWSE, explain the amendments or propose the priority measures for the unimproved item (unnecessary for the exclude companies):</p> <p>(1)Improvement : the Company has publicized on its official Website the “Execution of Diversification Policy of Board of Directors,” “Major resolution of Audit committee,” “Major resolutions of Remuneration Committee,” “Communication status between the audit committee and internal audit managers and accountants.” “Management Principles for prevention of insider trading” and “Outcome of 2019 Board of Directors performance evaluation” have been disclosed on the Company’s website.</p> <p>(2)Proposal for unimproved items : None</p>				

(IV) If the company has a remuneration committee in place, the composition, duties, and operation of the remuneration committee shall be disclosed :

1. Information on members of the Remuneration committee

Identity (Note 1)	Name	Condition	Meets One of the Following Professional Qualification Requirement, Together with at Least Five Years Work Experience			Independence Attribute (Note 2)										Concurrent remuneration committee position in other publicly listed companies	Remarks
			An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Lin, Hui-Fen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Independent Director	Yan, Jun-De			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chen Yen-Xun		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	NOTE3
Independent Director	Xie, Kun-feng		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	NOTE4

Note 1 : Fill in the Identity column with directors, independent directors, or others.

Note 2 : All members comply with the following conditions from two years before being elected and appointed, and during this term of office, please tick the appropriated corresponding boxes.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or affiliated companies. Not applicable in cases where the person is concurrently an independent director of the parent company, any subsidiary, or another subsidiary of the parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
- (4) Not the general manager listed in (1), or the spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the persons in the preceding notes (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder who in aggregate directly holds 5% or more of the total number of outstanding shares of the Company, who holds shares ranking in the top five holdings, or who has designated a representative to serve as a director or supervisor according to Article 27 item 1 or item 2 of the Company Law. (Does not apply to cases in which the person is an Independent Director of the Company or its parent company, subsidiary, or a subsidiary of the Company's parent company, as appointed concurrently in accordance with the laws of the country of the parent or subsidiary.)
- (6) Not a director, supervisor, officer, or shareholder holding 50% or more of the shares of a specified company or institution which has a financial or business relationship with the Company. (Does not apply to cases in which the person is an Independent Director of the Company or its parent company, subsidiary, or a subsidiary of the Company's parent company, as appointed concurrently in accordance with the laws of the country of the parent or subsidiary.)
- (7) Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. (Does not apply to cases in which the person is an Independent Director of the Company or its parent company, subsidiary, or a subsidiary of the Company's parent company, as appointed concurrently in accordance with the laws of the country of the parent or subsidiary.)
- (8) Not a director, supervisor, manager, or shareholder possessing 5% or more of the Company's outstanding stocks of a specific corporate or institution that has financial or business interactions with the Company. (Does not apply to cases in which the person is an Independent Director of the Company or its parent company, subsidiary, or a subsidiary of the Company's parent company, as appointed concurrently in accordance with the laws of the country of the parent or subsidiary.)
- (9) proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company, whose received accumulated payment for such service is under 500 NT dollars over the most recent 2 years, or to any affiliate of the company, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee who exercises powers pursuant to Security Law, Business Mergers and Acquisitions Act, or related laws or regulations, the public tender offers review committee, or special committee for merger/consolidation and acquisition.
- (10) Not a person of any conditions defined in Article 30 of the Company Act.

Note 3 : The Independent director Chen Yen-Xun resigned on Dec. 31, 2020.

Note 4 : The Company's Board assigned Xie Kun-feng as the remuneration committee member with consensus on March 22, 2021, and plans to elect him as independent director on Shareholder's Meeting on June 21, 2021.

2. Operation status of the Remuneration Committee

(1) There are 3 members in the Company's Remuneration Committee

(2) Current Term : From June 24, 2019 to June 23, 2022. The Remuneration Committee held 4 meetings in the recent year up to the date of printing of the annual report, the qualifications and attendance of the Committee are shown below.

Title	Name	In-Person Attendance(B)	By Proxy	In-Person Attendance Rate (%) (B/A)	Remarks
Committee Member	Lin, Hui-Fen	4	0	100.00%	
Committee Member	Yan, Jun-De	4	0	100.00%	
Committee Member	Chen, Yen-Xun	3	0	100.00%	Note 1
Committee Member	Xie, Kun-feng	0	-	-	Note 2

Other mentionable items:

1. The meeting date, discussion items and resolution results of the Remuneration Committee, as well as the company's handling of the Remuneration committee's opinions

Date of Meeting	Content	Independent directors' opinions	The Company's response to the independent directors' opinions
Meeting 3 of the 4 st 2020.03.16	1. Review the plan for allocation and distribution of remuneration for the Company's employees. 2. Review the plan for allocation and distribution of remuneration for the Company's directors and supervisors.	Relevant proposals gave been accepted by all independent directors with consensus	Not applicable
Meeting 3 of the 4 st 2020.08.10	1. Review the 2020 summer assessment on managers. 2. Review the 2020 mid-term performance bonus plan. 3. Review the plan for distribution of 2019 remuneration for employees. 4. Amend the Company's "Rules for organization of the remuneration committee."		
Meeting 3 of the 4 st 2020.12.21	1. Plan to review the policy, system, standard, and structure of remunerations for directors. 2. Review each project of remuneration for managers to be implemented in 2021. 3. Review the 2020 annual assessment on management. 4. Review the plan of distribution of 2020 annual bonus.		
Meeting 3 of the 4 st 2021.03.22	1. Review the plan for allocation and distribution of remuneration for the Company's employees. 2. Review the plan for allocation and distribution of remuneration for the Company's directors and supervisors.		

2. If the board of directors declines to adopt or modify a proposal of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the remuneration committee's opinion (e.g. the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified) : None

3. Resolutions of the remuneration committee objected to by members or expressed reservations on and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinions should be specified : None

Note 1 : The independent director Chen Yen-Xun resigned on December 31, 2020.

Note 2 : There is no record for convention of the remuneration committee after the committee member Xie, Kun-feng inaugurated as of the printing date of annual report.

3. Responsibilities of the Remuneration Committee

To evaluate the remuneration of the Company's directors, supervisors, and managers from a professional and independent standpoint and provide recommendations to the Board.

(V) The state of the company’s performance of corporate social responsibilities, deviation from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons:

Items	Implementation			Deviation from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
1. Does the Company follow the principle of significance to conduct risk evaluation regarding the issues of environmental protection, social issues, and corporate governance, and establish the risk management policy or strategies?	V		The Company has established “Corporate Social Responsibility Best Practice Principles.” The Company incorporates CSR into the operational activities and development, and it follows the “Guidelines for moral conducts” and “Guidelines for risk management” to establish the structure of governance, relevant moral standards, and to enhance risk management system with a view to realizing intact corporate governance and protect public welfare.	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?		V	The Company has not established a designated unit for the specific obligation, while each department fulfills the corporate social responsibility while performing the designated tasks.	The Company may establish a designated unit depending on the needs for operation.
3. Issues of Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable material which have low impact on the environment? (2) Does the Company devotes itself in improving efficiency of using various resources and using the recycled materials to lower the impact on the environment? (3) Does the Company evaluate the potential risks and opportunity that climate change may bring on the corporate while taking responsive measures to relevant issues? (4) Does the company estimate the greenhouse emission, water consumption, and the aggregate weight of waste materials over the past two years as well as establish company strategies for energy conservations, carbon reduction, and management policies for reducing other waste materials?	V V V		(1) As a corporate of information software industry, the Company does not produce any waste that is hazardous for human body. (2) The Company implements classification of waste, promotes measures for conserving electricity and water, and encourages employees to carry their own reusable utensils so as to improve the efficiency of applying various resources. (3) The Company encourages our employees to take mass transportation systems when going out on business runs, as well as saving energy by setting a reasonable temperature for the air conditioning system and shutting off the lights and computers during lunch break and after work. (4) The Company has not established relevant mechanism and policies.	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies The Company belongs to the software service sector. To be ego-friendly, it mainly promotes that employees should minimize carbon footprint by reducing consumption of printing paper and sorting garbage. The water consumption and aggregate weight of waste over the past two years have not been estimated.

Items	Implementation			Deviation from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
<p>4. Social responsibility issues</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	V		(1) The Company established our human resources policies by providing an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force. In order to enforce corporate social responsibility, the basic human rights of all our employees and stakeholders, we follow the policies of “The Universal Declaration of Human Rights”, “The UN Business & Human Rights Guiding Principles”, “The UN Global Compact” and the guidelines of the International Labor Organization, and actively enforces works to protect human rights. The Company also forbids any form of sexual harassments, discriminations, threats of violence. The Company ensures there is no inequality in our hiring policy, no child laborer, and includes minorities and physically/mentally challenged employees. We establish a fair and reasonable remuneration policy. The Company also encourages our employees to form and join clubs. We offer a safe and healthy working environment that ensures the human rights of our employees, and follows the local labor regulations at where we operate our business.	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
(2) Does the Company establish and implement reasonable employee compensation policy (including remuneration, leave policy, and other welfare) and adjust remuneration in accordance with the operational performance or result?	V		(2) The Company has established “Guidelines for Human Resource Management” and “Principles for distributing bonuses.” The performance review is conducted periodically, and employee remuneration would be adjusted according to the operational performance and outcome.	
(3) Does the Company provide employees with safe and healthy work environment and offer educational training sessions about security and hygiene periodically?	V		(3) The Company asks our employees to have regular health check-ups. The office is a strictly no-smoking zone, with fire extinguishers, smoke detectors and related equipment fully installed. The elevators in the facilities are set with access control, and we will cooperate with the building management committee to practice fire drills from time to time, in order to offer a safe and healthy environment for the employees. The Company enforces regular disinfection and sanitizing procedures in the offices, and on the water-dispensers. The Company also	

Items	Implementation			Deviation from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
(4) Does the company provide its employees with career development and training sessions?	V		<p>established a breastfeeding room with breast-milk preservation equipment to provide sufficient time for employees to breast-feed or to collect milk. The company has set up a grievance mechanism for reporting sexual complaints and any concerned party, to ensure the safety of the employees and the operational sustainability of the environment.)</p> <p>(4) Through the orientation training courses, the new employees are able to understand the Company’s positioning in the industry and the general future development of the company. The Company also offers professional internal training courses from time to time for our employees to learn some new professional skills, and improve their sales or development abilities. Furthermore, all training courses will be arranged accordingly to better fit the requirements of each department. Not only did the Company set up a center that is dedicated specifically for employee training courses, we also have an online e-learning system. The online learning system provides the employees a more diverse and easy method for the employees to access the learning platform with the professional courses they need, in order to expand their professional knowledge.</p>	
(5) Does the Company observe the international criteria and relevant laws to ensure customer health and safety, client’s privacy, proper marketing and labeling while offering products and service, and establish relevant policies and channel for complaint to protect consumers’ rights?	V		<p>(5) The Company values the consumers’ rights and observes relevant laws of protecting personal information. It has established customer service department, online technique service department, on-the-job training institute, and e-learning platform. The customer satisfaction survey and other after-sale service would be conducted to ensure consumers’ rights.</p>	
(6) Does the Company establish proper supplier management policies and require that suppliers should observe regulations concerning issues of environmental protection, workplace safety and hygiene, or laborers’ rights, and monitor the implementation?		V	<p>(6) The Company has not placed specific requirements in the agreement signed with the suppliers.</p>	

Items	Implementation			Deviation from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
V. Does the Company refer to the internationally adopted principles or guidelines to compile corporate social responsibility report and other reports to reveal non-financial information of the Company? Is the aforementioned report certified or guaranteed by an authorized third party?		V	The Company does not have plan for compiling corporate social responsibility report at present.	The Company may consider whether to compile CSR report according to the needs of business operation.
VI.	If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation : There is no huge differences from the corporate social responsibility policy that the Company has established and “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.” Please refer to the company’s website and the Market Observation Post System for related information.			
VII.	Other important information to facilitate better understanding of the company’s corporate social responsibility practices: Besides managing the Company’s business operations, the company also values greatly the welfare of the society. The Company occasionally participates in social charity events, emergency relief aids and other activities that are beneficial to the public society.			

(VI) Ethical Corporate Management, deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Items	Implementation Status			Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company establish its ethical corporate management policies through adoption of Board of Directors Meeting, declare such procedures in its guidelines and external documents, as well as the commitment from its board and veteran managerial staff to implement the policies?</p> <p>(2) Does the company establish policies to detect unethical conduct, periodically analyze inspect business activities where there is high risk for unethical conducts to occur, and set up preventive measures accordingly, which includes at least preventions for conducts specified in Article 7 item 2 of Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, and make periodical review and amendment for the aforementioned policy?</p>	V		<p>(1) The Company has established the “Integrity Operations Code” and has been actively cooperating with officials on amending the code along with the official regulations, as well as asking all employees including the Board of Directors and management teams to fully practice the “integrity operation codes.”</p> <p>(2) The company has established “Codes of Ethical Conduct” and has a designated person to periodically review whether inappropriate transfer of money, inappropriate profit, and other unethical conducts; violations of internal and external persons can be reported to relevant units of the Company according to the aforementioned guidelines.</p> <p>(3) The company states in our regulations that all employees are forbidden to accept or give any money, to profit from any dishonest methods, if any violations are discovered, all external and internal personnel can report it to the related department under the appropriate procedures, and such procedures would be reviewed periodically.</p>	Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners’ ethical records and include ethics-related clause in business contracts?</p> <p>(2) Does the company establish an exclusively dedicated unit supervised by the Board to be in charge of promoting corporate integrity, and periodically (at least once a year) report to the Board about the ethical operation policy and prevention of unethical conducts?</p> <p>(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Has the company established effective systems for both</p>	V	V	<p>(1) The employees of the Company strictly follow the related regulations and other codes of conducts during the operation of the business, and put being honest and trustworthy as the Company’s priority.</p> <p>(2) The Company has not yet established an exclusive (or concurrently) unit dedicated to promote corporate integrity.</p> <p>(3) The Directors of the Board would not be present during the discussion and voting process of a subject that could present a conflict of interest during the Board meetings</p> <p>(4) To ensure the implementation of corporate integrity, the Company has established an effective internal control system, methods and accounting system. The</p>	<p>Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”</p> <p>The Company has established legal unit to promote ethical operation policy, and whether it will establish a designated unit for relevant affair depends on the operational plan in the future.</p>

Items	Implementation Status			Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
<p>accounting and internal control to facilitate ethical corporate management, and do the internal audit units plan relevant procedures based on the outcome of risky conduct evaluation so as to check how the unethical conduct prevention measures are implemented, or entrust the CPA to audit relevant measures?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	V		<p>internal auditing unit sets up an audit plan and implements them according to the plan, as well as produces an auditing report for the Board of the Directors.</p> <p>(5) The Company would promote operational integrity during internal meetings and educational trainings.</p>	
<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures as well as follow-up procedures after the investigation for confidential reporting on investigating accusation cases?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	V		<p>(1) The Company has established a grievance mechanism that states clearly of the whistle-blowing system and disclosed it on the Company’s website. If any stakeholders were to discover any actions that go against integrity or hurt the rights and interest of the Company, they can report them to the related unit through the grievance mechanism.</p> <p>(2) The Company’s grievance mechanism has established standard operating procedures, tracing process, and a confidential system in the related matter.</p> <p>(3) The Company’s grievance mechanism has established related procedures to protect the whistleblower.</p>	Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
<p>4. Strengthening information disclosure</p> <p>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?</p>	V		<p>(1) All related information is disclosed in the investors’ section on the Company’s website and in MOPS</p>	Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
<p>5. If the company has established ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation : There is no major difference between the Company’s “Integrity Operations Code” and the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.” Please refer to the MOPS and the Company’s website for related information.</p>				
<p>6. Other important information to facilitate a better understanding of the Company’s ethical corporate management policies (such as review and revision of regulations): The Company strictly abides by its rules, the Securities Exchange Act, laws pertaining to publicly traded companies, and other relevant regulations that help implement and maintain business integrity.</p>				

(VII) If the company has adopted corporate governance best-governance best-practice principles or related bylaws, disclose how these are to be searched : Please refer to the Company’s website or MOPS.

(VIII) Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed :

1. Status of Directors and Supervisors in continuing their education in 2020 :

Title	Name	Date	Organizing Unit	Course Title	Hours Spent on the Course
Director	Tsurumi Hironobu	June 22, 2020	Taiwan Corporate Governance Association	Practical operation of audit committee	3
		August 10, 2020	Taiwan Corporate Governance Association	How to design the governance and management; keep enterprise succession from being obstacles of sustainable operation.	3
Director	Wakamatsu Yasuhiro	June 22, 2020	Taiwan Corporate Governance Association	Practical operation of audit committee	3
		August 10, 2020	Taiwan Corporate Governance Association	How to design the governance and management; keep enterprise succession from being obstacles of sustainable operation.	3
Director	Kuo, Yi-Lung	June 22, 2020	Taiwan Corporate Governance Association	Practical operation of audit committee	3
		August 10, 2020	Taiwan Corporate Governance Association	How to design the governance and management; keep enterprise succession from being obstacles of sustainable operation.	3
Director	Hsu, Hui-Ju	June 22, 2020	Taiwan Corporate Governance Association	Practical operation of audit committee	3
		August 10, 2020	Taiwan Corporate Governance Association	How to design the governance and management; keep enterprise succession from being obstacles of sustainable operation.	3
Independent Directors	Yan, Jun-De	June 22, 2020	Taiwan Corporate Governance Association	Practical operation of audit committee	3
		August 10, 2020	Taiwan Corporate Governance Association	How to design the governance and management; keep enterprise succession from being obstacles of sustainable operation.	3
Independent Directors	Lin, Hui-Fen	June 22, 2020	Taiwan Corporate Governance Association	Practical operation of audit committee	3
		August 10, 2020	Taiwan Corporate Governance Association	How to design the governance and management; keep enterprise succession from being obstacles of sustainable operation.	3
Independent Directors	Chen, Yen-Xun	June 22, 2020	Taiwan Corporate Governance Association	Practical operation of audit committee	3
		August 10, 2020	Taiwan Corporate Governance Association	How to design the governance and management; keep enterprise succession from being obstacles of sustainable operation.	3

Title	Name	Date	Organizing Unit	Course Title	Hours Spent on the Course
Director	Liu, Cheng Ho	June 22, 2020	Taiwan Corporate Governance Association	Practical operation of audit committee	3
		August 10, 2020	Taiwan Corporate Governance Association	How to design the governance and management; keep enterprise succession from being obstacles of sustainable operation.	3
Director	Huang, Xiang-Min	June 22, 2020	Taiwan Corporate Governance Association	Practical operation of audit committee	3
		August 10, 2020	Taiwan Corporate Governance Association	How to design the governance and management; keep enterprise succession from being obstacles of sustainable operation.	3
Director	Tamehiro Akio	June 22, 2020	Taiwan Corporate Governance Association	Practical operation of audit committee	3
		August 10, 2020	Taiwan Corporate Governance Association	How to design the governance and management; keep enterprise succession from being obstacles of sustainable operation.	3

2. Status of Managers in continuing their education in 2020:

Title	Name	Date	Organizing Unit	Couse Title	Hours Spent on the Course
Financial Director	Lin, Chi-Ming	January 15, 2020	Accounting Research and Development Foundation	Latest changes in national tax laws and strategies to respond for enterprises	3
		January 15, 2020		Latest laws of taxes on securities and financing; analysis on professional issues.	1
		July 15, 2020		IFRS No. 16 Analysis on example lease contract	3
		July 15, 2020		Latest laws of taxes on securities and financing; analysis on professional issues.	1
		August 12, 2020		Latest laws of taxes on securities and financing; analysis on professional issues.	1
		August 12, 2020		The impact of the latest major changes in income tax and business tax on the operation of the enterprise and the response.	3

(IX) Internal Control System Execution Status

1. Statement of Internal Control System

Otsuka Information Technology Corp.
Statement of INTERNAL Control System



Date : March 22, 2021

Based on the findings of a self-assessment, Otsuka Information Technology Corp. states the following with regard to its internal control system during the year 2020:

- (1) The Company acknowledges that the implementation and maintenance of an internal control system is the responsibility of the Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance of applicable laws and regulations are achieved.
- (2) The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and condition, the effectiveness of an internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective actions once any defect is identified.
- (3) According to the effective judgment items for the internal control system specified in “Highlights for Implementation of Establishing Internal control System by Listed Companies” (hereinafter referred to as “Highlights”) promulgated by the Securities and Futures Commission, Ministry of Finance R.O.C., the Company has made judgment whether or not the design and execution of the internal control system is effective. The judgment items for internal control adopted by “Highlights” are, based on the process of management control, for classifying the internal control into five elements : 1. Control environment; 2. Risk assessments; 3. Control activities; 4. Information and communication and 5. Monitoring. Each element also includes a certain number of items. For the foregoing items, refer to “Highlights”.
- (4) The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of the internal control system.
- (5) Based on the above-mentioned result of the evaluation, the Company suggests that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operation and reliability of financial reporting, the compliance of applicable law and regulations have been effective and they can reasonably assure the aforesaid goals have been achieved.
- (6) This statement will be the main content for the annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will be covered in the liability as mentioned in Article 20, 32, 171, and 174 of the Securities and Exchange Law.
- (7) This Statement has been approved by the meeting of Board of Directors on March 22, 2021, and those 9 directors present all agree at the contents of this statement.

Otsuka Information Technology Corp.

Chairman : Tsurumi Hironobu



General Manager : Kuo, Yi-Lung



2. If the company has commissioned external auditors to review the company's internal control system, the external auditor's report should be disclosed : Not applicable.

(X) Conviction of corporate or employees' wrongdoings, Company's punishment for employees for violating internal control to subject individuals who have had a material impact on shareholders' equity or securities price to a specified penalty, major faults and improvements during the recent fiscal period and until the date of publishing of the annual report : None.

(XI) Major Resolutions of Shareholders Meeting and Board of Directors Meeting:

1. Major resolutions of the Board of Directors Meeting

Date	Resolution
Meeting 5 of the 9 th session March 16, 2020	<ol style="list-style-type: none"> 1. Review the plan for allocation of the Company's employees 2. Review the plan for allocation and distribution of remunerations for the Company's directors and supervisors. 3. Amend the Company's "Rules for organizations of remuneration committee." 4. Adopt the 2019 business report, individual financial statement, and consolidated financial statement of the Company. 5. Distribute the 2019 annual earnings. 6. Regular evaluation on independence of the Company's certified accountants. 7. Replace the certified accountants starting in quarter 1 of 2020. 8. Plan to compile the "statements of internal control system" after the 2019 inspection on internal control system. 9. Amend the Company's "Articles of Incorporations." 10. Amend the Company's "Rules for Procedures of Shareholders' Meeting." 11. Amend the Company's "Rules for election of directors and supervisors." 12. Amend the Company's "Procedures for Endorsement and Guarantee, ""Procedures for Lending Funds to Other Parties," and "Procedures for Acquisition or Disposal of Assets". 13. Amend the Company's "Rules of organization for Audit Committee." 14. Amend the Company's "Rules of Procedures for Board of Directors' Meetings." 15. Amend the Company's "Procedures for Ethical Management" 16. Elect new directors 17. The Board nominate and review candidates of directors. 18. Lift the non-competition limitations on the Company's new directors. 19. Offer loans to the subsidiaries 20. Relevant matters for convening the Company's 2020 Regular Meeting of Shareholders.
Meeting 6 of the 9 th session May 11, 2020	<ol style="list-style-type: none"> 1. Adopt the Company's consolidated financial report for Q1 2020 and the CPA's review report. 2. Determine the base date and payment date of 2019 cash dividend. 3. Amend the "Corporate Governance Best Practice Principles" and "Corporate Social Responsibility Best Practice Principles" for the Company. 4. Amend the "Procedures for handling directors' requests," and submit the procedures for review. 5. Amend the "Rules governing the Scope of Powers of Independent Directors," "Guidelines for the Adoption of Codes of Ethical Conducts," "Principles for transaction with specific companies and related persons," "Rules governing Financial and Business matters between the Company and its affiliated enterprises," "Procedures for suspending and resuming operation of transaction," "Principles for managing law-abiding conducts," "Procedures for managing the compilation of financial report," and "Procedures for Handling Materials Inside Information." 6. Amend the Company's "Principles for division of obligations."
Meeting 7 of the 9 th session August 10, 2020	<ol style="list-style-type: none"> 1. Review the 2020 summer assessment on managers. 2. Review the plan for distribution of 2020 mid-term performance bonuses. 3. Review the plan for distribution of 2019 employees' remuneration. 4. Amend the company's "Rules about organization of Remuneration committee." 5. Adopt the Company's consolidated financial report of 2020 quarter 2 and the manuscript of audit report by accountants. 6. The Company's reinvestment on its subsidiaries. 7. Lift the Company's non-competition limitations. 8. Amend the Company's "Rules for elections of directors" 9. Amend the Company's rules for management and internal control.

Date	Resolution
Meeting 8 of the 9 th session November 09, 2020	<ol style="list-style-type: none"> 1. Adopt the Company's consolidated financial report of 2020 quarter 3 and manuscript of audit report by accountants. 2. Lift the Company's non-competition limitations on managers. 3. Amend the Company's "procedures to Loaning to Others." 4. Amend and add provisions to the Company's "Principles for division of obligations." 5. Amend the Company's "Procedures for managing the compilation of financial report."
Meeting 9 of the 9 th session December 21, 2020	<ol style="list-style-type: none"> 1. Review the policies, system, standard, and structure of remunerations for directors. 2. Review the items of remunerations for the Company's managers to be implemented in 2021. 3. Review the 2021 year-end assessment on managers. 4. Review the distribution of 2020 year-end bonuses for managers. 5. Review the Company's 2021 budget for operational plans. 6. Review the 2020 remunerations for the Company's certified accountant. 7. Review the Company's "Internal Control System." 8. The Company's 2021 annual audit plan. 9. Adopt lease contract between the Company and its subsidiary unlink information technology.
Meeting 10 of 9 th session March 22, 2021	<ol style="list-style-type: none"> 1. Review the plan for allocation of the Company's employees 2. Review the plan for allocation and distribution of remunerations for the Company's directors and supervisors. 3. Adopt the Company's 2020 business report, individual financial statement, and consolidated financial statement. 4. Distribution of 2020 earnings. 5. Regular assessment on independence of the Company's certified accountants. 6. Plan the compile "Internal Control Statement" after the 2020 inside inspections on internal Control. 7. Amend and add provisions in the Company's "Principles for division of obligations". 8. Adopt the capital increase of 15 million dollars for the subsidiary To Gather incorporation. 9. reelect independent director. 10. The Board nominate and review candidates for the Board. 11. Lift the non-competition limitations on the Company's new directors. 12. Plan to hire remuneration committee members. 13. Plan relevant matters for convening the 2021 regular meeting of shareholders.
Meeting 11 of 9 th session May 10, 2021	<ol style="list-style-type: none"> 1. Adopt the Company's consolidated financial report and manuscript of audit report by accountants of 2021 quarter 1. 2. Plan for the dates of allocation and distribution of 2020 dividend. 3. Lift the non-competition limitations on the Company's new directors.

2. Major resolutions of Shareholders' Meetings and its implementation status

Date	Resolution	Implementation Status
June 22, 2020	1. Business Report and Financial Statements of the year 2019.	Financial Statements certified by CPA are disclosed on the Company's website and MOPS.
	2. The statement of surplus allocation for the year of 2019.	Cash dividend has been distributed on July 31, 2020.
	3. Amend the Company's "Articles of incorporation"	The amended provisions have been implemented after the 2020 Shareholders Meeting.
	4. Amend the Company's "Rules for Procedures of Shareholders' Meeting."	The amended provisions have been publicized on the Company's website and implemented according to relevant laws after 2020 Shareholders' Meetings.
	5. Amend the Company's "Procedures for Election of Directors and Supervisors."	The amended provisions have been publicized on the Company's website and implemented according to relevant laws after 2020 Shareholders' Meetings.

Date	Resolution	Implementation Status
	6. Amend the Company's Procedures for Guarantee.	The amended provisions have been publicized on the Company's website and implemented according to relevant laws after 2020 Shareholders' Meetings.
	7. Amend the Company's "Procedures for Lending funds to others and Guarantee"	The amended provisions have been publicized on the Company's website and implemented according to relevant laws after 2020 Shareholders' Meetings.
	8. Amend the Company's "Procedures for Acquisition or Disposal of Assets"	The amended provisions have been publicized on the Company's website and implemented according to relevant laws after 2020 Shareholders' Meetings.
	9. Reelection of supervisors and directors.	The relevant information have been disclosed on MOPS.
	10. Lift the non-competition limitations on the Company's new directors	The relevant information have been disclosed on MOPS.

(VII) Document or written statement that states different opinions by board members or supervisors against the approved major resolutions by the board meeting in the recent fiscal period and until the date of publishing of the annual report: None.

(VIII) Resignation or Dismissal of Directors, General Managers, Accounting Managers, Financial Managers, or Internal Auditing Managers, corporate governance manager, or research managers in Preparation of Financial Reports : None

V. Information on Account Fees

(I) Disclosure of the Range of Auditing Fee

Auditing Firm	Name of the CPA		Audit Period	Remarks
KPMG TW	Wu, Mei-Ping	Fu Hong-Wen	2020	

1 Unit : NT\$1,000

Expense Scale		Fee Category	Audit Fees	Non-Audit Related Fees	Total
1	Under NT\$2,000		—	—	—
2	NT\$2,000 (Included) ~ NT\$4,000		✓	—	✓
3	NT\$4,000 (Included) ~ NT\$6,000		—	—	—
4	NT\$6,000 (Included) ~ NT\$8,000		—	—	—
5	NT\$8,000 (Included) ~ NT\$10,000		—	—	—
6	NT\$10,000 (Included) and above		—	—	—

(II) If any of the matters listed below should exist, related information should be disclosed:

1. The amount of non-auditing relevant fees charged by the appointed independent auditor and the related parties reaches over 1/4 of the Company's annual auditing expenses : Not Applicable
2. If there is any change in the appointed independent auditors and the Company's annual auditing expenses decreased simultaneously : Not Applicable
3. Auditing expenses decreased by 10% in comparison to the previous year : Not Applicable

VI. Information on The Change of Accountants :

(I) About the Former CPA :

Replacement Date	March 2020		
Reasons and Explanations of Replacement	In response to cooperate with the organizing of KPMG TW's internal structure, the Company has since Quarter 1 of 2020, replaced the original CPAs Wu, Mei-Ping and Chuang, Jun-Wei with Wu, Mei-Ping and Fu, Hong-Wen.		
Describe whether the Company terminated or the CPA did not accept the appointment	Client Status	CPA	Consignor
	Appointment terminated automatically	✓	—
	Appointment rejected (discontinued)	—	—
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes	—	Accounting principles or practices
		—	Disclosure of financial statement
		—	Audit scope or steps
		—	Others
	No	✓	
Other Matters Revealed (Disclosures Specified in Article 10.6.1.4-7 of the Standards)	None		

(II) About Successor CPAs : Not Applicable

(III) The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards : None

VII. Information on the Service of the Company's Chairman, General Manager, and Financial or Accounting Managers at the Accounting Firm or Its Affiliates within a Year : Not Applicable

VIII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managers, or shareholders with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report :

(I) Changes in Directors, Supervisors, Managers, or major shareholders' shareholdings.

Title	Name	2020		Current Year to May 1st	
		Shareholding Increase/Decrease	Pledged Shares Increase/Decrease	Shareholding Increase/Decrease	Pledges Shares Increase/Decrease
Juridical Person Director	Otsuka Corp.	0	0	0	0
Juridical Person Director Representative/Chairman	Tsurumi Hironobu	0	0	0	0
Juridical Person Director Representative	Wakamatsu Yasuhiro	0	0	0	0
Director/General Manager	Kuo, Yi-Lung	0	0	0	0

Title	Name	2020		Current Year to May 1st	
		Shareholding Increase/Decrease	Pledged Shares Increase/Decrease	Shareholding Increase/Decrease	Pledges Shares Increase/Decrease
Director/Assistant General Manager/Head of the Administration and Human Resource Department	Hsu, Hui-Ju	1,000	0	3,000	0
Independent Director	Yan, Jun-De	0	0	0	0
Independent Director	Lin, Hui-Fen	0	0	0	0
Independent Director	Chen, Yen-Xun	0	0	0	0
Supervisor	Huang, Xiang-Min	0	0	0	0
Supervisor	Liu, Cheng-Ho	0	0	0	0
Supervisor	Tamehiro Akio	0	0	0	0
Assistant General Manager and Director of Office Five	Song, Jin-Cheng	0	0	0	0
CTO	Xie, Qi-Lu	0	0	0	0
Financing Associate manager	Lin, Chih-Ming	0	0	0	0
Accounting Deputy Manager	Fu, Kai-Li	0	0	0	0
Assistant Manager Of Government Educational Department Two (Note 1)	Shi, Fu-Chuan	0	0	0	0

Note 1 : The changes of the shareholdings are before their termination.

(II) Information on Shares Trade between Directors, Supervisors, Manager, or shareholders that holds more than 10 % and a Related Party : None

(III) Information on Shares Pledge between Directors, Supervisors, Manager, or shareholders that holds more than 10 % and a Related Party : None

IX. Information, if any, on the company's 10 largest shareholders that is a related party, spouse, or a relative within the second degree of kinship of another :

May 1, 2021 Unit : Share %

NAME	SHARES HELD		CURRENT SHARES HELD BY THE SPOUSE & MINOR CHILDREN		CURRENT SHARES HELD IN THE NAME OF OTHERS		RELATIONSHIPS AMONG THE TOP TEN SHAREHOLDERS, ANYONE WHO IS A RELATED PARTY, SPOUSE, OR SECOND-DEGREE KINSHIP OF ANOTHER : NAME AND RELATION		REMARKS
	SHARES	%	SHARES	%	SHARES	%	NAME	RELATION	
Otsuka Corp.	6,465,900	37.82%	0	0	0	0	None	None	
Representative of Otsuka Corp.: Otsuka Yuji	0	0							
Tu Hsui Cheng	,700,000	9.94%							
Liu,Bo-Wen	1,276,000	7.46%	0	0	0	0	None	None	
The Otuska Information Technology Corp. Employee Welfare Trust Account handled by Bank SinoPac	862,997	5.05%	0	0	0	0	None	None	
Tamehiro Akio	610,050	3.57%	0	0	0	0	None	None	
Kuo, Pao-Chang	230,000	1.35%	0	0	0	0	None	None	
Chang, De-Ming	212,000	1.24%	0	0	0	0	Chang, Cun-Yi	Father and Son	
Chang, Cun-Yi	168,000	0.98%	0	0	0	0	Chang, De-Ming	Father and Son	
Fei, Chung-Ping	119,000	0.70%	0	0	0	0	None	None	
Hsu, Hui-ju	116,000	0.68%	0	0	0	0	None	None	

X. The total shares Held on the Same Re-invested Bussiness by the Company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the company, Along with the total Shareholding Ratio :

March 31, 2021 Unit : Shares %

Re-Invested Businesses	The Company Investments		Investments from Directors, Supervisors, Managers, and Directly or Indirectly Controlled Businesses		Total Investments	
	Shares	%	Shares	%	Shares	%
Otsuka Information Technology Ltd.	32,760,000	100%	—	—	32,760,000	100%
To Gather Corporation	1,350,000	90%	—	—	1,350,000	90%
UniLink Innovation Information Technology Corporation	3,000,000	100%	—	—	3,000,000	100%

IV. Capital Raising Activities

I. Capital and Shares

(I) Source of Capital Stock

May 1, 2021 Unit : Share

Share Types	Authorized Capital Stock			Remarks
	Outstanding Capital Stock (Note)	Unissued Stock	Total	
Common Stock	17,097,000 Shares	2,903,000 Shares	20,000,000 Shares	None

Note : Over-the-counter shares

Unit : 1000 Shares; Par Value is expressed in NT\$1

Year/Month	Par Value	Authorized Capital Stock		Paid-In Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other Than Cash	Others
1997/08	10.0	10,000	100,000	10,000	100,000	Established	None	Approved on 1997/08/04 (86) No. 114296
1998/10	10.0	20,000	200,000	16,000	160,000	Capital Increase by Cash	None	Approved on 1998/10/30 (87) No. 133606
2000/05	10.0	20,000	200,000	8,300	83,000	Capital Decrease	None	Approved on 2000/05/19 (89) No. 115284
2000/05	10.0	20,000	200,000	11,620	116,200	Capital Increase by Cash	None	Approved on 2000/05/19 (89) No.115284
2007/06	10.0	20,000	200,000	12,355	123,550	Capital Increase by Employee Bonuses	None	Approved on 2007/06/27
2007/06	32.0	20,000	200,000	13,955	139,550	Capital Increase by Cash	None	No.09632332060
2008/11	25.0	20,000	200,000	16,240	162,400	Capital Increase by Cash	None	Approved on 2008/11/17 No.09733443280
2009/08	15.5	20,000	200,000	16,485	164,850	Issuance of Employee Stock Option Plan	None	Approved on 2009/08/28 No.098329654603
2010/04	14.0	20,000	200,000	16,535	165,350	Issuance of Employee Stock Option Plan	None	Approved on 2010/04/07 No.0993076728
2010/08	14.0	20,000	200,000	16,672	166,720	Issuance of Employee Stock Option Plan	None	Approved on 2010/08/31 No.0993151897
2011/03	12.6	20,000	200,000	16,719	167,190	Issuance of Employee Stock Option Plan	None	Approved on 2011/03/28 No.1005017245

2011/08	12.6	20,000	200,000	16,897	168,970	Issuance of Employee Stock Option Plan	None	Approved on 2011/08/29 No.1005052486
2012/04	10.6	20,000	200,000	17,097	170,970	Issuance of Employee Stock Option Plan	None	Approved on 2012/04/02 No.1015018909

(II) Shareholder Structure

May 1, 2021 UnitShare; Person

Shareholder Structure Quantity	Government Institutions	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Foreign Persons	Total
Shareholding	—	—	865,473	9,682,627	6,548,900	17,097,000
Holding Percentage (%)	—	—	5.06%	56.63%	38.31%	100.00%

(III) Diffusion of Ownership

1. Common Stock

May 1, 2021

Unit : Share; Person; NT\$10 Per Share

Class of Shareholding	Number of Shareholders	Shareholding	Percentage
1 ~ 999	211	24,303	0.14
1,000 ~ 5,000	1,187	2,123,907	12.42
5,001 ~ 10,000	89	723,363	4.23
10,001 ~ 15,000	25	319,069	1.87
15,001 ~ 20,000	19	344,000	2.01
20,001 ~ 30,000	12	302,000	1.77
30,001 ~ 50,000	19	741,648	4.34
50,001 ~ 100,000	11	758,763	4.44
100,001 ~ 200,000	3	403,000	2.36
200,001 ~ 400,000	2	442,000	2.58
400,001 ~ 600,000	0	0	0.00
600,001 ~ 800,000	1	610,050	3.57
800,001 ~ 1,000,000	1	862,997	5.05
Over 1,000,001	3	9,441,900	55.22
Total	1,583	17,097,000	100.00

2. Preferred Share : None

(IV) Major Shareholders

May 1, 2021 Unit : Share

ES NAME OF MAJOR SHAREHOLDERS	SHAR SHARES HELD	PERCENT AGE (%)
Otsuka Corp.	6,465,900	37.82%
Tu, Shui-Cheng	1,700,000	9.94%
Liu, Po-Wen	1,276,000	7.46%
The Otuska Information Technology Corp. Employee Welfare Trust Account handled by Bank SinoPac	862,997	5.05%
Tamehiro Akio	610,050	3.57%
Kuo, Pao-Chang	230,000	1.35%
Chang, De-Ming	212,000	1.24%
Chang, Cun-Yi	168,000	0.98%
Fei Chung-Ping	119,000	0.70%
Hsu, Hui-Ju	116,000	0.68%

(V) Share prices together with the Company's net worth per share, earnings per share, dividends per share.

Unit : NT\$

Item	Year	2019	2020	2021 (As of March 31 st)	
Market Price Per Share	Highest	96.00	108.00	88.20	
	Lowest	46.10	63.90	76.10	
	Average	77.30	90.76	82.41	
Net Worth Per Share	Before Distribution	38.69	41.15	42.74	
	After Distribution (Note 1)	33.19	35.95	37.54	
Earnings Per Share	Weighted average shares	17,097	17,097	17,097	
	Earnings per share (Note2)	8.37	8.00	1.55	
Dividend Per Share	Cash Dividend	5.5	5.2	—	
	Stock Dividends	Stock Dividend from Retained Earnings	—	—	—
		Stock Dividend from Additional Paid-In Capital	—	—	—
	Accumulated Undistributed Dividends (Note 3)	—	—	—	
Return on Investment	P/E Ratio (Note 4)	9.24	11.35	—	
	Price-Dividend Ratio (Note 5)	14.05	17.45	—	
	Cash Dividend Yield (Note6)	7.12%	5.73%	—	

Note 1 : Issues Shares Calculated by the end of the year, and filled in accordingly with in the distribution plan for next year that is approved by the Shareholders Meeting

Note 2 : The surplus allocation for the year 2020 has been approved by the Board of Directors on 2021.03.22.

Note 3 : If the conditions of the equity issuance require that dividends not yet distributed for the year be accumulated and paid out in a later year with positive earnings, the dividends that have been accumulated up to the current year and not yet distributed shall be disclosed separately.

Note 4 : P/E Ratio = Current year average closing price per share/earnings per share

Note 5 : Price-Dividend Ratio = Current year average closing price per share/ cash dividend per share

Note 6 : Cash dividend yield = cash dividend per share/ current year average closing price per share

(VI) Dividend Policy and Implementation Status

1. The Company's Dividend Policy

(1) Article 25 of the Articles of Incorporation

Article 25 : If the Company turns a profit in a year, no less than 5% of the profit should be distributed to its employees as compensation. Employee bonuses may be distributed by way of stock or cash dividends and the Company may issue bonuses to employees of an affiliated company that meets the conditions set by the Board of Directors. The Board of Directors shall be authorized to determine the method of distribution. And as the Board of Directors agrees if the Company turns a profit in a year, no more than 3 % should be distributed to its Directors and Supervisors as compensation. However, if the Company still has accumulated deficit from previous terms, it should first reserve the amount needed to settle the outstanding balance then distribute the compensation of the employees, directors, and supervisors as the percentage mentioned before.

The actual amount of the compensation distribution to its employees and directors and supervisors should be determined by a board meeting where no less than two-thirds of the directors are present and more than half of the directors present votes to approve the suggested amounts.

The Company shall reserve 10% of the balance amount as statutory surplus reserve after offsetting gits loss and tax payment in the previous year, capital reserve and special reserve. However, if the statutory surplus reserve has reached the total capital, the Company can use it a special reserve according to Article 41 of the Securities and Exchange Act. If the company shall have retained earnings together with the undistributed surplus earnings from the previous year, the allocation plan would be made by the Board of Directors and viewed in the shareholders meeting.

The Company observes Article 240 item 5 of Company Act to authorize the Board of Directors' meeting with attendance of two thirds of directors to accept, by consensus of the majority of the attendees, the proposal of allocating all or part of the dividend or bonus in cash and report the case to the shareholders meeting.

Article 25.1 : The Distribution of Dividend should take into consideration the operational scale of the Company's future development, along with the cash flow and the status of business earnings, in order to achieve more flexibility in the operation process and strengthen the Company's competitiveness. The surplus allocation plan made by the Board of the Directors shall reserve no less than 20% of the balance amount as shareholder's profit after offsetting its tax payment and the surplus reserve. In the distribution of profits, cash dividends shall not be lesser than 10% of the total dividends. However, the actual distribution of the shareholders' cash dividend percentage will be adjusted accordingly to the actual profit number and fund requirement status through the resolution of a Shareholders meeting.

Article 25-2 The Company observes Article 241 of Company Act to distribute all or part of the legal reserve and paid-in capital in cash or new stocks according to the shareholding ratio of the shareholder. The Board of Directors' meeting with attendance of two thirds of directors is authorized to accept, by consensus of the majority of the attendees, the proposal of allocating all or part of the dividend or bonus in cash and report the case to the shareholders meeting.

2. The 2019 Distribution of Stock Dividends

2020 Surplus Earnings Distribution

Unit : NT\$

Item	Amount	
	Subtotal	Total
Beginning Undistributed Surplus Earnings	231,466,338	
+ : Change after re-evaluating the Benefit Plans	746,402	
Undistributed Surplus Earning in the End of the Period after the Adjustment.		232,212,740
+ : 2020 Net Profit After Tax	136,798,763	
Distributable Earnings		369,011,503
- : Legal Reserve	13,679,876	
- : Special Reserve	25,628	
Assign Items		
1.Shareholders' Dividend- Stock (NT\$0 Per Share)	0	
2. Shareholders' Dividend- Cash (NT\$5.2 Per Share)	88,904,400	
Undistributed Surplus Earning in the End of the Period		266,401,599
Note: The dividend is distributed with calculation to one dollar; cash dividend smaller than NT\$1 would be in aggregate counted as other type of income of the Company.		

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting : Not Applicable

(VIII) Compensation of Employees, Directors, and Supervisors:

1. Ratio or scope of compensation for employees, directors, and supervisors, as set forth in the Company's Articles of Incorporation:

If the Company turns a profit in a year, unless the Company still has accumulated deficit from previous terms, it should first reserve the amount needed to settle the outstanding balance, otherwise the Company should distribute:

(1) No less than 5% of the profit its employees as compensation in the form of Cash or stock dividends that is to be decided by the Board of Directors.

(2) No more than 3% as the Directors, and Supervisors' compensation.

2. The estimated amount of compensation for employees, directors, and supervisors for the current period shall be calculated based on number of employee shares of stock considering any accounting discrepancy between the actual distributed amount of employee stock dividend and estimated figure : If there is any discrepancy between the actual distributed amount of employee stock dividend and the estimated figure, the discrepancy will be listed as the adjustment of the actual distributed annual fees.

3. Information on the amount of compensation for distribution:

(1) The Company has distributed NT\$8,810,186 as the employees' compensation and NT\$2,643,056 as the Directors and Supervisors compensation in the form of cash dividend in 2020. The amount approved by the Board of Directors is the same with the estimated annual fees.

(2) The amount of stock dividend and ratio of the total net profit after-tax and individual employee compensation or separate financial report for the current period : Not Applicable

4. The actual distribution of compensation for employees, directors, and supervisors in the previous fiscal year (including number of shares, monetary amount, stock price, shares distributed) and any discrepancy between the actual distributed amount and amount of compensation for employees, directors, or supervisors. The discrepancy, cause, and response should be stated : There was no discrepancy.

The Resolution made on the June 22, 2020 Shareholders' Meeting for the 2018 Compensation of the employees, Directors, and Supervisors

		Unit : NT\$
Distributed Amount	Employee Cash Compensation	9,412,225
	Employee Stock Compensation	0
	Directors and Supervisors' Compensation	2,823,667
	Total	12,235,892

(IX) Share Repurchases : None

II. Corporate Bonds : None

III. Preferred Shares : None

IV. Overseas Depository Receipts : None

V. Employee Stock Options : None

VI. New Restricted Employee Shares or issuance of new shares for Acquisition or Exchange of other companies' Share : None

VII. Financing Plans and Implementation : There was no capital increase by cash or issuing of new shares in the last three years.

V. OPERATIONAL HIGHLIGHT

I. Business Scope

(I) Business Scope

1. Main Business Activities

Main Activities of Business Operation

CC01080	Lectronic component manufacturing
CC01110	Computer and computer peripheral manufacturing
F109070	Wholesale of cultural education, instrument and educational entertainment commodities
F118010	Wholesale of IT software
F119010	Wholesale of electronic materials
F199990	Other wholesale trade
F113050	Wholesale of computer and business machinery equipment
F209060	Retail sale of cultural education, instrument and educational entertainment commodities
F213030	Retail sale of computer and business machinery equipment
F218010	Retail sale of IT software
F219010	Retail sale of electronic materials
I199990	Other consultancy
I301010	Software design services
I301020	Data processing services
I301030	Digital information supply services
J304010	Book publisher
JE01010	Rental and leasing business
E605010	Computing equipments installation construction
I501010	Product designing
F401010	International trade
ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Main business proportion

Unit: Expressed in thousands of NTD

Product	2019		2020		As of March 31, 2021	
	Amount	%	Amount	%	Amount	%
CAD	811,386	67.31	824,166	72.96	230,548	75.96
Maintenance Service	255,380	21.19	158,487	14.03	30,195	9.95
Others	138,609	11.50	147,019	13.01	42,756	14.09
Total	1,205,375	100.00	1,129,672	100.00	303,499	100.00

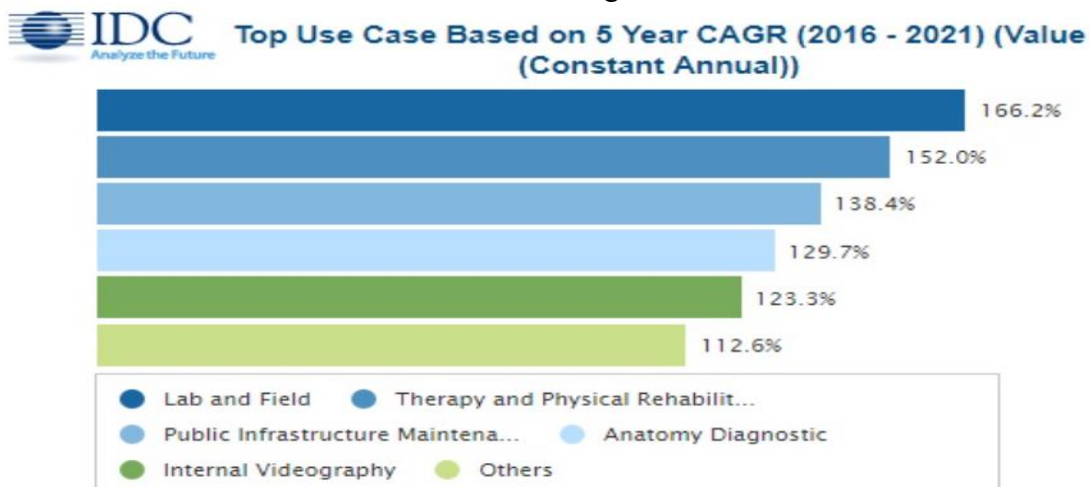
3. Current products and services

Our company mainly is devoted to offering best overall solution of R&D designing, manufacture, marketing and 3D application service area to manufacturing and construction industries. We are not only selling agent of CAID/CAD/CAM/CAE/ PDM/PLM/M&E and many professional softwares, but also offer technical application consultation, software online education guidance, prosonnel training, industry aesthetics consultancy, 3D mobile application and VR/AR media entertainment software consultation, etc. Our core value is to satisfy customer and enhance product value by proactive service. The product attributes and business coverage is as follows:

- (1) Business market
 - A. Manufacturing: automatic machinery and equipment industry, 3C/IT industry and vehicle and motorcycle transportation industry.
 - B. Construction industry: owner, builder, architects, engineering consultants, construction and planning agency, etc.
 - C. Multimedia industry: Animation, 3D simulation model and game industry, etc.
 - D. Other traditional manufacturing: furniture, kitchenware and sanitary ware, bicycle, hand tool, etc.
- (2) Education market
 - A. Teaching excellence project cooperate with professional education software market of industrial high school.
 - B. Industry-academia cooperation and cultivating talent
- (3) Product agency, own-brand products and services
 - A. Agent for Autodesk MFG/AEC, Maya, 3ds MAX, Unity, CAE, PTC CREO, Siemens NX, advanced 3D CAX software, Bentley, etc.
 - B. Self-R&D of HyperPDM, Otsuka UG and customize service
 - C. VR and AR software application integration service
- (4) Marketing
 - A. Five sales locations in Taiwan
 - B. Three sales locations in East and South China

4. Planned new product development (service)

(1) Along with the advance of graphics and video soft/hardware technology, VR (Virtual Reality) and AR (Augmented Reality) have becoming the important application market in the future gradually. According to Digi-Capital, it is expected to rise in VR/AR market globally, and the revenue will reach 215 billion USD in 2021. Our company has several years of developing technology in 3D graphics industry combined with marketing sources, by integrated with computer drawing, computer simulation, AI, sensor, display and network parallel processing techniques. Offering clients with high-tech simulation system generated by computer aided technologies, and having consumer experience the unfinished environment in the aspect of construction industry, or offering the display of final marketing in the aspect of manufacturing (to reduce the cost of machine delivery of international exhibition) and after sales service (to reduce the cost of time and traffic of round trip for engineer) to improve operational efficiency faster and innovate more attractive marketing mode.



Source: IDC Worldwide Semiannual Augmented and Virtual Reality Spending Guide, 2016H2

(2) Media entertainment solution, marketing 3D modeling and professional animation tools:
 3D modeling creates 3D objects or shapes' mathematics to present the process of form. The created objects are called 3D model, which can be used in various industry such as movie, game, animation, post-production, architecture, construction, product development, science and medical industry are processing visualization, simulation and rendering graphic design. Our company has access to Autodesk M&E series of products, such as 3Ds Max, Maya and Unity software, etc.; by making 3D animation, simulation, special effects post-production, rendering and manage development processing, to make imagination becomes reality, and enable art editor to have a fast and creative tools to present creative ideas.

(3) HyperPDM 2021

Up to now, HyperPDM has successfully assists hundreds of domestic clients to improve the project developing management of products effectively. During the revision process in the past few years, we have been putting in map printing, Web, manufacturing process, model and CTO picking managements; in order to meet the demands of different clients, we also put in Addin extension function, which allows to put in various Addin elements program afterwards, and to cope with the needs of different industries. The products in the future will cooperate with Windows and 2D/3D CAD upgraded version, and continuously supporting the operational stability and enhance the performance of related function integration, and view customers' feedback as the direction of improving and enhancing



(4) CAD secondary development product

A. OITC Inventor Power Pack

We will commit Otsuka's several-year experience of developing CAD customize program project into the development of Autodesk Inventor toolkit; by CAD system providing API (Application Programming Interface) to strengthen 3D design in various functions of part drawing, assembly drawing and technical drawing, and receiving customer feedback from technical service division to constantly improve the convenience and performance of the program.

B. OITC Creo Toolkit

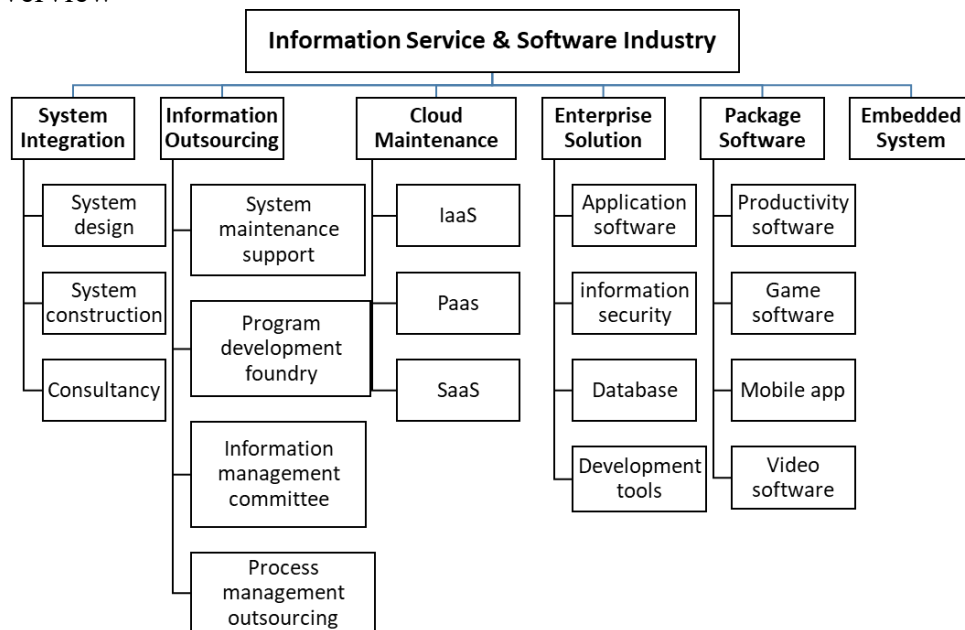
Creo, which is the main 3D modeling software of PTC (Parametric Technology Corporation), has occupies an important position in 3D design market. However, 2D technical drawing is still the priority of the on site manufacturing and assembly drawing. Therefore, the development of Otsuka's Creo Toolkit is focusing on enhancing the various functions of Creo technical drawing

C. OITC AutoCAD Toolkit

AutoCAD remains the most commonly used drawing software for clients who need 2D images. Some clients transfer 3D images to AutoCAD to refine the details of the engineering blueprints. Therefore, the Company offers the services that allow the clients to plan their unique standard image frames and input interface design of the company to speed up the standardization of making graphics for engineering works.

In order to increase profit and give consideration to the long-term developing goal of the company, we're still moving toward the omni bearing company of offering high added value, drawing software integration of multiple application, consultancy and 3D technology to extend business opportunities. Our strategies will follow the trend and customer's needs, and understand customer's needs are the ways to build the foundation of the development of corporate stability.

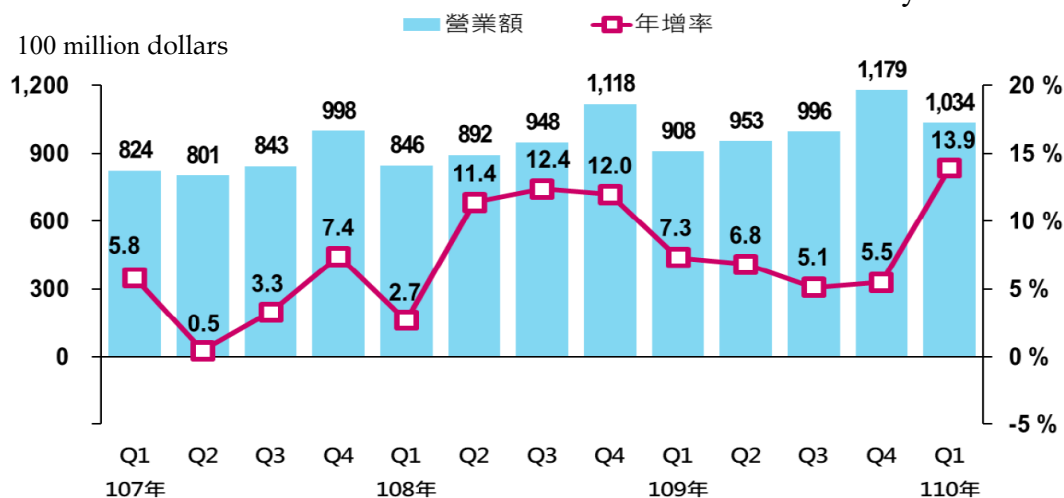
(II) Industry Overview



According to the MIC industry definition by Institute for Information Industry, and according to products function and service offering mode, information service and software market can thereby divided as 1. The main core of information service is to offer customer with basic architecture service, development, commercial process and consultation, software support and hardware maintenance, etc., in order to create value by offering services; 2. Software in the other hand, is including application software, information security, database and development tool used by business, and game and mobile application for public. Classified by our company's main service item, which includes selling drawing software, offering complete drawing software system integrate with planning service, technical support and self-R&D customize software. It shall cover information service and software market; therefore, below is the statement of current situation and development of domestic information service and software market:

1. Status and development of information service industry

Revenue and Annual Growth Rate of Information service industry



Source: Department of Statistics of Ministry of Economic Affairs

The revenue of computer and information service industry is NT\$103.4 billion, which hit the record and the annual growth rate is 13.9%; the revenue for computer system design service industry was NT\$78.2 billion, showing an increase of 12.9% and the revenue of Information supply service industry was 25.3 billion, showing an increase of 17.0%.

2. Software industry status and development

Traditional computer drawing field can be divided into three basic technologies, model, animation and imaging. The essential of model technique is to construct an accurate object model; the key point of animation technique is to produce simulate physical movement; imaging technique focus on producing simulate computer graphics. Domestic computer drawing software is limited by not mastering in 3D drawing engine and having differentiation of special effect software program library. Develop domestic self-imaging and visual special-effect software element, and align with business to build industry-academia-research cooperation platform, to create talent exchange and engagement should enable us to develop competitive productivity software.

Although Taiwan faces developmental retardation in recent years, the overall fundamentals is still stable, and the domestic market demand maintains a small growth, which makes the domestic information service market scale still shows an upward trend, and having stable growth for software market as well. According to the Statistics of Ministry of Economic Affairs, the revenue growth of information service industry in the last five years is as follows:

100 million dollars

YEAR	TOTAL		Computer Program design sector		Information service sector	
	AMOUNT	Annual increase ratio	AMOUNT	Annual increase ratio	AMOUNT	Annual increase ratio
2016	3,157	5.0	2,442	6.5	714	0.0
2017	3,323	5.3	2,540	4.0	783	9.6
2018	3,467	4.3	2,626	3.4	841	7.4
2019	3,804	9.7	2,867	9.2	936	11.3
2020	4,036	6.1	3,054	6.5	981	4.8

Source: Ministry of Economic affairs, Office of statistics.

3. Developing trend of domestic R&D

Due to our company is agent for drawing software relevant products, most of the users are after R&D; therefore, the situation of R&D investment by business can shows the development trend of software industry as well.

Unit: billion dollars

Industry	2016	2017	2018	2019	2020
Manufacturing	389.1	411.0	426.0	459.7	509.0
Parts and Components of Electronics	214.4	231.0	242.6	264.0	305.7

Source: Ministry of Economic affairs, Office of statistics.

Manufacturing and parts and components of electronics have been the focused industries of our country; the amount devoted to research and development in these fields reached 814.7 billion in 2020, showing steady growth over the last decade.

4. Industry Outlook

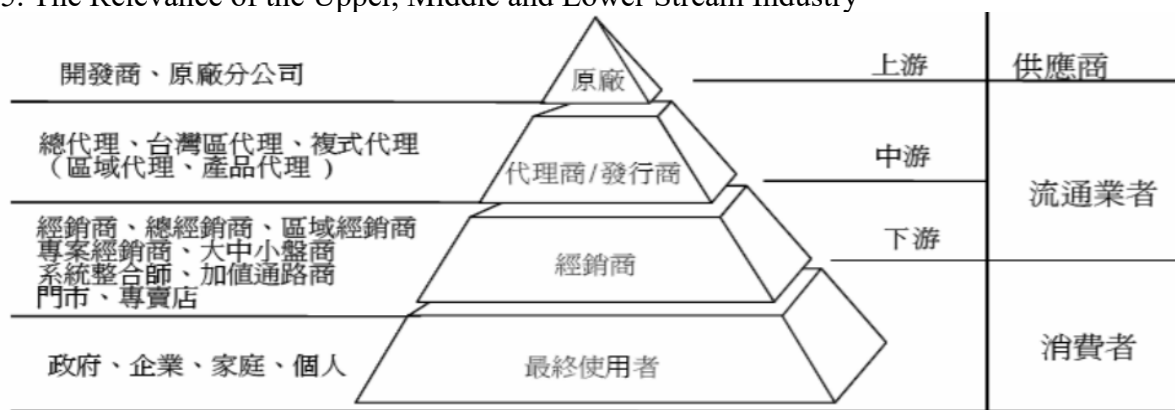
The Market Intelligence & Consulting Institute (MIC) had an overview on the information software industry in 2021 and proposed the noteworthy trends as below:

- (1) The Trade War Raise Security Role: The Trade War between the U.S. and China left both sides in distrust about each other's communication products, which makes Taiwan become more important in the international information security industry. New business chances on information security industry have occurred. There are also greater demand for chips, components, and the assembly lines on Taiwanese manufacturers.
- (2) Corporate Startup Engagement: With the trend of digital transformation, Companies speed up their innovation. Large enterprises in the domestic market and overseas seek to collaborate for innovation. They are accelerating to innovate and seek for chances of collaboration projects. Investment funds have been established to invest in and merge start-up companies to turn the external innovation into the internal resource. The trend has boosted the growth and transformation of companies and make the accelerator industry thrive.
- (3) Subscription Economy: The subscribed services are gaining popularity; various subscription plans have been created. From B2C to B2B, many leading companies have launched subscription services, and it has become the most noteworthy new business model. This type of service is expected to replace tradition ways to charge customers as the major source of revenue.
- (4) Digital Transformation: As challenges occur along with the wave of new technology, companies have been planning for digital transformation, which created new business chances of information software and service sectors. The development focus on integration of software and hardware as well as providing consultation on digital transformation.
- (5) Digital Twins: Digital twins can detect the real condition of the target entity through the

sensors. Companies can take precise and speedy reaction to various changes, improve the object or system operation, and strengthen the capability in developing products. In the future, fields with high complexity, high risk and high shut-down cost will be introduced

(6) The Third Wave Startup: The ICT industry is experiencing its second wave of innovation on Internet innovation. With the advance of AIoT technique, the third wave of innovation may bring about major changes in fields like smart medical services, smart transportation, and other fields. Having a partner in B2B industry may be a crucial factor for development.

5. The Relevance of the Upper, Middle and Lower Stream Industry



台灣資訊服務產業通路概念圖 資料來源：資策會

Our company is mainly as agent for value-added selling of drawing software, offering relevant technique and system integration, the character of which is the middle-stream industry. With the human technical sources and broad channel, our company sells merchandise directly to general company or by dealers, and provides integrated technical support services.

6. Developing Trend of Product

(1) The extension of 3D Application

At present, CAD and working tools have been developing to a smooth operation of visualize interface and 3D display, which can design a more complicated or with special material product; moreover, it can directly and fastly shows the designer's thought through the monitor, which breakthrough the problem of learning curve. With 3D printer, fast proofing is achievable in the future, or scale down the models to increase the developing efficiency of new products. In addition, Product Lifecycle Management(PLM) assists manufacturer to be product-centric, and to manage with the research, manufacture and alteration procedure of the product; it will usually combined with CAD/CAM graphic drawing, to assist with the overall design and management of the product. Although the rate of adoption of PLM is not higher than ERP or CAD/CAM, product design is expected to be more valuable in manufacturing, and under the trend of having design headquarter in Taiwan, it will be adopted more by enterprises.

(2) Adjustment and Innovation of System Integration Service

System integration service mainly assists business with information technology to achieve various operation or strategy purposes. Supplier needs to understand the operation direction, strategy needs and solution of businesses in each area, so they can assist business to make good use of resources. Due to the uncertainty of business transformation, and hardware construction is affected greatly by cloud service, the growth of consultancy

will be higher than system design and construction. However, consultancy, system design and construction company will still meet with the requirement of business transformation and technology development of innovation and continue to grow.

(3) Development of High-level Drawing and Video Call Software Technology

Drawing and video call software technology have popularize in personal computer, smart portable device, digital television GPS, the smoothness of 3D animation has decide the competitiveness of the devices. With the constant improvement of soft and hardware technology, VR/AR have becoming an important application in the future; because of the drawing software technology is the core part of both industries, competitive investment of technology has been going around the globe, and the revenue is predicted to reach 215 billion USD in 2021.

7. Market Competition

Our company belongs to 3D CAX/PDM system integration consultancy, and is the only company in Taiwan market who successfully crossed manufacturing and construction industry; we mainly offer our customer with upper-intermediate 3D CAD/CAX software related application solution, technical service and consultation. Below is the analysis of product service and the competitive situation that our company's operating scale is facing:

(1) Product Analysis

Autodesk PRDS, Product Design & Manufacturing Collection (PDMIC), Autodesk PRDS, etc., are the bread-winning product of our company, which belong to middle-class 3D CAD drawing R&D integration package software, our main domestic competitor is SolidWorks software owned by Groupe Dassault of France. Autocad software gains the highest market share in the globe, which even reached 90% of market share especially in many areas, so does Taiwan. Therefore, there are many potential 2D users upgrading to 3D product; through the ever-changing development of technology, no matter it is the product for manufacturing solution, such as Inventor, Alias, 3DS Max, because of owning many unique techniques and functions, they gained popularity among domestic automatic machinery industries in a short time after the year it launched. The series product has been developing up to now, it not only has the highest market share in this industry, but also leaves other 3D software far behind. Nowadays, Autodesk even comes up with new manufacturing design package software (including PRDS/FDS/VAULT/SIMULATION), and offers digital prototyping tools especially designed for manufacturing industry. Industry now values R&D creativity and the time and efficiency of product development, Autodesk design package software provides with sound 3D modeling environment and powerful solution of productivity improvement, which will bring developing motivation to industry furthermore.

In addition, our company is the sales agent for high level 3D drawing software, Creo, which is the product of American company parameter technology and has good-growth performance in recent years. This product is most widely used system in Taiwanese computer, communication, consumer electronics industry, which has powerful surface design function. Among them, CAD design solution provides with flexible parallel use of various CAD systems, which enhance design collaboration and significantly strengthen the product development process to make it more efficiently and become easier to support with, and we are looking forward to an optimistic prospect. In addition, our company has cross-strait agent for Siemens NX, which is to offer CAD/CAM/CAE/PLM with most excellent products and solving capability. Our company realizes our advantages of technique, and seizes the growth opportunity of expanding the business scope. In 2021, we will keep investing manpower and make good use of our strength to increase the product line profit and stabilize our market position.

In the aspect of architectural design, our company agent for Autodesk Engineering Construction Collection and Bentley, and is the most popular system among construction industries in the globe; in the green building trend, this product line can provide with green analysis and fulfill the benefit of energy saving and carbon reduction. Besides, offering client with integrating and exploring solutions of 3D plant design and surroundings is another major market promotion of our company. It is predicted that construction market will continuously bring in more benefits for our company this year.

From 3D drawing software developing to date, we can find the functional commonality of it, and if we are taking a comprehensive comparison, we still can find their pros and cons. However, different industry attributes will depend on the product needs to choose the suitable software. Among domestic automated machinery industry, the most common use software belongs to PRDS and PDMIC; that's because when the intrinsic Inventor launched, it best suited machinery manufacturer's needs of large assembly and structural motion simulation. Although every software has its own field, clients highly valued the educational training and online consultation services after installation of 3D drawing software implementation. Therefore, clients buying this software doesn't mean they can operate successfully and meet their needs. To conclude, user choose different software depends on their requirement, besides selling software, the most important thing is to provide clients with consultation and educational training services; therefore, our product still has a great advantage of expanding market.

(2) Analysis of Company's Operating Scale

According to the current status of Taiwan, there's around ten companies who sell CAD/CAX/PDM, which normally is small company with less than 20 staff, and with incomplete product line, they usually sell single product of CAD, CAM or CAE, not like Otsuka who provide with complete solution of CAD/CAX/PDM, the market coverage includes manufacturing, multimedia and construction industry, and establish a complete provincial marketing network with more than 150 staff of marketing, technical service team and several educational training centers around Taiwan. Besides, breaking into this market needs to equip with professional Know-How; Otsuka has been running business in Taiwan for more than 20 years, the business reputation and technical skills it established has staying ahead of its competitors; moreover, the high competitive threshold it built is hard to surpass for other companies. However, the important thing is that we value customer service greatly, which will need to invest more in employee training and service-support system and have other competitors fall far behind. The cultivation of product engineers and sales person is based on software operation to offering solution to actual industry. A person equipped with marketing or technical service capability has at least 3 years of accumulated experience and practice; currently, approximately 80 technical or support personnel of OITC are teams of long-term training and with actual case experiences, which is not for general company to compete with, this is the core value of our company in drawing software market as well. Moreover, the juridical person of the company, OITC, is one of the top CAD/CAM system integrators around the globe; its mastery toward business pulse, integrating efficiency of operating management, and the prediction of future IT industry developing trend are the advance and accurate benchmark among the industries.

Therefore, under our company's effort and with the assistance of Otsuka's business experience; examining domestic and future Chinese market, Otsuka definitely has the strength of market expansion and willing to take any business challenges.

(3) The Development and Promotion of private HyperPDM products

Through the accumulated developing experience and feedbacks from many customers, HyperPDM assists customer with the management of increasing project development information of product efficiently, the product will meet with Windows system and upgrade 2D/3D CAD version in the future, continuously supporting the stable operation and improve performance of related function integration, and view customer's feedback as the direction of increase function and performance.

(III) Technology and R&D Overview:

The investment of R&D cost and successfully developed technology or products in recent years and as of the annual report printing date.

1. The R&D investing cost in recent years and as of the annual report printing date

Unit: Expressed in thousands of NTD

Year	2020	2021 As of 31 st , March
R&D Cost	7,715	2,020
Operating Revenue	1,129,672	303,499
R&D Cost to revenue ratio	0.68%	0.67%

2. Successfully developed technology or product

Our company has years of core technology of CAD/CAM integrated application, we utilize this technical advantage to develop App mobile business of 3D mobile lightweight technology, and had successfully developed 3D product interactive control, animation display of 3D cutting machine, virtual tour of 3D actual disassembly and 3D product optional accessories specification, which can actually apply to App modules function of marketing business procedure, and assist equipment manufacturer to transfer marketing mode to a more efficient 3D visualize creative mobile business and after service mode.

(IV) Long and short-term business development plans

We have been focusing on business development since the establishment of our company, in order to meet with the business developing trend and the changeable domestic, foreign business environment; we adjust our system by long and short-term plan to increase overall competitiveness. The long and short-term plans are as follows:

1. In the aspect of agent for CAX drawing software

(1) Short-term plan:

- A. Strength our customer service, and focus on offering fast design module of the machinery and equipment industry development for current client, to improve its design procedure and efficiency, by that we can increase the value of our technical consultation and customer loyalty, and increase our income.
- B. Training professional marketing and technical support consultation actively, so that we can provide a completed and integrated customer service.
- C. Moving toward the One Stop Solution Provider business promotion of industrial design, manufacturing, marketing and service, not only strengthen the agent product line, but also understand the future needs of the industry.

(2) Long-term plan:

- A. Integrate business internal information system, connect with customer needs and automatic supplying and marketing function; by service-oriented planning system procedure, we can lay the foundation for business growth.

B. Moving toward improving the development speed of customer products, offering comprehensive solution for industry and technical support service, assists customer with innovative product development and increasing launch efficiency, and developing marketing scale to VR/AR development. By the long-term technical advantages in manufacturing, we develop mobile business application solution, offering high-efficient marketing source management tool and assist customer to strengthen their profitable business mode of mobile business service.

2. Self-R&D products

(1) HyperPDM

- A. Cooperate with OS system and CAD version upgrade, constantly support the stable operation and improve performance of related function integration.
- B. Refine and strengthen the managing application of HyperPDM system function, and continue to expand the system toward platform architecture, and have the most effective sharing of business R&D assets. Constantly optimize and simplify every operational surface and function based on customer feedback and suggestion.
- C. Apply with Addin expansion function to assist every client to build expansion component program by their requirement under different circumstances.

(2) OITC Inventor Power Pack & Auto CAD Toolkit:

Cooperate with the sales mode of Autodesk product subscription, Otsuka provides customer with exclusive tool kit, it not only strengthen the original function of Inventor and Auto CAD Toolkit, but also added new design gadget program from time to time to reward our subscriber.

(3) OITC Creo Toolkit

Cooperate with sales mode of PTC product subscription, provides Otsuka's clients with exclusive Creo convenient design tool when facing other competitors, which highlight the better technical ability than other dealers and the advantage of CAD value added development.

(4) OITC Moldflow Technological Parameter Optimization System

As the growing of industry 4.0 around the globe, software information analysis and the integrated application and knowledge feedback of module and molding factory of the Internet is the trend for future industry development. Technological parameter optimization system implement the actual molding parameter into Moldflow analysis, and implement into equipment through software optimization analysis, enable injection molding machine to produce directly by best technological parameter.

3. Marketing and developing strategies:

(1) Short-term plan:

- A. Actively explore new CAX high level application business market, and increase market share and repurchase rate by improving customer satisfaction; while strengthen the exploration toward the demand of cloud product and mobile device solution.
- B. Overseas sales locations, actively build marketing and customer service access into local market to find new clients, and offering immediate customer service.
- C. Actively find new clients and explore the advanced needs of current clients through creative media and entertainment business department, and help with the marketing of VR/AR business.

(2) Long-term plan:

To build a system-integrated consultancy which can direct future needs of customer and developing trend. Provide various industries with complete system implementation,

strengthen the exclusive characteristic, and improve consulting performance. Enable our clients to have R&D competitiveness, marketing uniqueness and reliable mobile service capability, to create a triple win for the company, clients and suppliers.

4. Business scale development

(1) Short-term plan:

- A. Continuous maintenance of CRM, improve and strengthen internal system operation to enhance client relationship management and case-tracking efficiency.
- B. Continuous implementation of internal control, audit and budget management to enhance business efficiency.

(2) Long-term plan:

Promote internationalized idea and enhance business managing capability, actively cultivate internationalized talents and moving toward the goal of international corporation.

5. Financial planning

- (1) Strengthen risk control in a short term, to serve clients with stable, high-efficient and flexible idea.
- (2) Make good use of domestic capital market and foreign financial market tool in a long term, and expand the landscape of business globalization.

II. Market and Sales Overview

(I) Market analysis

1. Analysis of sales(offering) areas of main products(service)

Unit: Expressed in thousands of NTD

item \ year	2019		2020	
	amount	%	amount	%
Domestic sales	1,202,151	99.73	1,128,690	99.91
Export sales(Asian area)	3,224	0.27	982	0.09
total	1,205,375	100.00	1,129,672	100.00

2. Market share, future supply and demand situation and growth of market

(1) 3D market share

Our company is agent for Autodesk, which is the manufacturer of computer graphics software CAD/CAM/CAE/PDM. According to Department of Statistics, the revenue of Taiwanese computer and information service industry is around 403.6 billion in 2020, due to various kinds of products of information service industry, the purpose of them are different as well. It is hard to evaluate the status of each software market because of the lack of objective statistic information evaluation. However, our company has been focusing on this industry for more than 20 years, we have constantly accumulate professional knowledge to improve the depth and breadth of customer service; moreover, continuous growth of revenue shows a certain market status of the company's products agent.

(2) Supply and demand status and growth of future market

2D drawing software AutoCAD, which belongs to Autodesk software company, has the

highest software market share globally, even exceeds 90% of market share especially in many areas. According to Department of Statistics, the revenue of Taiwanese information service industry from 2018 to 2020 was 84.1, 93.6, and 98.1 billion dollars respectively, and the annual growth rate is 7.4%, 11.3%, and 4.8%.

The rapid changes in the industry have brought about tremendous growth in the market of new applications like mobile APP, cloud computing, artificial intelligence, and big data. Also, many companies are working hard to develop smart services or conduct digital transformation. According to the predictive data of the economic academic in Taiwan, our nation will see significant economic growth in 2021. Hopefully, it can boost the sales for software design industry. Also, according to the predictive data of IT IS research team from MIC from Ministry of Economics, the annual revenue of the software industry will increase by 4.4% in 2021.

3. Competitive Niche

- (1) Has a complete CAD/CAX/PDM integrated marketing, series products of CAD/IT government educational business sales and multiple marketing channels:

Our company has many platforms of marketing channels, besides construction and manufacturing of domestic sales, it also expands to dealers, SME and personal users; moreover, our company has a complete manufacturing mechanical automation, construction BIM and multimedia VR/AR solutions, including from conception assembly design, mechanism design, manufacture, assembly test to maintenance and display; all of which have offering equivalent solutions for software and construction, satisfying customer need with one-stop shopping from infrastructure software and engineering information management to business source planning software products.

As for operating scale, our company is one of the biggest CAX system integration companies in Taiwan, if the business operation is affected by external environment, it is a relative competitive advantage for a big-scale company. Our company holds the spirit of “in-depth service to increase product value”, continuously developing in domestic market, expand market share and create customer need to increase the revenue streams; interact with OEM actively and establish indicative customers as our main product strategy and market goals.

- (2) Professional service team and training center

Our company always values customer service, and possesses rich experience of salesperson, with professional technique and consultant to become a strong service team. Around 80% of personnel of our company are sales consultant, product support and project consultant. Besides providing customer with solution according to their needs, we also offer complete online customized implementation service in the mean time.

In order to provide customer with software implementation system to improve performance, create and promote future business opportunity of agent product line, our company has training center located in Taipei, Hsinchu, Taichung, Tainan and Kaohsiung.

Take the software OEM training information as first draft, and programmed materials by ourselves; lectured by OEM software technical training certificated instructor, offering various lessons and CAD technical support information lesson.

(3) R&D of value added product line, high benefit for future market

Our company has more than 20 years' experience in CAD/CAX/PDM integrated marketing, we know more about customer's problems and demands during the process of cooperation between sales, technical support team and customer's salesperson. By agent for famous drawing software of foreign company, we make up for the insufficient function of original drawing software while marketing, and self developed the plug-in of Autodesk. In order to meet with industry requirement of ERP/PDM system integration in recent years, technical team has offering complete consultation for the database managements and applications. Our PDM product especially focuses on domestic SME's demand of customized small-volume production of multiple types of products, which will get closer to customer needs. With the young, impulsive and rich creativity characteristic we possess, it is more likely for us to meet the ever-changeable software industry, grasp the market pulsation and constant innovation to gain favor from business.

(4) The overall corporation development and positive synergy of supply

Our company's main shareholder Otsuka, is a famous company in Japan which has information system integration, CAD/CAM project solution and provides with service and channel support. Otsuka not only provides with related industry operating suggestion and instruction, but also has a long-term relationship of production-marketing cooperation with our main supplier. Besides our agent products Autodesk, PTC and Siemens have good performance, we grow with clients and suppliers for many years, and become the biggest system integrator of CAD/CAE/CAID/IT in Taiwan; moreover, we are the authorized agent and OEM certified training center, our new R&D products can quickly gain priority agency. Under the motivation of sustainable operation, and good operating performance of stabilized supply and marketing synergy, enable our source of supply to be more stable, and have a positive image of agent for excellent brands in sales market as well.

4. Advantages and disadvantages of development prospects and solutions

(1) Advantages

A. Agent for brand products that meets the needs of market pulsation, gain favor from market

Our company is agent for drawing software products of Autodesk, PTC, Siemens, which gain favor from domestic supplier. As the constant development of Taiwanese industry and work hard to cultivate markets, we still have relative room for development from the aspect of current market share of our company.

B. Complete before and after sales service, provide with full service of Total Solution

Our company provides suppliers with immediacy market needs and assist clients to

solve technical problems quickly by professional technical R&D and supporting capability. With professional technical support, project consultation and R&D team to assist clients in completed the overall design software purchase project by the most cost effective method, and offering exclusive Total Solution by customized mode. Therefore, our company has cultivated good cooperative relationship with suppliers and clients.

C. Equip with the foundation of mainland China and overseas market exploration

The scale of information service and software market in China is still the important growth motivation for global IT market. In addition, Chinese business's average ICT budget in the proportion of business revenue is relatively low when compared with the globe; that means there's a relative room for market growth. Therefore, by duplicated Taiwanese experience as prerequisite to actively explore the market in east and south China, and explore benchmark supplier by new agent for niche product; interact with supplier actively and establish indicative customers as main product strategy and market goal.

D. We have strong R&D team which is close to customer needs, and grasp the core competitiveness of self R&D graphic peripheral software.

(2) Disadvantages and solutions

A. Limited scale of domestic market, price war with competitors

Taiwan has a small scale of information service market, with quite mature development and constant manufacturing offshoring, and due to cutting information cost from government annually, there's a fierce price war.

Solutions:

In order to expand domestic market and increase revenue, our company providing customers with high add value of after sales service and technical support to continue cultivating domestic market; by offering customers with value co-creation capability to create customer needs and increase revenue.

B. Expand overseas market, gaining resources will be a hard slog

Compare to international industry, the scale of Taiwanese industry is relatively small and has limited access to sources, it is not easy to collect information of overseas market as well.

Solutions:

Cross-selling to overseas market and develop information service in specific areas through overseas company subsidiaries, and strengthen team capabilities.

C. International industry enters the market segmentation of SME

Benefited from cloud technology, international brand industry can now has direct access to customer, and offering software and service to SME by cloud. This strategy is undoubtedly invading the survival space of our company, which will make the operating more difficult.

Solutions:

- a. Actively fight for new product agent, by maintaining multiple brands to lower the proportion of business outsourcing, and maintain our gross profit ratio.
- b. Inspect self-advantages and all the complementary assets to gain a foothold in industry and develop toward specialization.

Our company is a professional technical type of channel firm, who is a professional computer graphics, industrial design software system service, equip with high integrated manufacturing and industrial design solutions capability, and exploring future core peripheral software products technique oriented company. We mainly agent for core technology products with high gross profit and strong competitiveness, with our strong marketing consultation team to increase customer needs toward product specification, and avoiding price war. By separating market positioning and competitive advantages from competitors, we can gain higher profit in the meantime.

(II) Important purpose and production process of main products

1. Main product and its purpose

Product name	Purpose
Computer Graphics Software	1.CAID : CA industrial design software, appearance design of 3D product. Innovative way of design helps business to reach excellent design standard, and brings rich profits. 2.CAD : Computer Aided Design software: includes 3D design software for machinery purpose, pipe fitting equipment, circuit layout and civil construction. 3.CAE : Computer-Aided Engineering software: Through engineering analysis software, we can design 3D mechanical structure while evaluating materials, physical property and mechanics factors, and proceed with mechanical engineering analysis to produce data as the reference of design improvement or reinforcement. 4.CAM : Computer-aided manufacturing software: From the components of front-end 3D CAD design, by CAM automatic toolpath to further control machining center and reach the precise and speedy purpose, and achieve low conversion cost and high dimensional accuracy. 5.AEC : Architectural Engineering &Construction: Combine with power and scale, visualize and documenting of BIM, this product line can provides mainstream benefits with optimization, cost control and sustainable development. 6.Media entertainment solutions : 3D modeling and professional animation tools, includes Maya, 3Ds MAX series products, which enable artist to present creative concept by fast and creative toolset.
Product Information management software	PDM : Applied to related information of organization, access and manage all manufacturing products and product life cycle, enable engineers from every level clearly understand the relevance and hierarchical structure of various types of information. i-Reporter: Management platform solutions of Mobile inspection and collection of statistical reports

2. Manufacturing process: Our company is the import agent of our main products so we do not have manufacturing process; the manufacturing of self-R&D HyperPDM mainly is copying software into media vehicle, therefore, we do not have the process compare to general manufacturing.

(III) Main raw materials supply status

Raw materials, components or Outsourcing items	Name of Manufacturer	Supply status
Computer Graphics CAD/CAM/CAX PDM / i-Reporter	Synnex(purchase Autodesk products), PTC, Siemens, CIMTOPS	stable

(IV) Suppliers (clients) name and its procurement (sales) amount and ratio, of which the procurement (sales) amounts is account for more than 10% over any year of the last two years and the variation reasons.

1. Main suppliers information over last two years:

Unit: Expressed in thousands of NTD

item	2019				2020				2021 as of previous quarter			
	name	amount	Annual net purchase ratio [%]	Relationship with issuer	name	amount	Annual net purchase ratio [%]	Relationship with issuer	name	amount	Annual net purchase ratio as of previous quarter [%]	Relationship with issuer
1	Synnex	524,813	65.52	NA	Synnex	463,881	67.75	NA	Synnex	118,865	67.92	NA
2	Grand Tech	62,728	7.83	NA	Siemens	63,876	9.33	NA	Siemens	24,892	14.22	NA
	Others	213,486	26.65	NA	Others	156,982	22.93	NA	Others	31,239	17.85	NA
	Net purchases	801,027	100.00	-	Net purchases	684,738	100.00	-	Total	174,995	100.00	-

Note : Our company is the product agent of 3D drawing software.

2. Main sales customers information over last two years:

Unit: Expressed in thousands of NTD

item	2019				2020				2021 as of previous quarter			
	name	amount	Annual net purchase ratio [%]	Relationship with issuer	name	amount	Annual net purchase ratio [%]	Relationship with issuer	name	amount	Annual net purchase ratio as of previous quarter [%]	Relationship with issuer
1	Gemhorn	41,916	3.48	NA	Concord Tech. Co., Ltd.	19,909	1.76	NA	Delta Electronics	14,311	4.72	NA
2	Formosa Technology	31,838	2.64	NA	Delta Electronics	17,476	1.55	NA	Formosa Technology	13,952	4.60	NA
3	Delta Electronics	29,289	2.43	NA	TSMC	13,360	1.18	NA	CGCG	10,713	3.53	NA
	Others	1,102,331	91.45	-	Others	1,078,927	95.51	-	Others	264,523	87.16	-
	Net sales	1,205,375	100.00	-	Net sales	1,129,672	100.00	-	Net sales	303,499	100.00	-

Note1: Among the sales customers of our company over last two years, such as Formosa Technology, Delta Electronics,, TSMC, and CGCG are graphics softwares for the needs of system upgrade or project procurement, Gemhorn and Concord are as other agent.

(V) Volume of production table over last two years: The company is not the manufacturing, therefore is not applicable to the subject.

(VI) Sales volume table over last two years:

Unit: Expressed in thousands of NTD

sales volume main product	year		2019				2020			
			Domestic sales		Export sales		Domestic sales		Export sales	
	Quant-ity	Value	Quant-ity	Value	Quant-ity	Value	Quant-ity	Value		
CAD	—	808,572	—	2,814	—	824,166	—	—		
Maintenance	—	254,970	—	410	—	157,505	—	982		
Others	—	138,609	—	—	—	147,019	—	—		
Total	—	1,202,151	—	3,224	—	1,128,690	—	982		

Note: The company has various kinds of products, and the units of measurement is differ from products, therefore, the quantity is not listed above.

III. The number of Employed for the two Most Recent Fiscal Years, and during the Current Fiscal year up to the date of Publication of the Annual Report, Their average years of Service, Average ages and Education Levels :

year		2019	2020	2021.3.31
Staff number	Supervisor	31	37	37
	General	134	145	145
	Total	165	182	182
Average ages		36.39	36.39	36.5
Average seniority		5.6	5.6	5.7
Ratio of educational attainment	PhD	0%	0%	0%
	Master's	13.33%	14.28%	14.83%
	University	81.21%	81.92%	81.37%
	High school	5.46%	3.8%	3.8%
	Less than high school	0%	0%	0%

IV. Environmental expenditure information

The company is not the manufacturing, therefore is not applicable to the subject.

V. Labor relations

(I) The implementation status of every employee welfare measures, self-study, training, retirement system, agreements between labor and employee interests maintenance:

1. Employee welfare measures and the implementation status

Our company highly values employee welfare, according to Employees' Welfare Funds Act and established the Organization of Employees' Welfare Committee to conduct employees' welfare matters, followed by regulation of contribute welfare funds according to monthly revenue, salary and sell rejects. In addition, following are the welfares our employee have:

- (1) Bonus system: Bonus system: In addition to the monthly sales bonus, the company will issues half year dividend, year-end bonus and employee bonus depends on state of operation. As for employees with five or more years of employment, the company will issue longevity bonus and paid leave for employee to take time off for family trip or recharge; when employee with ten or more years of employment resign from job, company will issue pension to show appreciation to employee.
- (2) Welfare activities: Provides various kinds of welfare measures, which includes wedding and death subsidy, childbirth subsidy, dragon boat festival/mid-autumn festival/birthday cash gifts, hospital allowance, clubs&activities, year-end party, domestic/foreign travel, blind massage and car purchase allowance for specific position, parking subsidy and promotion of special contract shops on an irregular basis.
- (3) Insurance: According to the law, employees are insured with labor insurance, health insurance and withdraw 6% of labor pension on the first day of employment, and insured all employee with group insurance, includes life insurance, casualty insurance, hospital insurance, cancer insurance and personal injury insurance; additional business travel accident insurance for employee who needs to go on business trip frequently, to increase the assurance of employees' family.
- (4) Educational training: provides perfect new employee orientation and on-the-job training, and holds professional training, supervisor training and employee training annually on a regular basis.
- (5) Health examination: holds employees' health examination every two years, and offering half-day paid leave for employee to receive examination in the special contract hospital.
- (6) Stock ownership trust: offers senior employee with preferential shareholding opportunity and bonus issue.

2. Implementation status of further study and training

Arranging courses by orientation training, assist new employee to understand the positioning and future development of the company. Professional internal training will be hold irregularly, enable employee to receive new information of professional skills and enhance the capability of business promotion and R&D. Moreover, we focus on on-the-job training, each department will arrange suitable educational training lessons depends on the actual needs, and establish training center, Otsuka e-learning online learning system to offer employee a diversified and convenient learning platform; or depends on the needs of each professional competence course, and participating in lessons held by training institutes to improve employees' professional competencies.

3. Implement state of retirement system

- (1) Our company has established Workers' Retirement Fund Supervisory Committee, and enacted Organic Law of Committees and Regulations for Retirement. In order to guarantee the retirement right of employee in old system, even if the retirement preparation funds has reached over annual safety line, we will still follow the Labor Standard Law to withdraw 2% of labor pension monthly from employees' gross salary to the pension account of Bank of Taiwan, and do not have end of withdrawal plan.
- (2) From July 1st 1995, the company has enacted pension system according to Labor Pension Statutes, and withdraw 6% of labor pension according

to insured salary monthly to employees' personal account of Bureau of Labor Insurance.

- (3) The company has enacted Regulations for Preferential Retirement on May 11th 2017, which enable employees with 20 or more years of seniority or 15 or more years of seniority and is above 50 years old to actively apply for preferential retirement depends on their career guidance, physical and mental health and family needs.

4. Protocols between labor relations and state of employees' right and interest maintenance:

- (1) The labor relations of our company is harmonious, labor dispute has never happened before. We highly value two-way communication in order to maintain good labor relations; therefore, we do not have any significant labor dispute happened before.
- (2) Our company has complete regulation of personnel management, which has specify related rights and obligations and welfare measures, and has review the content on a regular basis to protect employees' right.

(II) Recent years and as of the annual report printing date, suffer losses from labor dispute, and estimated amount and measures for the possibility of happening at present or in the future: NA.

VI. Important contract

At present, supply and marketing contract, technical cooperation contract, engineering contract, long-term loan contract and other critical contracts which will affect shareholders' right and interest are still under effective duration or expiration in recent years.

Contract characterization	Party	Date of contract	Main content	Restrictive covenants
Agency agreement (augmentation of distribution agreement)	Autodesk Asia Pte Ltd.	2021.02.01 - 2022.01.31	Autodesk agency Contract of related products	NA
Agency agreement	SIEMENS	2020.11.23 - 2021.11.22	Siemens agency Contract of related products	NA
Agency agreement	Parametric Technology PTC	2020.07.01 - 2021.06.30	PTC agency Contract of related products	NA

VI. Financial Profile

I. Condensed balance sheet and Statements of Comprehensive income for the Past 5 years, Showing the Name of the Certified Public Accountant and the auditor's Opinion Given Thereby.

(I) Condensed balance sheet-adopt the International Financial Reporting Standards (merge with Financial statements).

Unit: Expressed in thousands of NTD

Year Item		Financial information in the last five years					2021 as of first quarter(review by auditor)
		2016	2017	2018	2019	2020	
current assets		615,072	579,294	705,407	793,534	802,584	814,177
Real estate, plant and equipment		21,795	20,575	22,791	25,216	25,527	28,855
Intangible asset		—	—	—	—	—	—
Other assets		31,772	32,449	34,952	100,902	95,060	96,079
Gross assets		668,639	632,318	763,150	919,652	923,171	939,111
current liabilities	Before distribution	107,878	101,252	181,353	219,493	189,614	269,848
	After distribution	159,169	123,136	232,644	313,527	278,518	269,848
Non-current liabilities		5,582	905	2,273	38,717	29,150	26,741
Total liabilities	Before distribution	113,460	102,157	183,626	258,210	218,764	296,589
	After distribution	164,751	124,041	234,917	352,244	307,668	296,589
Attributed to owner's equity of the Parent Company		555,179	530,161	579,524	660,066	703,551	641,768
Share capital		170,970	170,970	170,970	170,970	170,970	170,970
Additional paid-in capital		68,813	68,813	68,813	68,813	68,813	68,813
retained earnings	Before distribution	319,209	295,409	346,903	431,213	474,724	412,235
	After distribution	267,918	273,525	295,612	337,179	385,820	412,235
Other equity		(3,813)	(5,031)	(7,162)	(10,930)	(10,956)	(10,250)
Treasury stock		-	-	-	-	-	-
Non-controlling Interests		-	-	-	1,376	856	754
Total equity	Before distribution	555,179	530,161	579,524	661,442	704,407	642,522
	After distribution	503,888	508,277	528,233	567,408	615,503	642,522

Note1: Earnings of 2020 has been distributed by Board of Directors' meeting resolution on March 22, 2021.

Note2: Sales revenue subtraction adjustment according to The Financial Supervisory Commission no. 1060016664 of 2017.06.26, revise the revenue from 2014.10 to 2016.12 and financial statement from Q4 2014 to Q4 2016.

(II) Condensed balance sheet-adopt the International Financial Reporting Standards (merge with Financial statements).

Unit: Expressed in thousands of NTD

Item \ Year	Financial information in the last five years					2021 as of first quarter (review by auditor)
	2016	2017	2018	2019	2020	
Revenue	869,193	676,317	923,668	1,205,375	1,129,672	303,499
Gross Profit	338,914	237,172	319,599	438,090	437,977	107,132
Operating income statement	84,550	30,047	91,131	174,178	162,555	32,775
Non-operating Income	5,456	2,936	1,954	2,637	2,036	774
Pre-Tax Income	90,006	32,983	93,085	176,815	164,591	33,549
Net Income	72,901	25,753	74,245	143,002	136,279	26,313
Other comprehensive income (Net Income)	(257)	520	(2,998)	(11,293)	720	706
total comprehensive income	72,644	26,273	71,247	131,709	136,999	27,019
Net income attributed to owner of the parent company	75,436	25,753	74,245	143,126	136,799	26,415
Net income attributed to non-controlling interest	(2,535)	–	–	(124)	(520)	(102)
Total comprehensive income attributed to owner of the parent company	75,179	26,273	71,247	131,833	137,519	27,121
Total comprehensive income attributed to non-controlling interest	(2,535)	–	–	(124)	(520)	(102)
Earnings Per Share	4.41	1.51	4.34	8.37	8.00	1.55

Note1: Earnings of 2020 has been distributed by Board of Directors' meeting resolution on March 22, 2021.

Note2: Sales revenue subtraction adjustment according to The Financial Supervisory Commission no. 1060016664 of 2017.06.26, revise the revenue from 2014.10 to 2016.12 and financial statement from Q4 2014 to Q4 2016.

(III) Condensed balance sheet-adopt the International Financial Reporting Standards (individual financial statements).

Unit: Expressed in thousands of NTD

Year	Financial information in the last five years					2021 as of first quarter	
	Item	2016	2017	2018	2019		2020
	current assets	468,887	454,434	569,665	644,735	626,587	No compilation of individual financial quarter report
	Real estate, plant and equipment	21,083	20,036	22,231	22,914	22,830	
	Investments Accounted for Using Equity Method	136,368	123,570	128,147	146,147	176,121	
	Other assets	28,863	25,277	29,258	76,398	73,812	
	Gross assets	655,201	623,317	749,301	890,194	899,350	
current liabilities	Before distribution	94,440	92,251	167,504	196,037	169,262	
	After distribution	145,731	114,135	218,795	290,071	258,166	
	Non-current liabilities	5,582	905	2,273	34,091	26,537	
Total liabilities	Before distribution	100,022	93,156	169,777	230,128	195,799	
	After distribution	151,313	115,040	221,068	324,162	284,703	
	Attributed to owner's equity of the Parent Company	555,179	530,161	579,524	660,066	703,551	
	Share capital	170,970	170,970	170,970	170,970	170,970	
	Additional paid-in capital	68,813	68,813	68,813	68,813	68,813	
retained earnings	Before distribution	319,209	295,409	346,903	431,213	474,724	
	After distribution	267,918	273,525	295,612	337,179	385,820	
	Other equity	(3,813)	(5,031)	(7,162)	(10,930)	(10,956)	
	Treasury stock	-	-	-	-	-	
	Non-controlling Interests	-	-	-	-	-	
Total equity	Before distribution	555,179	530,161	579,524	660,066	703,551	
	After distribution	503,888	508,277	528,233	566,032	614,647	

Note1: Earnings of 2020 has been distributed by Board of Directors' meeting resolution on March 22, 2021.

Note2: Sales revenue subtraction adjustment according to The Financial Supervisory Commission no. 1060016664 of 2017.06.26, revise the revenue from 2014.10 to 2016.12 and financial statement from Q4 2014 to Q4 2016.

(IV) Condensed Statement of Comprehensive Income- adopt the International Financial Reporting Standards (individual financial statements).

Unit: Expressed in thousands of NTD

Item \ Year	Financial information in the last five years					2021 as of first quarter
	2016	2017	2018	2019	2020	
Revenue	731,581	578,488	824,099	1,091,288	1,031,001	No compilation of individual financial quarter report
Gross Profit	318,684	223,504	291,348	408,493	410,305	
Operating income statement	109,808	42,052	84,079	165,897	163,541	
Non-operating Income	(17,314)	(8,722)	8,563	10,112	1,210	
Pre-Tax Income	92,494	33,330	92,642	176,009	164,751	
Net Income	75,436	25,753	74,245	143,126	136,799	
Other comprehensive income(Net Income)	(257)	520	(2,998)	(11,293)	720	
total comprehensive income	75,179	26,273	71,247	131,833	137,519	
Earnings per share	4.41	1.51	4.34	8.37	8.00	

Note1: Sales revenue subtraction adjustment according to The Financial Supervisory Commission no. 1060016664 of 2017.06.26, revise the revenue from 2014.10 to 2016.12 and financial statement from Q4 2014 to Q4 2016.

(V). Name of auditors and their review and comment in the last five years

Year	Accountancy firms	Name of auditors	Comment
2016	KPMG TW	Wu, Mei-Ping and Huang, Yon-Hua	Unqualified opinion
2017	KPMG TW	Wu, Mei-Ping and Huang, Yon-Hua	Unqualified opinion
2018	KPMG TW	Wu, Mei-Ping and Chuang, Jun-Wei	Unqualified opinion
2019	KPMG TW	Wu, Mei-Ping and Chuang, Jun-Wei	Unqualified opinion
2020	KPMG TW	Wu, Mei-Ping and Fu, Hong-Wen .	Unqualified opinion

II. Financial analysis of the past 5 Fiscal years

(I) Financial analysis in the last five years-adopt the International Financial Reporting Standards (merge with financial statements)

Analysis Item (Note3)		Financial analysis in the last five years					2021 as of first quarter(review by auditor)
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt to total assets	16.97	16.16	24.06	28.08	23.70	31.58
	Long term funding to property, plant and equipment ratio	2,547.28	2,576.72	2,542.78	2,623.10	2,759.46	2,226.73
Solvency %	Current ratio	570.16	572.13	388.97	361.53	423.27	301.72
	Quick ratio	473.56	498.66	360.4	319.28	375.96	276.01
	Times interest earned ratio (Note 1)	0	0	0	0	0	0
Operating ability	Average collection turnover(times)	3.96	3.59	3.94	4.27	4.66	5.37
	Average collection days	92	102	93	85	78	68
	Inventory turnover(times)	6.39	5.34	10.12	11.02	7.82	10.24
	Average payables turnover(times)	10.62	9.71	7.55	7.53	7.9	10.26
	Average inventory turnover days	57	68	36	33	47	36
	Property, plant and equipment turnover(times)	38.40	31.92	42.6	50.22	44.53	44.65
	Total assets turnover(times)	1.26	1.04	1.32	1.43	1.23	1.30
Profitability	Return on asset (%)	10.54	3.96	10.64	17.07	14.85	11.32
	Return on equity (%)	13.22	4.75	13.38	23.05	19.96	15.63
	Profit before tax to capital stock (%)	52.64	19.29	54.45	103.42	96.27	78.49
	Profit margin (%)	8.39	3.81	8.04	11.86	12.06	8.67
	Earnings per share (dollars)	4.41	1.51	4.34	8.37	8.00	1.55
Cash flow	Cash flow ratio (%)	65.32	56.79	46.93	68.84	111.02	(1.19)
	Cash flow adequacy ratio (%)	89.83	105.02	136.82	131.61	160.76	169.95
	Cash flow reinvestment ratio (%)	1.88	1.16	10.70	14.23	15.85	(0.51)
Leverage	Operating leverage	1.07	1.20	1.07	1.11	1.15	1.21
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.01

The variation of each inventory ratio is above 20% in the last two years statement is as follows:

1. Inventory turnover decreased by 29% due to the decrease in cost of sales.
2. Inventory turnover dates increase by 41%, which is caused by decrease in inventory turnover.
3. Cash flow ratio increased by 61%, which is caused by increase in cash flow of business activities.
4. Cash flow adequacy ratio increased by 22%, which is caused by the cash flow from business operations

Note1: Our company do not have interest expense from 2015 to 2018, and the interest for 2019 is not derived from common type of debt (i.e. from right-of-use assets) therefore is not applicable to the subject.

Note2: The calculation formula of analysis item is as follow:

1. Financial structure

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

(2) Long term funding to real estate, 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 expense) / current liabilities.

(3) Times interest earned ratio = (net income before tax + interest expense) / interest expense

3. Operating ability

(1) Receivable (include receivable and bill receivable resulted from business operation) turnover = net sales / average balance of receivable (including receivable and bill receivable resulted from business operation)

(2) Average collection days = 365 / receivable turnover

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

(4) Payables (including payable and bill payable resulted from business operation) = operating costs / average balance of payables (including payables and bill payable resulted from business operation)

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

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

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

4. Profitability

(1) Return on asset = [net income + interest expense * (1 - tax rate)] / average total assets.

(2) Return on equity = net income / average total equity

(3) Profit margin = net income / net sales

(4) Earnings per share = (Consolidated net income attributed to stockholders of the company – preference dividends) / weighted average stock shares issued °

5. Cash flow

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

(2) Net cash flow adequacy ratio = net cash flow from operating activities within five years (capital expenditure + inventory increase + cash dividend) within five years

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

6. Leverage

(1) Operating leverage = (net operating income - operating variable cost and expense) / operating profit

(2) Financial leverage = operating profit / (operating profit - interest expense)

(II) Financial analysis -adopt the International Financial Reporting Standards (individual financial statements)

AnalysisItem (Note2)		Financial analysis in the last five years					2021 as of first quarter(review by auditor)
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt to total assets	15.27	14.95	22.66	25.85	21.77	No compilation of individual financial quarter report
	Long term funding to property, plant and equipment ratio	2,633.30	2,646.04	2,606.83	2,880.62	3,081.70	
Solvency%	Current ratio	496.49	492.61	340.09	328.88	370.19	
	Quick ratio	419.02	419.65	312.07	285.13	321.17	
	Times interest earned ratio (Note 1)	0	0	0	0	0	
Operating ability	Average collection turnover(times)	4.22	3.68	3.99	4.36	4.72	
	Average collection days	86	99	91	84	77	
	Inventory turnover(times)	7.07	5.15	9.66	10.57	7.67	
	Average payables turnover(times)	11.12	9.19	7.29	7.60	8.31	
	Average inventory turnover days	52	71	38	35	48	
	Property, plant and equipment turnover(times)	35.39	28.14	38.99	48.35	45.08	
	Total assets turnover(times)	1.09	0.90	1.20	1.33	1.15	
Profitability	Return on asset (%)	11.29	4.03	10.82	17.53	15.34	
	Return on equity (%)	13.78	4.75	13.38	23.09	20.06	
	Profit before tax to capital stock (%)	54.10	19.49	54.19	102.95	96.36	
	Profit margin (%)	10.31	4.45	9.01	13.12	13.27	
	Earnings per share (dollars)	4.41	1.51	4.34	8.37	8.00	
Cash flow	Cash flow ratio (%)	86.47	36.65	48.40	67.62	113.73	
	Cash flow adequacy ratio (%)	81.91	96.46	112.20	109.25	129.96	
	Cash flow reinvestment ratio (%)	5.13	(4.25)	12.87	14.88	17.84	
Leverage	Operating leverage	1.04	1.11	1.06	1.10	1.11	
	Financial leverage	1	1	1	1	1	
<p>The variation of each inventory ratio is above 20% in the last two years statement is as follows:</p> <ol style="list-style-type: none"> 1. Inventory turnover decreased by 27% due to the decrease in cost of sales. 2. Inventory turnover dates increase by 38% due to decrease in inventory turnover. 3. Cash flow ratio increased by 68% due to increase of cash flow from business operations. 							

Note1: Our company do not have interest expense from 2015 to 2018, and the interest for 2019 is not derived from common type of debt (i.e. from right-of-use assets), therefore is not applicable to the subject.

Note2: The calculation formula of analysis item is as follow:

1. Financial structure

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

(2) Long term funding to real estat, plant and equipment ratio= (total equity+non-current libilities) / Net property, plant and equipment.

2. Solvency

(1)Current ratio=current assets/current liabilities.

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

(3) Times interest earned ratio= (net income before tax + interest expense) / interest expense

3. Operating ability

(1)Receivable(include receivable and bill receivable resulted from business operation) turnover=net sales/average balance of receivable (including receivable and bill receivable resulted from business operation)

(2)Average collection days=365/receivable turnover

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

(4)Payables (including payable and bill payable resulted from business operation)=operating costs/average balance of payables (including payables and bill payable resulted from business operation)

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

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

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

4. Profitability

(1)Return on asset=[net income+interest expense*(1-tax rate)] /average total assets.

(2)Return on equity=net income/average total equity

(3)Profit margin= net income/net sales

(4)Earnings per share= (Consolidated net income attributed to stockholders of the company – preference dividends) / weighted average stock shares issued ◦

5. Cash flow

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

(2)Net cash flow adequacy ratio=net cash flow from operating activities within five years (capitalexpenditure+inventory increase +cash dividend) within five years

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

6. Leverage

(1)Operating leverage=(net operating income-operating variable cost and expense)/operating profit

(2)Financial leverage=operating profit/(operating profit-interest expense)

III. Audit Committee's report on the Most Recent years' Financial Statement

Otsuka Information Technology Ltd. Audit Committee's Report

Hereby

Board of directors have submitted the 2020 individual financial statements with consolidated financial statements, and business report with disposition of net income by certified public accountants from KPMG TW's CPAs Wu, Mei-Ping and Chuang, Jun-Wei.. After audited by Audit Committee, all the forms were compiled according to the law and no error has been found. Therefore, attached with the report according to Article 219 of Taiwan Company Law for inspection.

2020 Board of directors

Audit Committee Convener : Lin, Hui-Fen

March 22, 2021

IV. Latest Consolidated Combined Financial Statement Report Audited and Certified by CPAs :

2020 consolidated financial statement, please refer to page 100 to 154 of the annual report.

V. Latest Consolidated Individual Financial Statement Report Audited and Certified by CPAs :

2020 individual financial statement, please refer to page 155 to 213 of the annual report.

VI. Financial Difficulties Faced and its Effect on the Company's Financial Status If the Company or its affiliated have Experienced Financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of Publication of the Annual Report : None

VII. Review and analysis of financial status and business results and risk issues

I. Financial status

(I) Comparative analysis chart of financial status

Unit: Expressed in thousands of NTD

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	802,584	793,534	9,050	1.14%
Fixed assets	25,527	25,216	311	1.23%
Other assets	95,060	100,902	(5,842)	(5.79%)
Total assets	923,171	919,652	3,519	0.38%
Current liabilities	189,614	219,493	(29,879)	(13.61%)
Other liabilities	29,150	38,717	(9,567)	(24.71%)
Total liabilities	218,764	258,210	(39,446)	(15.28%)
Share capital	170,970	170,970	0	0.00%
Capital surplus	68,813	68,813	0	0.00%
Retained earnings	474,724	431,213	43,511	10.09%
Cumulative translation adjustment	(10,956)	(10,930)	(26)	0.24%
Non-control equity	856	1,376	(520)	(37.79%)
Total stockholders' equity	704,407	661,442	42,965	6.50%

- (II) The main reasons, impact and solution for future of significant change toward company's assets, liabilities and stockholders' equity over past two years (of which pre and post variation reach above 20%, and the amount reach 10 million NTD) is state as below: None

II. Financial performance

(I) Comparative analysis chart of financial performance

Unit: Expressed in thousands of NTD

Item \ Year	2020	2019	Increase(decrease) amount	Increase and decrease ratio%
Net operating revenue	1,129,672	1,205,375	(75,703)	(6.28%)
Operating cost	691,695	767,285	(75,590)	(9.85%)
Gross profit	437,977	438,090	(113)	(0.03%)
Operating expenses	275,422	263,912	11,510	4.36%
Operating profit	162,555	174,178	(11,623)	(6.67%)
Non-operating revenue and expense	2,036	2,637	(601)	(22.79%)
Pre-tax income	164,591	176,815	(12,224)	(6.91%)
Tax income (expense)	(28,312)	(33,813)	5,501	(16.27%)
Net income	136,279	143,002	(6,723)	(4.70%)

(II) Increase and decrease ratio analysis over last two years:

- 1.The net operating revenue decrease mainly due to decrease in the ordering amount.
- 2.The operating cost decreased mainly due to the decrease in the 2020 operating revenue.
- 3.The Gross profit decreased mainly due to the decrease in the Net operating revenue in 2020.
- 4.The operating expenses increased mainly due to the increase in expense of marketing.
- 5.The Operating profit decreased mainly because of the decrease in the amount of order.
- 6.The Non-operating revenue and expense decreased mainly due to the decrease in the income from interests.
- 7.The Pre-tax income decreased due to the decrease in the operating profit.
- 8.The income tax decreased due to the decrease in the pre-tax net profit.

(III) Expected sale amount and its basis, the possible impact and solution for future financial business of the company:

Our company will still continue to develop in the professional drawing software industry in the future. Our business unit has sales forecast based on predicted sales amount of existing products to offer customer with complete and various solution and consultation. We are expecting to invest in professional business service and under the support of OEM proxy authorization, it is estimated that the sales volume can continue to grow in 2021; moreover, under the growth of business, the financial structure of the company will maintain a long-term stable development.

III. Cash Flow

(I) Liquidity analysis over last two years:

item	Cash inflows(outflows)		Increase(decrease) variation	
	2020	2019	amount	%
Operating activities	210,511	151,096	59,415	39.32%
Investment activities	(1,490)	(40,034)	38,544	(96.28%)
Financing activities	(109,513)	(61,638)	(47,875)	77.67%
Exchange influence	(45)	(5,247)	5,202	(99.14%)

Variation of increase/decrease proportion statement:

- Cash flows from operating activities is 210,511 thousand dollars, which increased 59,415 thousand dollars compare to last period, this is due to the increase of pre tax income of this period.
- Cash flows from investment activities is 1,490 thousand dollars, which decreased 38,544 thousand dollars compare to last period, this is due to the increase of investing financial assets in 2019 and paying back part of the financial loans due in 2020.
- Cash flows from financing activities is 109,513 thousand dollars, which decreased 47,875 thousand dollars compare to last period, this is due to the issue of cash dividends in 2020.
- Exchange influence is affected by changes in foreign exchange rate of RMB.

(II)The improvement plan of liquidity shortages: do not have the problem on current period.

(III) Cash liquidity analysis of next year

Unit: Expressed in thousands of NTD

cash balance at beginning of year	Net cash flows from operating activities throughout the year	Net cash flows from other activities throughout the year	Cash surplus(shortfall) amount	Measures of remediation for cash shortfall	
				Investment plan	Financial plan
508,979	132,251	(104,738)	536,492	—	—

1. Cash flows analysis of this year

(1) It is predicted that the net cash flows from operating activities will increase this year, this is due to the estimated profit of 2020, so the cash from operating activities will increase in 2020.

(2) It is predicted that the cash will outflow from other activities this year, this is due to the estimated procurement of fixed assets and issue cash dividends in 2020.

2. Measures of remediation for estimated cash shortfall and liquidity analysis: NA.

IV. Impact of major capital expenditure on the financial status during the most recent fiscal year: No important capital expenditure in 2021.

V. Investment policy for the most recent fiscal year, the main reasons for the profits or losses, improvement plans, and investment plans for the coming year :

(I) Investment policy

The company emphasize strategic investment, long-term hold, focus on carrying out the economic situation of invested business at anytime, and analyze investment effectiveness for the benefit of follow-up assessment on post investment management for decision authorities.

(II) Reinvestment profit or loss situation

2020.12. 31 Unit: Expressed in thousands of NTD

Reinvestment business	amount	Main reason of profit or loss			Improvement plan
		Current profit and loss	Investment interest recognition of current period	statement	
Otsuka Information Technology Limited	129,517	5,776	5,776	Third place investment company Taiwan	Reinforce niche product sales with high added value, continue developing related business.
Otsuka Software Trading (DongGuan) Limited.	44,960	874	874		
OITC Information Technology(shanghai)Limited.	73,060	4,902	4,902		
To Gather Corporation	13,500	(5,200)	(4,680)	Early stage of operation	Enhance sales channels and introduce other branches of products
Unlink innovation technology Co. Ltd.	30,000	(1,090)	(1,090)	Initial establishment	Enhance sales of niche products with high additional value while keep expanding relevant business.

(III) Investment plan for the coming year:

The operating content of areas in mainland China continues to include graphics systems integration consultation, and we also offer customer with a more integrated service. The company has been developing area of operating scope which includes East, South and Central China. The catering business of To Gather Corporation had a capital increase in 2021 to obtain more funds for operation with a view to build closer connection with consumers and expand the customer group through department stores and other marketing channels. In addition, Unlink innovation information technology Corporation was established in 2020 to expand sales of drawing software. In 2021, the company sticks to its main operation goal of developing business of new products to explore new clients and develop service with high additional value.

. With the locations in Suzhou and Shanghai merged in January, 2019, the Company anticipates in improving operating efficiency.

VI. Analysis and assessment of risk issues during the most recent fiscal year, up to the date of publication of the annual report.

(I) The impact and future measures of company's profit and loss from interest rate, changes in foreign exchange rates and inflation

1. Risk of interest rate variation

Unit: Expressed in thousands of NTD

Item	Year	2020	2021 as of 31st March
	Interest income		1,569
Interest expense		786	178
Net operating revenue		1,129,672	303,499
(Interest expense- interest income)/Net operating revenue		(0.07%)	(0.05%)

Policy and solution:

- (1) In the aspect of interest rate, our company still take domestic or foreign economic research institution and bank research report for references, in the convenience of grasping future trend of interest rate, and keep a unimpeded contact access with correspondent bank to fight for better loan conditions.
- (2) Solid financial planning of the company, utilize every financial instrument effectively to decrease the risk of interest rate variation.
- (3) In the future, our company will still based on conservatism principle, take safe and reasonable revenue as consideration, and the fund of the company will be deposited in financial institutions with good credits.

2. Risk of changes in foreign exchange rates

Unit: Expressed in thousands of NTD

Item \ Year	2020	2021 as of 31st March
Net exchange gains or losses	(436)	182
Net operating revenue	1,129,672	303,499
Net exchange gains or losses/ net operating revenue	(0.04%)	0.06%

Policy and solution:

- (1) Our company collect change in exchange rate information at anytime to judge its situation, and to take hedging risk operation, so we can avoid the risk of change in exchange rate in order to decrease its adverse Impact on the company's income(loss).
- (2) The company's receivable and partial payables are mainly denominated in NTD; therefore, the exchange rate risk affected by exchange rate fluctuation is relatively low. However, as for direct imports, due to the fact that the payment is denominated in USD or Japanese Yen, we purchase partial inventory to avoid the risk of foreign currency fluctuation.

3. Inflation risk

The monetary policy of every economic power are well-controlled currently, and there's no inflation issue of domestic cost of living. Our company will maintain good interactive relationship with suppliers and customers in the future, which enable the sales price to adjust flexibly when fluctuating with the market, by that we can lower the impact of inflation variation.

(II) Main reasons and future measures of high risk, high leverage investment, lending of capital to others, endorsements and guarantees and policy, profit or loss of derivative trading:

1. High risk and high leverage investment status

Our company do not have engaged in any high risk, high leverage investment.

2. Lending of capital to others and endorsements and guarantees status

The company has enacted "The procedures for acquisition or disposal of assets", "The procedures for lending of capital to others", "The procedures for endorsements and guarantees", and have passed the resolution by the shareholders' meeting, all transactions are handled in accordance with related regulations. The Company's endorsement for its subsidiary To Gather Corporation with an amount of NT 7.83 million dollars in July, 2019, was conducted according to relevant operational procedures, and the endorsement was terminated in the end of July, 2019. Our

company do not have endorsements and guarantees situation from 2012. As for lending of capital to others, we not only went through careful assessment while executing, having regular report and monthly control, but also rest on the regulation of “The procedures for lending of capital to others” enacted by the company.

3. Engaged in derivative trading status

Our company do not have engaged in derivative trading.

(III) Future R&D plan and estimated investment in R&D expense

1. Refine and strengthen the management application of CRM system function, view feedbacks of customer sales information as assets and have the most effective sharing. Collect first-line consultant’s feedback through customer’s reflection of problem and needs, and keep optimizing and simplifying every operational interface and function.

2. With the experience in CAD customized program project development for many years, Otsuka invest in the product development of Autodesk Inventor tool 3rd Party, and strengthen the current system function through API (Application Programming Interface) provided by CAD system. The 2.0 version launched in 2017 has added new features that was what customer expected, which will increase the efficiency of 3D design greatly.

We will continue focusing on the R&D of PDM product series in 2021, the estimated R&D cost of manpower and equipment is around 8,081 thousands of NTD.

(IV) Influence and measures of domestic and foreign important policy and variation of law toward company financial business

The company pay attention to domestic and foreign policy development trend and variation regulation, in order to seize the market environment variation. Therefore, there is no significant impact of domestic and foreign important policy, variation regulation and industrial change to financial business of the company in recent years as of the annual report printing date.

(V) Effect on the company’s financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

The company is mainly agent for drawing software used by manufacturing, our core competitiveness is solid sales, technical team and complete after sales service and consultation. The progress of 3D software technology or improvement of hardware specification can both increase the possibility of invested in higher R&D drawing software system by clients. Our company keep an eye on the change of technology and needs at anytime, in order to grasp industrial dynamics and market information. Therefore, the change of technology and industrial variation do not have significant impact on financial business of our company.

(VI) Effect on the company’s crisis management of changes in the company’s corporate image, and measures to be taken in response:

Since the beginning, the company has always live up to its name, and gain recognition from customer by our positive and active service attitude, and comply with the law; therefore, there is no impact on the image of our company as of now.

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

The company did not conduct any M&A activity in recent years as of the date of report

publication. However, in order to energize our company and grow actively, we will not exclude the M&A activity in the future, and will assess the procedure cautiously, so we can avoid possible risks.

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

The company is not manufacturing, and has not expanded its plant in recent years as of the date of report publication.

(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

1. Risks associated with sales and contingency measures:

(1) Although we are concentrating on purchasing the agent product 3D graphic software, our company have maintain good relationship with supplier and had enacted supply contract, with the characteristic of the product, we need a complete sales support team who has industrial experience to provide direct selling and added value service, which cannot be replaced by other domestic companies.

(2) The company is a governance system company with complete risk management culture and combined current operation, with a more strict and precise quantitative model to focus on the risk of purchasing and have a more effective evaluation. Our product manager will have timely evaluation according to Measures of Risk Management, and provide related operation as accordance of management to managerial levels.

(3) Our company actively looking for other agency for niche products, to reinforce and widen the purchasing product line: in addition, the self-R&D product of HyperPDM can have related cooperation with main agent products, and can improve the integrated effectiveness of suppliers' products to increase the customer stickiness and the effectiveness of customer's sales management, which should deepen the cooperative relationship with main suppliers. With the comprehensive effects, there shall not have any risk of interrupting purchase.

2. Risk associated with sales and contingency measures:

The main customer of our company is end users, which is quite scatter. In 2020, customer with direct transaction is around 2,000, among which the sales proportion of biggest client is merely 1.76%; therefore, we do not have the risk of sales concentration.

(X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

1. The main shareholder Otsuka Corporation of our company, which set up joint venture with Aurora Corporation and established the company in 1997, Otsuka obtained 100% of equity from Aurora Corporation in 2001 and have great confidence toward the long-term prospect and operation of the company. Because of the consideration of public offering and listed company plan, and in the hope of complete operation and sustainability of the company, Otsuka made the decision of stock dispersion in 2006. In the future, stock transfer of big shareholder must take the corporate image from the public into consideration as prerequisite, and have full discussion with board of directors and operating team before reinvestment and transfer; therefore, there shall

not have matters with significant impact to the company.

2. In order to have a more complete operating management of the company, conform with the policy suggestions of the authority, and implement the spirit of governance in our company, we introduced independent directors system in 2007 and established audit committee in 2020, which enable the board of directors to have a more effective operation and independence, by that, it will have positive benefit to the company.

(XI) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken:

The equity of our company is concentrating on Otsuka and our employee. Since the establishment of Otsuka, its operating levels always has positive support to the development of our company, and recognize and trust the operating capability of Taiwanese executives; moreover, all the executives of the company have strong sense of mission, and view the operating of the company as their life position. Our employee have been concentrating on their job and agreeing with the development of the company. In the future, our company will continue to upholding the steady operating idea and good managing behavior, and set the stability of operating and profit of the company as our primary goal, in order to establish the long-term reliable image of our company to shareholders. To sum up, our company shall not have the risk of mass equity transfer or replacement which leads to the change of management right.

(XII) Litigious and non-litigious matters, should list the company and directors, supervisors, general managers, substantial principals, shareholder with more than 10% of shareholding and major lawsuit, non-contentious cases or administrative litigation that have been determined or are included in the lawsuit of affiliate companies, non-litigation or administrative litigation results may have a significant effect on the company's shareholders' equity or securities price, commencement of litigation, main party involved and up to the date of publication of the annual report: None

(XIII) Other important risk and measures: None.

1. While advanced development of Internet has changed the operation model of corporates, it also gives rise to issues like cyber-crime and information security. It is urgent the companies should take measures to keep confidentiality of internal information. The company has been taking necessary measures to ensure proper corporate governance, lower the risk of operation and information security, and provide premium service for the clients. The management of computer room space as well as the Internet has been upgraded, and the information security system has been strengthened to protect important information asset for sustainable operation.
2. The transformation of new technology and changes in business model have brought new types of threats to information security, including:
 - (1) The scam gang would make use of phishing mails to hoax employees of the company into fake remittance or transaction.
 - (2) Criminal group may lure employees into a hoax by sending malicious links through e-mail. Text message, social-network, or online messengers.
 - (3) Hackers may impede proper function of the Internet by launching requests to transmit large mass of data.

- (4) The employees duplicate confidential information and save the file to portable storage device, which may cause information leakage for the data was lost, stolen or sold.
3. The Company is facing multiple threats to information security. To minimize the possibility and the impact of such risk for sustainable operation, the Company identifies and manages the high risk matters through constant risk evaluation and information security review.
4. The Company has also introduced the following protective measures for threat mitigation and risk management:
- (1) The Company organizes drills for defense of social engineering attacks; meanwhile, it offers educational training regarding information security to ensure email security awareness.
 - (2) The anti-virus software has been installed in the server and personal computers to prevent attacks of viruses and malwares.
 - (3) Monitoring software has been installed at the users' end, and the management system for VPN of external net connection has been established.
 - (4) Back up of important data can be saved through NAS regularly.
 - (5) The hardware firewall for Internet has been established to monitor the stream flow and use of the Internet.
 - (6) The host computer are under proper management, backup of data has been conducted regularly, and the drill for restoring data has been held annually.
 - (7) A system for checking, tracing, and managing CRM has been established.
 - (8) Internal auditing has been implemented regularly to improve the operation of information security system.

VII. Other important matters: None.

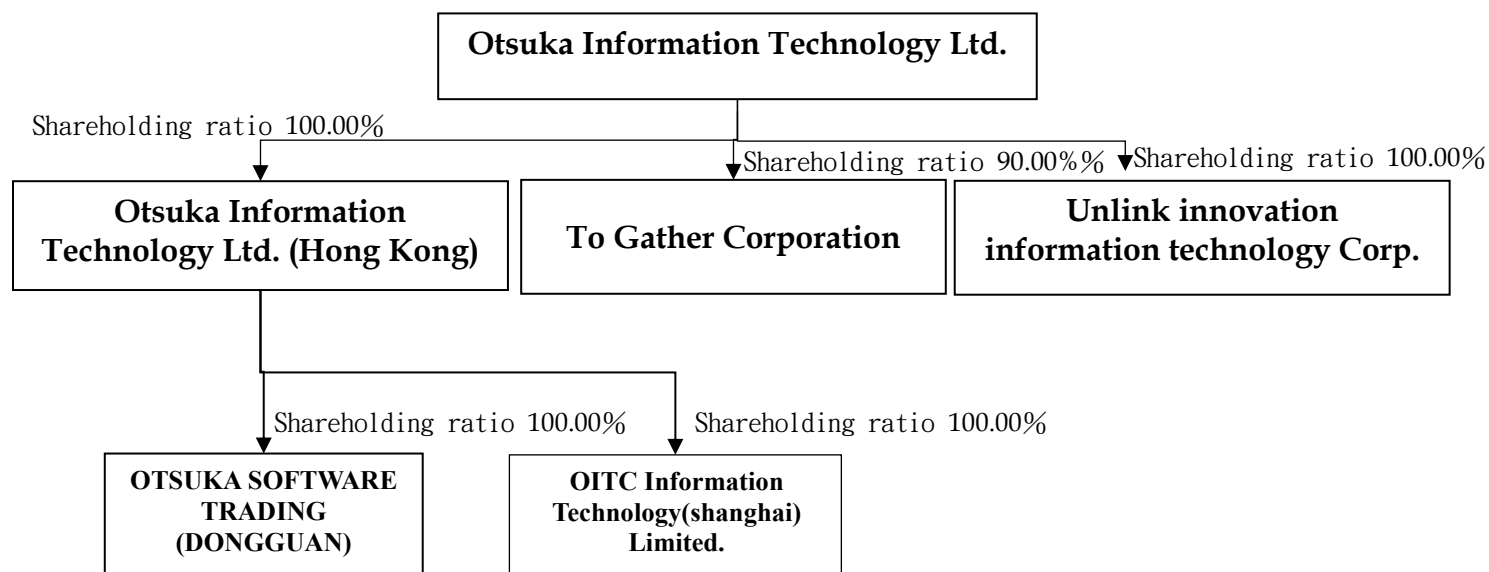
VIII. Special Notes

I. Information about the company's affiliates

(I) Consolidated business report of affiliate companies

1. Affiliates overview

(1) Organization chart of affiliate companies



(2) Basic information of affiliate companies

2020,12,31 Unit: Expressed in thousands of NTD

Name of company	Date of incorporation	Address	Paid-in capital	Main service or production items
Otsuka information Technolgy Ltd.	1997.08.30	Room 905,9/F., Wing Kwok Centre, No. 182 Woosung Street, Jordan, Kowloon, Hong Kong	129,517	Holding company
OTSUKA SOFTWARE TRADING (DONGGUAN) LIMITED.	1997.11.26	Room 1903, Block 4, Diwang Plaza, Changqing South Road 303, Changan Town, Dongguan City, Guangdong, China	44,960	Software trading and consultancy
OTSUKA information technology Corp (SUZHOU)LIMITED	1999.06.10	200336 Room 317, Block B, Far East International, 317 Xianxia Road, Changning District, Shanghai	73,060	
To Gather Corporation	2019.07.16	6F., NO. 68, SEC. 2, XIANMIN BLVD., BANQIAO DIST., NEW TAIPEI CITY 22065, TAIWAN (R.O.C.)	15,000	Catering service industry
Unlink innovation information technology Corp.	2020,08,13	7F, No 51, XINAI Road, Neihu District, Taipei City	30,000	Software sales and consulting service

(3) Shareholders presumed to have control and subordinate relationship with the same information: None

(4) The overall relationship between business enterprises covered by the industry the company and the overall relationship between business covers holding company, software trading, consultancy, and catering service.

(5) Relationship between the directors, supervisors and general manager of the enterprise

2020.12.31

Company name	Title	Name or representative	Shares owned	
			Capital contribution	Percentage%
Otsuka Information Technology Limited.	Director and general manager	Otsuka Information Technology Limited. Representative: Kuo, Yi-Lung	32,760,000 股	100
OTSUKA SOFTWARE TRADING (DONGGUAN) LIMITED.			USD 1,600 thousand dollars(Note1)	100
OITC Information Technology(shanghai)Limited.			USD 1,000 thousand dollars(Note1)	100
To Gather Corporation			1,350,000 shares	90
Unlink innovation information technology Corp			3,000,000 股	100

Note1 : Non shareholding system, expressed in capital

2. Operation status of affiliate companies

Financial status and operating result of affiliate companies

2020.12.31 ; Unit: Expressed in thousands of NTD

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating interest	Current income (After tax)	Earning per share
Otsuka Information Technology Limited.	129,517	157,058	17,557	139,501	0	0	5,776	(Note1)
OTSUKA SOFTWARE TRADING (DONGGUAN) LIMITED.	44,960	80,795	5,939	74,856	49,852	16,089	874	
OITC Information Technology(shanghai) Limited.	73,060	76,830	12,192	64,638	63,967	4,755	4,902	
To Gather Corporation	15,000	17,465	8,899	8,566	4,997	(5,229)	(5,200)	-3.47
Unlink innovation information technology Corp	30,000	30,856	1,946	28,910	2,292	(1,095)	(1,090)	-0.36

Note1: Non shareholding system, expressed in capital

(II) Consolidated financial statement of affiliate companies:

In connection with the Consolidated Financial Statements of Affiliated Enterprises, we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates are the same as those required to be included in the Consolidated Financial Statements of the company, and its subsidiaries (the "Consolidated FS of the Group") in accordance with International Financial Reporting Standard 10, as well as that, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, our company does not prepare a separate set of Consolidated FS of Affiliates.

(III) Rational report:

The company is not belong to The Company Act Affiliate Companies, therefore do not need to compile relational report of Consolidated Business Report of affiliate companies, Relational Business Consolidated Financial Statements and Rational Report Regulation.

- II. Transaction about the company's private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.
- III. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of annual report.
- IV. Other necessary supplementary notes: None.
- IX. Matters during the most recent fiscal year and as of the date of publication of the annual report which have a substantial impact on owner's equity as stipulated in item2, paragraph 2 of article 36 of the securities exchange law: None.

Representation Letter

The entities that are required to be included in the combined financial statements of OTSUKA INFORMATION TECHNOLOGY CORP. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission of the Republic of China, In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, OTSUKA INFORMATION TECHNOLOGY CORP. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: OTSUKA INFORMATION TECHNOLOGY CORP.

Chairman: Tsurumi Hironobu

Date: March 22, 2021



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 home.kpmg/tw

Independent Auditors' Report

To the Board of Directors of OTSUKA INFORMATION TECHNOLOGY CORP.:

Opinion

We have audited the consolidated financial statements of OTSUKA INFORMATION TECHNOLOGY CORP. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in 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 Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our professional judgments, key audit matters to be communicated in the independent auditors' report are listed below:

1. Evaluation of inventories

Please refer to Note 4(h) “Inventories”, Note 5(b) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(d) “Inventories” of the consolidated financial statements.

Description of key audit matter:

The Group's inventories are measured at the lower of cost and net realizable value. Due to the rapid transformation of technology, the products may be out of date in the market, and there is a risk that the cost of the inventory would be higher than its net realizable value. The condition of inventories to be sold will influence the result of evaluation, so consistent attention are required. In addition, the inventories are the significant account in the consolidated financial statement. Therefore, evaluation of inventories is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the policies of evaluating the allowance and obsolescence of the inventories of the Group and inspecting whether existing inventory policies are applied; sampling the individual inventory items and examining the sources of the net realizable value of the samples to access whether the net realizable value are reasonable; examining the accuracy of aging of inventories by sampling and analyzing the changes of the aging of inventories; inspecting the reasonableness for allowance provided on inventory valuation in the past and compare it to the current year to ensure that the measurements and assumptions are appropriate.

2. Impairment of accounts receivable

Please refer to Note 4(g) "Financial Instruments", Note 5(a) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(c) "Notes and accounts receivable" of the consolidated financial statements.

Description of key audit matter:

The Group's accounts receivable are derived from sales of software and rendering of service, the balance constitutes 22% of the consolidated assets as of December 31, 2020. Due to the payment terms of the major customers are long and the receivables are not collected totally up to the date of the auditors' report. The recoverability of accounts receivable requires subjective judgments of the management. Therefore, impairment assessment of receivables is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: testing internal control process of accounts receivable; understanding the policies of evaluating the allowance of accounts receivable of the Group, and inspecting whether existing receivables policies are applied; asking the management whether there are any debtors with financial difficulties, and examining the accuracy of aging of receivables by sampling; inspecting the reasonableness of impairment loss of receivables recognized by the management in the past, and compare it to the current year to ensure that the measurements and assumptions are appropriate; inspecting collection of receivables in the subsequent period to assess the reasonability of impairment loss measurement.

Other Matter

Otsuka Information Technology Corp. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. 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 the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Mei-Pin Wu and Hung-Wen Fu.

KPMG

Taipei, Taiwan (Republic of China)
March 22, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2020</u>		<u>December 31, 2019</u>				<u>December 31, 2020</u>		<u>December 31, 2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>		
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 508,979	55	409,516	44	2170	Accounts payable	\$ 77,892	9	97,189	10
1137	Financial assets at amortized cost – current (note 6(b))	-	-	10,000	1	2201	Salaries payable	49,664	5	48,967	5
1170	Notes and accounts receivable, net (notes 6(c), (m) and 7)	203,900	22	281,280	31	2200	Accrued expenses and other payable	37,553	4	53,236	6
1300	Inventories (note 6(d))	86,986	10	89,850	10	2280	Current lease liabilities (note 6(h))	16,218	2	14,500	2
1410	Prepaid expense and other current assets (notes 6(c) and (e))	2,719	-	2,888	-	2300	Other current liabilities	8,287	1	5,601	1
		<u>802,584</u>	<u>87</u>	<u>793,534</u>	<u>86</u>			<u>189,614</u>	<u>21</u>	<u>219,493</u>	<u>24</u>
Non-current assets:						Non-Current liabilities:					
1535	Financial assets at amortized cost – non-current (note 6(b))	20,000	2	20,000	2	2570	Deferred tax liabilities (note 6(j))	6,143	1	4,651	-
1600	Property, plant and equipment (note 6(f))	25,527	3	25,216	3	2580	Non-current lease liabilities (note 6(h))	20,002	2	28,628	3
1755	Right-of-use assets (note 6(g))	35,977	4	42,641	5	2600	Net defined benefit liability (note 6(i))	3,005	-	5,438	1
1990	Other non-current assets (notes 6(a), (c), (j), (m) and 8)	39,083	4	38,261	4			<u>29,150</u>	<u>3</u>	<u>38,717</u>	<u>4</u>
		<u>120,587</u>	<u>13</u>	<u>126,118</u>	<u>14</u>			<u>218,764</u>	<u>24</u>	<u>258,210</u>	<u>28</u>
						Total liabilities					
						Equity attributable to owners of parent:					
						3100	Ordinary shares (note 6(k))	170,970	19	170,970	19
						3200	Capital surplus (note 6(k))	68,813	7	68,813	7
						3310	Legal reserve (note 6(k))	94,783	10	80,470	9
						3320	Special reserve (note 6(k))	10,930	1	7,162	1
						3350	Unappropriated retained earnings (note 6(k))	369,011	40	343,581	37
						3410	Exchange differences on translation of foreign financial statements	(10,956)	(1)	(10,930)	(1)
								<u>703,551</u>	<u>76</u>	<u>660,066</u>	<u>72</u>
						Total equity attributable to owners of parent:					
						36XX	Non-controlling interests	856	-	1,376	-
								<u>704,407</u>	<u>76</u>	<u>661,442</u>	<u>72</u>
						Total equity					
Total assets		<u>\$ 923,171</u>	<u>100</u>	<u>919,652</u>	<u>100</u>	Total liabilities and equity		<u>\$ 923,171</u>	<u>100</u>	<u>919,652</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (notes 6(m) and 7)	\$ 1,129,672	100	1,205,375	100
5000	Operating costs (note 6(d))	<u>691,695</u>	<u>61</u>	<u>767,285</u>	<u>64</u>
	Gross profit	<u>437,977</u>	<u>39</u>	<u>438,090</u>	<u>36</u>
	Operating expenses: (notes 6(c), (h), (i), (n) and 12)				
6100	Selling expenses	227,065	20	215,193	18
6200	Administrative expenses	41,417	3	40,710	3
6300	Research and development expenses	7,715	1	6,232	1
6450	Expected credit loss (reversal of expected credit loss)	<u>(775)</u>	<u>-</u>	<u>1,777</u>	<u>-</u>
	Total operating expenses	<u>275,422</u>	<u>24</u>	<u>263,912</u>	<u>22</u>
	Net operating income	<u>162,555</u>	<u>15</u>	<u>174,178</u>	<u>14</u>
	Non-operating income and expenses:				
7100	Interest income	1,569	-	1,805	1
7020	Other gains and losses (note 6 (o))	1,253	-	1,637	-
7510	Interest expense (note 6(h))	<u>(786)</u>	<u>-</u>	<u>(805)</u>	<u>-</u>
	Total non-operating income and expenses	<u>2,036</u>	<u>-</u>	<u>2,637</u>	<u>1</u>
	Profit before tax	164,591	15	176,815	15
7950	Less: Income tax expenses (note 6(j))	<u>28,312</u>	<u>3</u>	<u>33,813</u>	<u>3</u>
	Profit	<u>136,279</u>	<u>12</u>	<u>143,002</u>	<u>12</u>
8300	Other comprehensive income:				
8310	Items that will not be reclassified to profit or loss				
8311	Remeasurement of defined benefit plans (note 6(i))	746	-	(7,525)	(1)
8349	Income tax related to items that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>746</u>	<u>-</u>	<u>(7,525)</u>	<u>(1)</u>
8360	Items that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign operation's financial statements	(32)	-	(4,711)	-
8399	Income tax related to items that will be reclassified to profit or loss (note 6(j))	<u>6</u>	<u>-</u>	<u>943</u>	<u>-</u>
		<u>(26)</u>	<u>-</u>	<u>(3,768)</u>	<u>-</u>
8300	Other comprehensive income	<u>720</u>	<u>-</u>	<u>(11,293)</u>	<u>(1)</u>
8500	Total comprehensive income	<u>\$ 136,999</u>	<u>12</u>	<u>131,709</u>	<u>11</u>
	Profit attributable to:				
8610	Owners of parent	\$ 136,799	12	143,126	12
8620	Non-controlling interest	<u>(520)</u>	<u>-</u>	<u>(124)</u>	<u>-</u>
		<u>\$ 136,279</u>	<u>12</u>	<u>143,002</u>	<u>12</u>
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 137,519	12	131,833	11
8720	Non-controlling interest	<u>(520)</u>	<u>-</u>	<u>(124)</u>	<u>-</u>
		<u>\$ 136,999</u>	<u>12</u>	<u>131,709</u>	<u>11</u>
	Earnings per share (NT dollars) (note 6(l))				
	Basic earnings per share	<u>\$ 8.00</u>		<u>8.37</u>	
	Diluted earnings per share	<u>\$ 7.94</u>		<u>8.31</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings				
Balance at January 1, 2019	\$ 170,970	68,813	73,045	5,031	268,827	(7,162)	579,524	-	579,524
Profit	-	-	-	-	143,126	-	143,126	(124)	143,002
Other comprehensive income	-	-	-	-	(7,525)	(3,768)	(11,293)	-	(11,293)
Comprehensive income	-	-	-	-	135,601	(3,768)	131,833	(124)	131,709
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	7,425	-	(7,425)	-	-	-	-
Special reserve	-	-	-	2,131	(2,131)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(51,291)	-	(51,291)	-	(51,291)
Changes in non-controlling interests	-	-	-	-	-	-	-	1,500	1,500
Balance at December 31, 2019	170,970	68,813	80,470	7,162	343,581	(10,930)	660,066	1,376	661,442
Profit	-	-	-	-	136,799	-	136,799	(520)	136,279
Other comprehensive income	-	-	-	-	746	(26)	720	-	720
Total comprehensive income	-	-	-	-	137,545	(26)	137,519	(520)	136,999
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	14,313	-	(14,313)	-	-	-	-
Special reserve appropriated	-	-	-	3,768	(3,768)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(94,034)	-	(94,034)	-	(94,034)
Balance at December 31, 2020	\$ 170,970	68,813	94,783	10,930	369,011	(10,956)	703,551	856	704,407

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 164,591	176,815
Adjustments:		
Adjustments to reconcile profit:		
Depreciation and amortization	24,882	19,665
Losses on inventory valuation and obsolete inventories	2,901	5,495
Expected credit loss (Reversal of expected credit loss)	(775)	1,777
Interest income	(1,569)	(1,805)
Interest expense	786	805
Loss on disposal of property, plant and equipment	24	9
Total adjustments to reconcile profit	26,249	25,946
Changes in operating assets and liabilities:		
Accounts receivable	77,740	1,960
Other receivables	100	343
Inventories	(31)	(45,431)
Prepaid expenses and other current assets	(14)	(207)
Notes and accounts payable	(19,297)	(9,388)
Salaries payable	697	7,251
Accrued expenses and other payables	(2,418)	8,565
Other current liabilities	2,686	902
Others	(1,687)	(1,616)
Total adjustments	84,025	(11,675)
Cash inflow generated from operations	248,616	165,140
Interest received	1,752	1,559
Interest paid	(786)	(805)
Income taxes paid	(39,071)	(14,798)
Net cash flows from operating activities	210,511	151,096
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	-	(20,000)
Repayments at maturity of financial assets at amortized cost	10,000	-
Proceeds from disposal of financial assets at fair value through profit or loss	-	4,698
Acquisition of property, plant and equipment	(4,384)	(5,752)
Proceeds from disposal of property, plant and equipment	22	28
Acquisition of unamortized assets	(4,691)	(11,732)
Increase in refundable deposits	(1,956)	(6,839)
Acquisition of right-of-use assets	(481)	(437)
Net cash flows used in investing activities	(1,490)	(40,034)
Cash flows from (used in) financing activities:		
Payment of lease liabilities	(15,479)	(11,847)
Cash dividends	(94,034)	(51,291)
Change in non-controlling interests	-	1,500
Net cash flows used in financing activities	(109,513)	(61,638)
Effect of exchange rate changes on cash and cash equivalents	(45)	(5,247)
Net increase in cash and cash equivalents	99,463	44,177
Cash and cash equivalents at beginning of year	409,516	365,339
Cash and cash equivalents at end of year	\$ 508,979	409,516

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

OTSUKA INFORMATION TECHNOLOGY CORP. (“the Company”) was incorporated on August 4, 1995 in accordance with the Company Act. The Investment Commission, Ministry of Economic Affairs permits the foreign stockholders to invest the Company in accordance with the Statute for Investment by Foreign Nationals. The address of the Company’s registered office is 6F., No. 68, Sec. 2, Sianmin Blvd., Banqiao Dist., New Taipei City. The major business activities of the Company and subsidiaries (together referred to as “the Group”) are designing, trading, maintaining, import and export the hardware, software, computers, network and accessories.

The Company’s common shares were listed on the Taipei Exchange (“TPEX”) on October 23, 2008.

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issuance by the Board of Directors on March 22, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“ the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (“the IFRSs endorsed by the FSC”).

(b) Basis of preparation

(i) Basis of measurement

Except the defined benefit liabilities (assets) are recognized as plan assets less the present value of the defined benefit obligation, the consolidated financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Profit or loss applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of its subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group’s share of net assets before and after the change and any consideration received or paid are adjusted to equity attributable to stockholders of the Company.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements.

The details of subsidiaries included in the consolidated financial statements as below:

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding		Description
			December 31, 2020	December 31, 2019	
The Company	Otsuka Information Technology Ltd. (Otsuka)	Holding company	100 %	100 %	
The Company	To Gather Corp. (To Gather)	Restaurant	90 %	90 %	(Note 1)
The Company	Unilink Innovation Information Technology Corp. (Unilink)	Software Merchandising	100 %	- %	(Note 2)
Otsuka	Otsuka Software Trading (Dongguan) Ltd. (Otsuka Dongguan)	Software Merchandising	100 %	100 %	
Otsuka	OITC Information Technology (Shanghai) Ltd. (OITC)	Software Merchandising	100 %	100 %	

Note 1: The subsidiary was established in July 2019.

Note 2: The subsidiary was established in August 2020.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period (reporting date), monetary items denominated in foreign currencies are translated into functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Cash and cash equivalents

Cash comprises cash on hand and bank deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets classified as the same categories are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost and fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets, etc.).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12-month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group considers a financial asset to be in default when the financial asset is more than 1 year past due.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than one year past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-method and includes expenditure and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings: 10~50 years
- 2) Computers: 2 ~3 years
- 3) Office equipment: 2 ~ 5 years

Depreciation methods, useful lives and residual values are reviewed at annual reporting date and adjusted if appropriate.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Lease

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised or penalty should be paid.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on purchase option, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets and lease liabilities that do not meet the definition of investment properties as a separate line item in the balance sheet.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of parking lots that have short-term lease and leases of low-value asset. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Intangible assets

(i) Recognition and measurement

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Trademark	10 years
Computer Software	3 years

Amortization methods, useful lives and residual values are reviewed at annual reporting date and adjusted if appropriate.

(l) Impairment – non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below:

1) Sale of goods

The Group purchases and sells software products in the market and recognizes revenue as well as receivable when the goods are delivered to customers as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Rendering of services

The Group provides services such as installation of software, connection of systems and training. The related revenues are recognized when the Group has provided all services and has submitted the invoices to the customers.

Some contracts include multiple deliverables, such as software, installation of software, and training. In most cases, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation.

3) Catering Service

The Group provides meals, beverages and services. The related revenues are recognized and charges are collected when meals, beverages and service are provided.

4) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money. If it is more than one year, the transaction price would be adjusted during the period to reflect the impact of the time value of money in accordance with.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability (assets), which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Share based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary stockholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary stockholders of the Company divided by the weighted average number of ordinary shares outstanding. The diluted earnings per share are calculated as the profit attributable to ordinary stockholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee remuneration.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting estimates and assumptions. Management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments made in applying accounting policies that have significant effect on amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of accounts receivable

The Group has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs.

(b) Valuation of inventory

As inventories are measured at the lower of cost or net realizable value, the Group estimates the amount due to inventories' obsolescence and unmarketable items at the reporting date and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash	\$ 345	349
Checking and demand desposts	366,134	266,667
Time deposits	<u>142,500</u>	<u>142,500</u>
	<u><u>\$ 508,979</u></u>	<u><u>409,516</u></u>

As of December 31, 2020 and 2019, the Group had provided time deposits amounted to \$500 thousands as collateral and the deposit have been reclassified to other non-current assets.

(b) Financial assets measured at amortized cost

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial bond – current	\$ -	10,000
Financial bond – non-current	<u>20,000</u>	<u>20,000</u>
	<u><u>\$ 20,000</u></u>	<u><u>30,000</u></u>

The Group has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

- (i) The Group purchased the six-year bonds of Bank of Panhsin in June 2014. The face value of the bond was \$10,000 thousands and its effective interest rate was 3%. The bond has matured and the principal has been paid in July 2021.
- (ii) The Group purchased the sever-year bonds of Bank of Panhsin in June 2019 the face value of the bond was \$20,000 thousands and its effective interest rate was 2.25%.
- (iii) As of December 31, 2020 and 2019, the Group did not provide any of the aforementioned bond as collateral.

(c) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 28,944	25,577
Accounts receivable	<u>178,379</u>	<u>261,752</u>
	207,323	287,329
Less: allowance for doubtful accounts	(698)	(3,639)
Long-term notes and accounts receivable, net	<u>(2,725)</u>	<u>(2,410)</u>
	<u><u>\$ 203,900</u></u>	<u><u>281,280</u></u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (i) The Group did not provide any of the aforementioned notes and accounts receivable as collateral. The aforementioned notes and accounts receivable were not discounted because the due dates were less than a year. The book value is assumed to approximate the fair value.
- (ii) The amounts of notes and accounts receivable from the installment sales were \$6,363 thousands and \$8,910 thousands as of December 31, 2020 and 2019 respectively. The aforementioned receivables as of December 31, 2020 were expected to be recovered by \$3,638 thousands and \$2,725 thousands for the years ended December 31, 2021 and 2022, respectively. The aforementioned receivables as of December 31, 2019 were expected to be recovered by \$6,500 thousands and \$2,410 thousands for the years ended December 31, 2020 and 2021, respectively, and \$6,500 thousands were already recovered for the year ended December 31, 2020.
- (iii) The Group applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivable (including long-term). To measure the ECL, notes and accounts receivable have been grouped based on shared credit risk characteristics and customer's ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information. The ECL allowance provision analysis was as follows:

	December 31, 2020		
	Carrying amounts of notes and accounts receivable (including long- term)	Lifetime weighted- average ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 197,119	0%	-
Past due 0 to 60 days	8,207	0.5%~1.5%	44
Past due 61 to 210 days	1,287	7%~20%	141
Past due 211 to 360 days	310	30%~40%	113
More than 1 years past due	400	100%	400
	\$ 207,323		698

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2019		
	Carrying amounts of notes and accounts receivable (including long- term)	Lifetime weighted- average ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 260,677	0%	-
Past due 0 to 60 days	21,468	0.5%~3%	157
Past due 61 to 210 days	2,380	7%~100%	678
Past due 211 to 360 days	2,183	30%~100%	2,183
More than 1 years past due	621	100%	621
	\$ 287,329		3,639

The movements in the allowance for notes and accounts receivable was as follows:

	2020	2019
Balance on January 1	\$ 3,639	3,160
Impairment losses recognized (reversed)	(775)	1,777
Amounts written off	(733)	(1,297)
Foreign exchange losses	-	(1)
Balance on December 31	\$ 2,131	3,639

(d) Inventories

	December 31, 2020	December 31, 2019
Software	\$ 85,674	89,462
Hardware	287	72
Merchandise	1,025	316
	\$ 86,986	89,850

Except for the cost of inventories that have been sold, the Group recognized the following items as cost of goods sold:

	2020	2019
Losses and (gains) on obsolete inventories and inventory valuation	\$ (2,515)	3,826
Loss on disposal of inventories	5,416	1,669
Total	\$ 2,901	5,495

As of December 31, 2020 and 2019, the Group did not provide any of the aforementioned inventories as collateral.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Prepaid expense and other current assets

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Other receivables	\$ 1,716	466
Allowance for doubtful accounts-other receivables	(1,433)	-
Prepaid expenses and other	<u>2,436</u>	<u>2,422</u>
	<u>\$ 2,719</u>	<u>2,888</u>

Please refer to note 6(c) for the movements in the allowance for other receivables.

(f) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Computers</u>	<u>Office equipment</u>	<u>Total</u>
Cost:					
Balance on January 1, 2020	\$ 10,260	7,752	24,427	3,760	46,199
Additions	-	435	3,555	394	4,384
Disposals	-	-	(3,388)	(170)	(3,558)
Effect of changes in exchange rates	-	-	(2)	-	(2)
Balance on December 31, 2020	<u>\$ 10,260</u>	<u>8,187</u>	<u>24,592</u>	<u>3,984</u>	<u>47,023</u>
Balance on January 1, 2019	\$ 10,260	6,175	21,554	3,761	41,750
Additions	-	1,577	4,049	126	5,752
Disposals	-	-	(1,081)	(109)	(1,190)
Effect of changes in exchange rates	-	-	(95)	(18)	(113)
Balance on December 31, 2019	<u>\$ 10,260</u>	<u>7,752</u>	<u>24,427</u>	<u>3,760</u>	<u>46,199</u>
Depreciation:					
Balance on January 1, 2020	\$ -	2,014	15,950	3,019	20,983
Depreciation	-	726	3,076	225	4,027
Disposals	-	-	(3,339)	(173)	(3,512)
Effect of changes in exchange rates	-	-	(2)	-	(2)
Balance on December 31, 2020	<u>\$ -</u>	<u>2,740</u>	<u>15,685</u>	<u>3,071</u>	<u>21,496</u>
Balance on January 1, 2019	\$ -	1,791	14,321	2,847	18,959
Depreciation	-	223	2,759	289	3,271
Disposals	-	-	(1,051)	(102)	(1,153)
Effect of changes in exchange rates	-	-	(79)	(15)	(94)
Balance on December 31, 2019	<u>\$ -</u>	<u>2,014</u>	<u>15,950</u>	<u>3,019</u>	<u>20,983</u>
Carring amounts:					
Balance on December 31, 2020	<u>\$ 10,260</u>	<u>5,447</u>	<u>8,907</u>	<u>913</u>	<u>25,527</u>
Balance on December 31, 2019	<u>\$ 10,260</u>	<u>5,738</u>	<u>8,477</u>	<u>741</u>	<u>25,216</u>
Balance on January 1, 2019	<u>\$ 10,260</u>	<u>4,384</u>	<u>7,233</u>	<u>914</u>	<u>22,791</u>

As of December 31, 2020 and 2019, the Group did not provide any of the aforementioned property, plant and equipment as collateral.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Right-of-use assets

The cost and depreciation of the building for which the Group leases as a lessee were as follows:

	Buildings
Cost:	
Balance on January 1, 2020	\$ 54,693
Additions	9,064
Effect of changes in exchange rates	15
Balance on December 31, 2020	<u>\$ 63,772</u>
Balance on January 1, 2019	\$ 40,138
Additions	15,377
Disposals	(659)
Effect of changes in exchange rates	(163)
Balance on December 31, 2019	<u>\$ 54,693</u>
Depreciation:	
Balance on January 1, 2020	\$ 12,052
Depreciation	15,720
Effect of changes in exchange rates	23
Balance on December 31, 2020	<u>\$ 27,795</u>
Balance on January 1, 2019	\$ -
Depreciation	12,762
Disposals	(659)
Effect of changes in exchange rates	(51)
Balance on December 31, 2019	<u>\$ 12,052</u>
Carrying amount:	
Balance on December 31, 2020	<u>\$ 35,977</u>
Balance on December 31, 2019	<u>\$ 42,641</u>
Balance on January 1, 2019	<u>\$ 40,138</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Lease liabilities

Lease liabilities of the Group were as follows:

	December 31, 2020	December 31, 2019
Current	\$ <u>16,218</u>	<u>14,500</u>
Non-current	\$ <u>20,002</u>	<u>28,628</u>

For the maturities analysis, please refer to note 6(p).

The amount recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	\$ <u>786</u>	<u>805</u>
Expenses relating to short-term leases and leases of low-value assets	\$ <u>4,289</u>	<u>3,850</u>

The amounts recognized in the statement of cash flows for the Group were as follows:

	2020	2019
Rental paid in operating activities	\$ (4,289)	(3,850)
Interest on lease liabilities paid in operating activities	(786)	(805)
Payment made on lease liabilities in financing activities	<u>(15,479)</u>	<u>(11,847)</u>
Total cash outflow for leases	\$ <u>(20,554)</u>	<u>(16,502)</u>

The Group leases buildings for its office space and warehouse. The leases of office space typically run for a period of 2 to 5 years, and of warehouse for 2 years.

(i) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and fair value adjustment of plan assets of the Group were as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 29,885	29,445
Fair value of plan assets	<u>26,880</u>	<u>24,007</u>
Net defined benefit liability	\$ <u>3,005</u>	<u>5,438</u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive payments based on years of service and average salary for the six months prior to retirement.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Composition of plan assets

The Group contributes pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$26,880 thousands at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Group were as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit obligation at January 1	\$ 29,445	20,851
Current service costs and interest expense	620	494
Remeasurement of net defined liability expense		
— Actuarial gain (loss) arising from experience adjustments	(180)	3,914
— Actuarial gain (loss) arising from financial assumptions	-	4,186
Defined benefit obligation at December 31	<u>\$ 29,885</u>	<u>29,445</u>

3) Movements in the fair value of plan assets

The movements in the fair value of plan assets for the Group were as follows:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets at January 1	\$ 24,007	21,322
Contributions paid by the employer	1,927	1,717
Interest income	380	392
Remeasurement of net defined asset		
— Return on plan assets (excluding interest income)	566	576
Fair value of plan assets at December 31	<u>\$ 26,880</u>	<u>24,007</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2020</u>	<u>2019</u>
Current service costs	\$ 178	129
Net interest of net liability (asset) for defined benefit	<u>62</u>	<u>(27)</u>
	<u>\$ 240</u>	<u>102</u>
Selling expenses	\$ 194	83
Administrative expenses	35	14
Research and development expenses	<u>11</u>	<u>5</u>
	<u>\$ 240</u>	<u>102</u>

5) Remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income

As of December 31, 2020 and 2019, the Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income were as follows:

	<u>2020</u>	<u>2019</u>
Cumulated amount at January 1	\$ 1,896	(5,629)
Recognized during the period	<u>(746)</u>	<u>7,525</u>
Cumulated amount at December 31	<u>\$ 1,150</u>	<u>1,896</u>

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	<u>2020</u>	<u>2019</u>
Discount rate	1.50 %	1.50 %
Future salary increase rate	4.00 %	4.00 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one year period after the reporting date was \$2,622 thousands.

The weighted average duration of the defined benefit plans is 6.2 years.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligations as of December 31, 2020 and 2019, would have been as follows:

		Influence of defined benefit obligations	
		Increased 0.25%	Decreased 0.25%
Discount rate:			
December 31, 2020	\$	<u><u>(862)</u></u>	<u><u>900</u></u>
December 31, 2019	\$	<u><u>(905)</u></u>	<u><u>947</u></u>
		Influence of defined benefit obligations	
		Increased 1%	Decreased 1%
Future salary increase rate:			
December 31, 2020	\$	<u><u>3,448</u></u>	<u><u>(2,999)</u></u>
December 31, 2019	\$	<u><u>3,653</u></u>	<u><u>(3,152)</u></u>

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. Many assumption changes may affect each other in practice. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There was no change in the method and assumptions used in the preparation of the sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company and domestic subsidiaries allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

Except for the Company and domestic subsidiaries, the Group has defined contribution plans. These plans are funded in accordance with the regulations of their respective countries. Contributions to these plans are expensed as incurred without additional legal or constructive obligation.

The Group recognized pension costs under the defined contribution method amounted to \$7,293 thousands and \$7,653 thousands for the years ended December 31, 2020 and 2019, respectively.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Income taxes

(i) Income tax expense

The components of income tax expenses were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense	\$ 25,813	31,142
Deferred tax expense	2,499	2,671
Income tax expense	<u>\$ 28,312</u>	<u>33,813</u>

(ii) The Group had no income taxes recognized directly in equity.

(iii) The amounts of income tax benefit recognized in other comprehensive income were as follows:

	<u>2020</u>	<u>2019</u>
Exchange differences on translation of foreign operations financial statements	<u>\$ (6)</u>	<u>(943)</u>

(iv) Reconciliation of income tax expense and profit before tax were as follows:

	<u>2020</u>	<u>2019</u>
Profit before income tax	\$ 164,591	176,815
Income tax using the Company's domestic tax rate	32,918	37,205
Effect of tax rate differential in foreign jurisdictions	308	563
Current-year losses for which no deferred tax asset was recognized	1,259	245
Recognition of previously unrecognized tax losses	(2,110)	(2,813)
Investment tax credits accrued	(3,579)	-
Change in provision in prior periods	(3,907)	(3,279)
10% surtax on unappropriated earnings	1,174	627
Other	2,249	1,265
	<u>\$ 28,312</u>	<u>33,813</u>

(v) Deferred tax assets and liabilities

There are no unrecognized deferred tax liabilities. Deferred tax assets have not been recognized with respect to the following items:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Tax effect of deductible temporary difference	\$ -	2
Tax losses	1,506	2,355
	<u>\$ 1,506</u>	<u>2,357</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2020, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiry date</u>
To Gather		
2019 (filed)	\$ 1,237	2029
2020 (estimated)	5,204	2030
Unilink		
2020 (estimated)	<u>1,090</u>	2030
	<u>\$ 7,531</u>	

Change in the amount of deferred tax assets and liabilities were as follows:

	<u>Investment income of subsidiaries recognized under the equity method</u>	<u>Defined benefit obligations</u>	<u>Other</u>	<u>Total</u>
Deferred tax liabilities:				
Balance on January 1, 2020	\$ 3,203	1,448	-	4,651
Recognized in profit or loss	<u>1,155</u>	<u>337</u>	<u>-</u>	<u>1,492</u>
Balance on December 31, 2020	<u>\$ 4,358</u>	<u>1,785</u>	<u>-</u>	<u>6,143</u>
Balance on January 1, 2019	\$ 1,138	1,125	10	2,273
Recognized in profit or loss	<u>2,065</u>	<u>323</u>	<u>(10)</u>	<u>2,378</u>
Balance on December 31, 2019	<u>\$ 3,203</u>	<u>1,448</u>	<u>-</u>	<u>4,651</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Share of other comprehensive income of subsidiaries recognized under the equity method	Loss on inventory valuation and obsolete inventories	Bad debt in excess of tax limit	Others	Total
Deferred tax assets:					
Balance on January 1, 2020	\$ (2,948)	(1,462)	(399)	(310)	(5,119)
Recognized in profit or loss	-	592	194	221	1,007
Recognized in other comprehensive income	(6)	-	-	-	(6)
Foreign currency translation differences for foreign operations	-	-	-	2	2
Balance on December 31, 2020	<u>\$ (2,954)</u>	<u>(870)</u>	<u>(205)</u>	<u>(87)</u>	<u>(4,116)</u>
Balance on January 1, 2019	\$ (2,005)	(1,226)	(279)	(967)	(4,477)
Recognized in profit or loss	-	(236)	(121)	650	293
Recognized in other comprehensive income	(943)	-	-	-	(943)
Foreign currency translation differences for foreign operations	-	-	1	7	8
Balance on December 31, 2019	<u>\$ (2,948)</u>	<u>(1,462)</u>	<u>(399)</u>	<u>(310)</u>	<u>(5,119)</u>

(vi) The Company's income tax returns have been examined by the tax authority through the years up to 2018.

(k) Capital and other equity

(i) Capital

As of December 31, 2020 and 2019, the number of authorized ordinary shares both were 30,000 thousand shares with par value of \$10 (dollars) per share and amounted to \$300,000 thousands. As of the dates, 17,097 thousand shares of ordinary shares were issued and all issued ordinary shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2020	December 31, 2019
Additional paid-in capital	\$ 68,176	68,176
Employee stock options	637	637
	<u>\$ 68,813</u>	<u>68,813</u>

According to the ROC Company Act, capital surplus can only be used to offset an accumulated deficit, and then the realized capital surplus can be distributed as stock dividends or cash dividends according to the stockholders' original percentage of ownership. The aforementioned realized capital surplus includes capital surplus resulting from premium upon the issuance of capital stock and donation gains. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the increase in capital by transferring the paid-in capital in excess of the par value should not exceed 10% of the total common stock outstanding.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Retained earnings

Based on the Company's articles of incorporation, when allocating the earnings for each year, the Corporation shall first pay income taxes, and offset its prior years' deficits, if any. Of the remaining balance, 10% is to be appropriated as legal reserve, until the accumulated legal reserve has equaled the total capital of the Corporation; then set aside a special reserve in accordance with the relevant laws when necessary. The balance of the earnings shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed by the Board of Directors' distribution proposals and the resolution at the stockholders' meeting.

The Company shall consider the demand for expanding the scale of corporation, cash-flow, retained earnings, flexibility of business operation, and strength of competition to distribute dividend. The dividend distributed by directors' meeting shall not be less than 20% of the net amount of the annual profit after deducting the reserve retained in accordance with the laws while cash dividend shall not be less than 10% of the distributed dividend. The rate of cash dividend could be adjusted by the stockholders' meeting in accordance with the actual profit in the year and demand of cash-flow in the future.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a stockholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash to shareholders, and only the portion of the legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of the current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the current-period total net reduction of other stockholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for the cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The Board of Directors resolved the distribution of earnings for 2019 on March 16, 2020, as well as the stockholders' meeting resolved the distribution of earnings for 2018 on June 24, 2019, respectively. The distribution was \$5.50 (dollars) and \$3.00 (dollars) per share, which amounted to \$94,034 thousands and \$51,291 thousands, respectively. Information can be accessed in the Market Observation Post System website.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding was as follows:

	2020	2019
Profit attributable to ordinary shareholders of the Company	<u>\$ 136,799</u>	<u>143,126</u>
	2020	2019
Weighted average number of ordinary shares (thousand shares)	<u>17,097</u>	<u>17,097</u>

(ii) Diluted earnings per share

The calculation of diluted earnings per share based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

	2020	2019
Profit attributable to ordinary shareholders of the Company (diluted)	<u>136,799</u>	<u>143,126</u>
	2020	2019
Weighted average number of ordinary shares (basic) (thousand shares)	17,097	17,097
Effect of employee remuneration	<u>134</u>	<u>123</u>
Weighted average number of ordinary shares (diluted) (thousand shares)	<u>17,231</u>	<u>17,220</u>

(m) Revenue from contracts with customers

(i) Disaggregation of revenue

	2020			
	Business unit 1	Business unit 2	Business unit 3	Total
Primary geographical markets:				
Taiwan	\$ 1,030,703	-	-	1,030,703
China	<u>-</u>	<u>57,246</u>	<u>41,723</u>	<u>98,969</u>
	<u>\$ 1,030,703</u>	<u>57,246</u>	<u>41,723</u>	<u>1,129,672</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2020				
	Business unit 1	Business unit 2	Business unit 3	Total
Major products:				
CAD	\$ 749,206	41,899	33,061	824,166
Service	79,017	1,588	1,310	81,915
Subscription contracts	66,504	4,768	5,300	76,572
Game engine	21,902	-	-	21,902
3D Animation	19,465	443	-	19,908
Catering service	3,823	-	-	3,823
Other	90,786	8,548	2,052	101,386
	<u>\$ 1,030,703</u>	<u>57,246</u>	<u>41,723</u>	<u>1,129,672</u>
2019				
	Business unit 1	Business unit 2	Business unit 3	Total
Primary geographical markets:				
Taiwan	\$ 1,091,447	-	-	1,091,447
China	-	51,957	61,971	113,928
	<u>\$ 1,091,447</u>	<u>51,957</u>	<u>61,971</u>	<u>1,205,375</u>
Major products:				
CAD	\$ 735,870	33,050	42,466	811,386
Service	80,891	2,252	2,706	85,849
Subscription contracts	144,379	12,293	12,859	169,531
Game engine	22,916	-	-	22,916
3D Animation	31,062	-	-	31,062
Catering service	159	-	-	159
Other	76,170	4,362	3,940	84,472
	<u>\$ 1,091,447</u>	<u>51,957</u>	<u>61,971</u>	<u>1,205,375</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes and accounts receivable (including long-term)	\$ 207,323	287,329	290,585
Less: allowance for impairment	(698)	(3,639)	(3,160)
Total	\$ 206,625	283,690	287,425

For details on notes, accounts receivable (including long-term) and allowance for impairment, please refer to note 6(c).

(n) Employee compensation and directors' and supervisors' remuneration

Based on the Company's articles of incorporation, more than 5% of annual profit should be appropriated as employee remuneration. The Board of Directors will adopt a resolution on whether the distribution is paid in cash or stock. Qualified employees, including the employees of subsidiaries of the Company meeting certain specific requirements, are entitled to receive their remuneration specified by the Board of Directors. The annual profit aforementioned may also be appropriated as directors' and supervisors' remuneration through the board's resolution, wherein the amount should not exceed 3% of annual profit. (In June 2020, the stockholders' meeting resolved to establish an Audit Committee to replace the supervisors.) However, if the Company has accumulated deficits, the profit should be reserved to offset the deficits.

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$8,810 thousands and \$9,412 thousands, and directors' and supervisors' remuneration amounting to \$2,643 thousands and \$2,824 thousands, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating expenses during period. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2020 and 2019.

(o) Other gains and losses

The details of other gains and losses were as follows:

	2020	2019
Foreign exchange loss	\$ (436)	(24)
Gains on FVTPL, net	1,193	1,306
Other	496	355
	\$ 1,253	1,637

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2020 and 2019, the maximum amount to credit risk amounted to \$754,574 thousands and \$740,403 thousands, respectively.

2) Concentration of credit risk

Since the Group has a lot of customers, it does not trade with single customer and market areas are diversified. The Group periodically evaluates these customers' financial position and the possibility of recovery of notes and accounts receivable to decrease credit risk, collaterals will be requested from the customers if necessary.

3) For credit risk exposure of notes and accounts receivables (including long-term), please refer to note 6(c).

4) The exposure to credit risk for the financial assets at amortized cost are measured and monitored by the Group's finance department. The Group only deals with banks with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
December 31, 2020					
Accounts payable	\$ 77,892	77,892	77,892	-	-
Salaries payable	49,664	49,664	49,664	-	-
Accrued expenses and other payables	24,052	24,052	24,052	-	-
Lease liabilities	36,220	37,100	16,793	15,218	5,089
	<u>\$ 187,828</u>	<u>188,708</u>	<u>168,401</u>	<u>15,218</u>	<u>5,089</u>
December 31, 2019					
Accounts payable	\$ 97,189	97,189	97,189	-	-
Salaries payable	48,967	48,967	48,967	-	-
Accrued expenses and other payables	26,758	26,758	26,758	-	-
Lease liabilities	43,128	44,529	15,227	13,623	15,679
	<u>\$ 216,042</u>	<u>217,443</u>	<u>188,141</u>	<u>13,623</u>	<u>15,679</u>

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2020			December 31, 2019			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
<u>Financial assets</u>							
<u>Monetary items-USD</u>	\$	411	28.10	11,545	150	30.100	4,511
<u>Financial liabilities</u>							
<u>Monetary items-USD</u>		19	28.10	542	1	30.100	18

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents and accounts payable that are denominated in foreign currency. A weakening (strengthening) of 5% of the TWD against the USD as of December 31, 2020 and 2019, would have increased or decreased the profit before tax by \$550 thousands and \$225 thousands for the years ended December 31, 2020 and 2019, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain or loss on monetary items

The information on the amount of the Group's foreign exchange gain or loss on monetary items (including realized and unrealized) translated to the functional currency, and on the exchange rate translated to the functional currency of the parent company (the presentation currency), TWD, was as follows:

Functional currencies	2020		2019	
	Foreign exchange gain or loss	Average exchange rate	Foreign exchange gain or loss	Average exchange rate
TWD	\$ (388)	1	(22)	1
CNY	(48)	4.317	(2)	4.474
	<u>\$ (436)</u>		<u>(24)</u>	

(iv) Interest rate analysis

The Group's financial assets with floating-rate were bank deposits and there were no financial liabilities with floating-rates. The Group believes that the cash flow risk arising from the fluctuation in interest rates was not significant and the sensitivity analysis of interest rate was not required.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Fair value—Kinds of financial instruments and fair value

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

	Carrying amounts	December 31, 2020			
		Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:					
Financial bond	\$ 20,000				
Cash and cash equivalents	508,979				
Notes and accounts receivable (including long-term)	206,625				
Other receivables	283				
Refundable deposits	18,187				
Restricted deposit	<u>500</u>				
Total	<u>\$ 754,574</u>				
Financial liabilities measured at amortized cost:					
Accounts payable	\$ 77,892				
Salaries payable	49,664				
Accrued expenses payable and other payables	24,052				
Lease liabilities	<u>36,220</u>				
Total	<u>\$ 187,828</u>				

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2019				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:					
Financial bond	\$ 30,000				
Cash and cash equivalents	409,516				
Notes and accounts receivable (including long-term)	283,690				
Other receivables	466				
Refundable deposits	16,231				
Restricted deposit	<u>500</u>				
Total	<u>\$ 740,403</u>				
Financial liabilities measured at amortized cost:					
Accounts payable	\$ 97,189				
Salaries payable	48,967				
Accrued expenses payable and other payables	26,758				
Lease liabilities	<u>43,128</u>				
Total	<u>\$ 216,042</u>				

(q) Financial risk management

(i) Overview

The Group has exposure to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

(ii) Structure of risk management

The financial management department of the Group provides services for each business, including helping businesses to operate in the domestic and international financial markets, and supervising and managing the financial risks of the Group related to the operation by analyzing the internal risk report in accordance with the degree and extent of risk. Internal auditors continue to review policy compliance and risk limits.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Group's cash and cash equivalents; receivables; and bonds.

1) Notes, accounts and other receivables

The Group has established a credit policy and is required to transact with corporations having high credit ratings. The Group uses external credit rating systems and previous transaction records to assess the credit quality and set the credit limits for the customer. The Group constantly supervises credit exposures and credit limits of transaction partners, and controls credit exposures through setting the credit limits.

2) Investment

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on bank deposits that are denominated in a currency other than the respective functional currencies of the Group's entities. The bank deposits are denominated in USD. The Group believes the cash flow risk arising from the fluctuation in exchange rates is not significant.

2) Interest rate risk

The Group's main assets with a floating interest rate basis are bank deposits. The Group believes that cash flow risk arising from the fluctuation in interest rates is not significant.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Capital Management

The Group's capital management policy is to maintain a strong capital base and appropriate debt ratio so as to maintain investor, creditor, and market confidence to sustain the future development of the business.

As of December 31, 2020 and 2019, the debt ratios were 24% and 28%, respectively. There were no changes in the Group's approach to capital management as of December 31, 2020.

(s) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019, were as follows:

(vi) For acquisition of right-of-use asset from lease, please refer to notes 6(g) and (h).

(vii) Reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1, 2020</u>	<u>Acquisition</u>	<u>Cash flows</u>	<u>Non-cash changes</u>	<u>December 31, 2020</u>
Lease liabilities (total liabilities from financing activities)	\$ <u>43,128</u>	<u>8,583</u>	<u>(15,479)</u>	<u>(12)</u>	<u>36,220</u>
	<u>January 1, 2019</u>	<u>Acquisition</u>	<u>Cash flows</u>	<u>Non-cash changes</u>	<u>December 31, 2019</u>
Lease liabilities (total liabilities from financing activities)	\$ <u>40,138</u>	<u>14,940</u>	<u>(11,847)</u>	<u>(103)</u>	<u>43,128</u>

(7) Related-party transactions:

(a) Names and relationship of the related parties

The followings is related party that has had transactions with the Group during the periods covered in the consolidated financial statements.

<u>Name</u>	<u>Relationship</u>
Otsuka Information System Trading (Shanghai) Limited (Otsuka Shanghai)	The same chairman as the Company

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant transactions with related parties

(i) Sales

The amounts of sales by the Group to related parties and the outstanding balances were as follows:

	<u>Sales</u>		<u>Accounts receivable</u>	
	<u>2020</u>	<u>2019</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related parties				
Otsuka Shanghai	\$ <u>4,167</u>	<u>5,283</u>	<u>636</u>	<u>294</u>

The selling price offered to related parties was determined based on cost plus profit margin. The trading terms of related parties were 30 days, whereas the terms with other customers were 30 to 210 days and 30 to 240 days, for the years ended December 31, 2020 and 2019, respectively.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2020</u>	<u>2019</u>
Short term employee benefits	\$ 20,838	20,200
Termination benefits	222	178
Post employment benefits	-	-
Other long term benefits	-	-
Share based payments	-	-
	<u>\$ 21,060</u>	<u>20,378</u>

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Other non-current assets — restricted deposit	line of corporate credit card	\$ <u>500</u>	<u>500</u>

(9) Commitments and contingencies:

Guarantee notes provided as part of agreements and line of forward exchange were as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Guaranteed notes	\$ <u>3,845</u>	<u>19,628</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	2020			2019		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		-	191,458	191,458	-	177,245	177,245
Labor and health insurance		-	12,782	12,782	-	11,185	11,185
Pension		-	7,533	7,533	-	7,755	7,755
Others		-	7,436	7,436	-	7,184	7,184
Depreciation		-	19,747	19,747	-	16,033	16,033
Amortization		-	5,135	5,135	-	3,632	3,632

(13) Other disclosures:

- (a) Information on significant transactions:

The followings were the information on significant transactions required to be disclosed by the Regulations for the Group:

- (i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (Note1)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	To Gather Corp.	Other receivables	Y	10,000	10,000	4,000	1.8%	Necessary to short-term loans to other parties	-	Operating capital	-	N	-	70,355	140,710
1	Otsuka Software Trading (Dongguan) Ltd.	Otsuka OITC Information Technology (Shanghai) Ltd.	Other receivables	Y	21,665	21,585	-	-	Necessary to short-term loans to other parties	-	Operating capital	-	N	-	52,399	74,856

Note1: The ending balance is the amount of loans to other parties were authorized by the Board of Directors.

Note2: The total amount of loans provided by the domestic subsidiaries to a company shall not exceed 10% of its net worth; and the total amount of loans to all companies shall not exceed 20% of their net worth.

Note3: The total amount of loans provided by the foreign subsidiaries to a company shall not exceed 70% of their net worth; and the total amount for loans to all companies shall not exceed their net total worth.

Note4: Related transactions have been eliminated during the preparation of the consolidated financial statements.

- (ii) Guarantees and endorsements for other parties:None

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Company holding securities	Category and name of security	Relationship with company	Account name	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares / Units (thousands)	Percentage of ownership (%)	
The Company	Financial Bond: FY2019 1st subordinated bond of Bank of Panhsin	None	Financial assets measured at amortized cost-non-current	-	20,000	- %	20,000	-	- %	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Otsuka Software Trading (Dongguan) Ltd.	Structured Investment Products	Financial Assets at Fair Value through Profit and Loss	-	-	-	-	-	102,528	-	103,243	102,528	715	-	-
Otsuka OITC Information Technology (Shanghai) Ltd.	"	"	-	-	-	-	-	68,352	-	68,829	68,352	477	-	-

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None
- (ix) Trading in derivative instruments:None
- (x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Otsuka Software Trading (Dongguan) Ltd.	Parent to subsidiary	Sales	5,022	Cost-plus	0.44%
0	"	Unilink Innovation Information Technology Corp.	"	Sales	1,391	Cost-plus	0.12%
0	"	"	"	Accounts receivable	1,317	45 days	0.14%
0	"	To Gather Corp.	"	Other receivables	4,029	Interest rate 1.8%	0.44%

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	To Gather Corp.	The Company	Subsidiary to parent	Sales	1,174	The same as general customer	0.10%
2	Otsuka OITC Information Technology (Shanghai) Ltd.	Otsuka Software Trading (Dongguan) Ltd.	Subsidiary to subsidiary	Sales	11,564	Cost-plus	1.02%
3	Otsuka Software Trading (Dongguan) Ltd.	Otsuka OITC Information Technology (Shanghai) Ltd.	Subsidiary to subsidiary	Sales	3,285	Cost-plus	0.29%

Note1: 1."0" represents the parent company.

2.Subsidiaries are numbered sequentially from "1".

Note2: Disclose transactions amounts exceeding the lower of NT\$1 million.

Note3: Related transactions have been eliminated during the preparation of the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Highest balance during the year		Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			Shares (thousand)	Percentage of ownership	
The company	Otsuka Information Technology Ltd.	Hong Kong	Holding company	129,517	129,517	32,760	100.00 %	139,501	5,776	5,776	32,760	100.00 %	Note
"	To Gather Corp.	Taiwan	Restaurant	13,500	13,500	1,350	90.00 %	7,710	(5,200)	(4,680)	1,350	90.00 %	"
"	Unilink Innovation Information Technology Corp.	Taiwan	Software merchandising	30,000	-	3,000	100.00 %	28,910	(1,090)	(1,090)	3,000	100.00 %	"

Note : Related transactions have been eliminated during the preparation of the consolidated financial statements.

(c) Information on investment in mainland China:

(i) The names of investees in China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Highest balance during the year		Accumulated remittance of earnings in current period
					Outflow	Inflow						Shares (thousand) (Note)	Percentage of ownership	
Otsuka Software Trading (Dongguan) Ltd.	Software merchandising	44,960 (US\$1,600 thousand)	Investing in China through the company incorporated in the third country	44,960 (US\$1,600 thousand)	-	-	44,960 (US\$1,600 thousand)	874	100.00%	874	74,856	-	100 %	-
Otsuka Information Technology (Shanghai) Ltd.	Software merchandising	73,060 (US\$2,600 thousand)	"	73,060 (US\$2,600 thousand)	-	-	73,060 (US\$2,600 thousand)	4,902	100.00%	4,902	64,638	-	100 %	-

Note 1: The limited companies did not issue the shares.

Note 2: Related investment have been eliminated during the preparation of the consolidated financial statements.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
118,020 (USD4,200 thousand)	118,020 (USD4,200 thousand)	422,131

Note: The TWD amount was measured on December 31, 2020 with the spot exchange rate of 28.10.

The above investment income (losses) were based on the financial statements audited by the Company's auditors.

(iii) Significant transactions:

The significant inter-company transactions with the investee in China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions" and "Business relationship and significant intercompany transactions".

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Otsuka Corp.		6,465,900	37.81 %
Tu, Shui-Cheng		1,700,000	9.94 %
Liu, Bo-Wen		1,414,000	8.27 %
The Otsuka Information Technology Corp. Employee Welfare Trust Account handled by Bank SinoPac		865,187	5.06 %

(14) Segment information:

(a) General information

For the purpose of resource allocation and performance measurement, the Group separates the operating segments according to the customers' geographical locations and conditions. The Group regularly monitors and manages every segment's operating results through operating decision makers. The operating segments of Business Unit 1, Business Unit 2, and Business Unit 3 are the reportable segments, whose revenues mainly come from CAD, designing, valuable and multiple CAD integration, consulting services and catering service.

Since the operating segments supply different kinds of products and services, and the sales units will differ in their product categories and marketing strategies, the operating segments are managed separately.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Reportable segments' profit or loss, segment assets and their measurement and reconciliation

Income tax and extraordinary profits and losses are not allocated to the Group's reportable segments, and the amounts for the reported segments are identical with those in the report used by the chief operating decision maker.

The accounting policies of the operating segments are the same as those described in note 4 and the Group assessed the performance of the segments based on the segments' income before income taxes (excluding extraordinary profit or loss and exchange gains or losses). Sales and transfers between segments are deemed to be transactions with third parties and are measured by using the market price.

The Group's segment financial information was as follows:

	2020				
	Business Unit 1	Business Unit 2	Business Unit 3	Reconciliation and write-off	Total
External revenues	1,030,703	57,246	41,723	-	1,129,672
Intra-group revenue	7,588	7,008	7,841	(22,437)	-
Total segment revenue	\$ 1,038,291	64,254	49,564	(22,437)	1,129,672
Reportable segment profit and loss	\$ 157,801	5,601	(847)	-	162,555
	2019				
	Business Unit 1	Business Unit 2	Business Unit 3	Reconciliation and write-off	Total
External revenues	\$ 1,091,447	51,957	61,971	-	1,205,375
Intra-group revenue	27	4,393	9,968	(14,388)	-
Total segment revenue	\$ 1,091,474	56,350	71,939	(14,388)	1,205,375
Reportable segment profit and loss	\$ 164,667	3,409	6,102	-	174,178

(c) Products and services information

The Group's revenue from external customers were as follows:

Products and services	2020	2019
CAD	\$ 824,166	811,386
Service	81,915	85,849
Subscription contracts	76,572	169,531
Game engine	21,902	22,916
3D animation	19,908	31,062
Catering service	3,823	159
Other	101,386	84,472
Total	\$ 1,129,672	1,205,375

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers, and non-current assets are based on the geographical location of the assets. Details were as follows:

<u>Geographic Information</u>	<u>2020</u>	<u>2019</u>
External revenues:		
Taiwan	\$ 1,030,703	1,091,447
China	<u>98,969</u>	<u>113,928</u>
Total	<u>\$ 1,129,672</u>	<u>1,205,375</u>
Non-current assets		
Taiwan	\$ 71,755	77,851
China	<u>3,304</u>	<u>4,007</u>
Total	<u>\$ 75,059</u>	<u>81,858</u>

(e) Major customers

The Group's revenues from a single customer did not exceed 10% of operating revenues in the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019, so the Group does not disclose any information on major customers.



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 home.kpmg/tw

Independent Auditors' Report

To the Board of Directors of OTSUKA INFORMATION TECHNOLOGY CORP.:

Opinion

We have audited the parent company only financial statements of OTSUKA INFORMATION TECHNOLOGY CORP. (“the Company”), which comprise the parent company only balance sheets as of December 31, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years ended December 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 parent company only financial statements of the current period. 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. In our professional judgments, key audit matters to be communicated in the independent auditors' report are listed below:

1. Evaluation of inventories

Please refer to Note 4(g) “Inventories”, Note 5(b) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(d) “Inventories” of the parent company only financial statements.

Description of key audit matter:

The Company's inventories are measured at the lower of cost and net realizable value. Due to the rapid transformation of technology, the products may be out of date in the market and there is a risk that the cost of the inventory would be higher than its net realizable value. The condition of inventories to be sold will influence the result of evaluation so consistent attention are required. In addition, the inventories are the significant account in the parent company only financial statement. Therefore, evaluation of inventories is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the policies of evaluating the allowance and obsolescence of the inventories of the Company and inspecting whether existing inventory policies are applied; sampling the individual inventory items and examining the sources of the net realizable value of the samples to access whether the net realizable value are reasonable; examining the accuracy of aging of inventories by sampling and analyzing the changes of the aging of inventories; inspecting the reasonableness for allowance provided on inventory valuation in the past and compare it to the current year to ensure that the measurements and assumptions are appropriate.

2. Impairment of accounts receivable

Please refer to Note 4(f) "Financial Instruments", Note 5(a) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(c) "Notes and accounts receivable" of the parent company only financial statements.

Description of key audit matter:

The Company's accounts receivable are derived from sales of software and rendering of service, the balance constitutes 21% of the assets as of December 31, 2020. Due to the payment terms of the major customers are long and the receivables are not collected totally up to the date of the auditors' report. The recoverability of accounts receivable requires subjective judgments of the management. Therefore, impairment assessment of receivables is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: testing internal control process of accounts receivable; understanding the policies of evaluating the allowance of accounts receivable of the Company and inspecting whether existing receivables policies are applied; asking the management whether there are any debtors with financial difficulties and examining the accuracy of aging of receivables by sampling; inspecting the reasonableness of impairment loss of receivables recognized by the management in the past and compare it to the current year to ensure that the measurements and assumptions are appropriate; inspecting collection of receivables in the subsequent period to assess the reasonability of impairment loss measurement.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. 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 parent company only financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investments in other entities accounted for using the equity method to express an opinion on this parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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



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

The engagement partners on the audit resulting in this independent auditors' report are Mei-Pin Wu and Hung-Wen Fu.

KPMG

Taipei, Taiwan (Republic of China)
March 22, 2021

Notes to Readers

The accompanying parent company only financial statements are intended only to present the parent company only statement financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
OTSUKA INFORMATION TECHNOLOGY CORP.

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2020</u>		<u>December 31, 2019</u>				<u>December 31, 2020</u>		<u>December 31, 2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>		
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 357,032	40	298,646	34	2170	Accounts payable	\$ 66,649	8	82,738	9
1137	Financial assets at amortized cost – current (note 6(b))	-	-	10,000	1	2201	Salaries payable	46,633	5	47,029	5
1170	Notes and accounts receivable, net (notes 6(c), (o) and 7)	186,584	21	250,311	28	2200	Accrued expenses and other payables	35,337	4	50,707	6
1300	Inventories (note 6(d))	77,636	9	84,257	9	2280	Current lease liabilities (note 6(i))	12,949	1	10,277	1
1410	Prepaid expense and other current assets (notes 6(c), (e) and 7)	5,335	-	1,521	-	2300	Other current liabilities	7,694	1	5,286	1
		<u>626,587</u>	<u>70</u>	<u>644,735</u>	<u>72</u>			<u>169,262</u>	<u>19</u>	<u>196,037</u>	<u>22</u>
Non-current assets:						Non-Current liabilities:					
1535	Financial assets at amortized cost – non-current (note 6(b))	20,000	2	20,000	2	2570	Deferred tax liabilities (note 6(l))	6,143	1	4,651	-
1550	Investments accounted for using equity method, net (note 6(f))	176,121	20	146,147	16	2580	Non-current lease liabilities (note 6(i))	17,389	2	24,002	3
1600	Property, plant and equipment (notes 6(g) and 7)	22,830	2	22,914	3	2640	Net defined benefit liability (note 6(k))	3,005	-	5,438	1
1755	Right-of-use assets (note 6(h))	29,643	3	33,745	4			<u>26,537</u>	<u>3</u>	<u>34,091</u>	<u>4</u>
1900	Other non-current assets (notes 6(a), (c), (l), (o), 7 and 8)	24,169	3	22,653	3			<u>195,799</u>	<u>22</u>	<u>230,128</u>	<u>26</u>
		272,763	30	245,459	28						
							Total liabilities				
							Equity attributable to owners of parent:				
						3100	Ordinary shares (note 6(m))	170,970	19	170,970	19
						3200	Capital surplus (note 6(m))	68,813	8	68,813	8
						3310	Legal reserve (note 6(m))	94,783	10	80,470	9
						3320	Special reserve (note 6(m))	10,930	1	7,162	1
						3350	Unappropriated retained earnings (note 6(m))	369,011	41	343,581	38
						3410	Exchange differences on translation of foreign financial statements	(10,956)	(1)	(10,930)	(1)
							Total equity	<u>703,551</u>	<u>78</u>	<u>660,066</u>	<u>74</u>
							Total liabilities and equity	<u>\$ 899,350</u>	<u>100</u>	<u>890,194</u>	<u>100</u>
	Total assets	<u>\$ 899,350</u>	<u>100</u>	<u>890,194</u>	<u>100</u>						

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
OTSUKA INFORMATION TECHNOLOGY CORP.

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (notes 6(o) and 7)	\$ 1,031,001	100	1,091,288	100
5000	Operating costs (notes 6(d) and 7)	<u>620,696</u>	<u>60</u>	<u>682,795</u>	<u>63</u>
	Gross profit	<u>410,305</u>	<u>40</u>	<u>408,493</u>	<u>37</u>
	Operating expenses: (notes 6(c), (i), (k), (p), 7 and 12)				
6100	Selling expenses	202,654	20	198,360	18
6200	Administrative expenses	37,263	3	36,190	3
6300	Research and development expenses	7,715	1	6,231	1
6450	Expected credit loss (reversal of expected credit loss)	<u>(868)</u>	<u>-</u>	<u>1,815</u>	<u>-</u>
	Total operating expenses	<u>246,764</u>	<u>24</u>	<u>242,596</u>	<u>22</u>
	Net operating income	<u>163,541</u>	<u>16</u>	<u>165,897</u>	<u>15</u>
	Non-operating income and expenses:				
7100	Interest income (note 7)	1,368	-	1,573	-
7020	Other gains and losses (notes 6 (i), (j), (q) and 7)	486	-	73	-
7070	Share of profit of subsidiaries accounted for using equity method	6	-	9,211	1
7510	Interest expense (note 6(i))	<u>(650)</u>	<u>-</u>	<u>(745)</u>	<u>-</u>
	Total non-operating income and expenses	<u>1,210</u>	<u>-</u>	<u>10,112</u>	<u>1</u>
	Profit before tax	<u>164,751</u>	<u>16</u>	<u>176,009</u>	<u>16</u>
7950	Less: Income tax expenses (note 6(l))	<u>27,952</u>	<u>3</u>	<u>32,883</u>	<u>3</u>
	Profit	<u>136,799</u>	<u>13</u>	<u>143,126</u>	<u>13</u>
8300	Other comprehensive income (loss):				
8310	Items that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans (note 6(k))	746	-	(7,525)	(1)
8349	Income tax related to items that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>746</u>	<u>-</u>	<u>(7,525)</u>	<u>(1)</u>
8360	Items that may be reclassified to profit or loss				
8361	Exchange differences on translation of foreign operations's financial statements	(32)	-	(4,711)	-
8399	Income tax related to items that may be reclassified to profit or loss (note 6(l))	<u>6</u>	<u>-</u>	<u>943</u>	<u>-</u>
		<u>(26)</u>	<u>-</u>	<u>(3,768)</u>	<u>-</u>
8300	Other comprehensive income	<u>720</u>	<u>-</u>	<u>(11,293)</u>	<u>(1)</u>
8500	Total comprehensive income	<u>\$ 137,519</u>	<u>13</u>	<u>131,833</u>	<u>12</u>
	Earnings per share (NT dollars) (note 6(n))				
	Basic earnings per share	<u>\$ 8.00</u>		<u>8.37</u>	
	Diluted earnings per share	<u>\$ 7.94</u>		<u>8.31</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
OTSUKA INFORMATION TECHNOLOGY CORP.

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Unappropriate d retained earnings	Exchange differences on translation of foreign financial statements	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve			
Balance at January 1, 2019	\$ 170,970	68,813	73,045	5,031	268,827	(7,162)	579,524
Profit	-	-	-	-	143,126	-	143,126
Other comprehensive income	-	-	-	-	(7,525)	(3,768)	(11,293)
Comprehensive income	-	-	-	-	135,601	(3,768)	131,833
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	7,425	-	(7,425)	-	-
Special reserve	-	-	-	2,131	(2,131)	-	-
Cash dividends of ordinary share	-	-	-	-	(51,291)	-	(51,291)
Balance at December 31, 2019	170,970	68,813	80,470	7,162	343,581	(10,930)	660,066
Profit	-	-	-	-	136,799	-	136,799
Other comprehensive income	-	-	-	-	746	(26)	720
Comprehensive income	-	-	-	-	137,545	(26)	137,519
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	14,313	-	(14,313)	-	-
Special reserve	-	-	-	3,768	(3,768)	-	-
Cash dividends of ordinary share	-	-	-	-	(94,034)	-	(94,034)
Balance at December 31, 2020	\$ 170,970	68,813	94,783	10,930	369,011	(10,956)	703,551

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
OTSUKA INFORMATION TECHNOLOGY CORP.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 164,751	176,009
Adjustments:		
Adjustments to reconcile profit:		
Depreciation and amortization	18,330	16,614
Losses on inventory valuation and obsolete inventories	2,455	2,851
Expected credit loss (Reversal of expected credit loss)	(868)	1,815
Interest expense	650	745
Interest income	(1,368)	(1,573)
Share of profit of subsidiaries accounted for using equity method	(6)	(9,211)
Loss on disposal of property, plant and equipment	3	4
Gain on disposal of unamortised assets	(37)	-
Total adjustments to reconcile profit	<u>19,159</u>	<u>11,245</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable, including related parties	64,180	(629)
Other receivables, including related parties	(4,022)	343
Inventories	4,166	(42,175)
Prepaid expenses and other current assets	125	720
Accounts payable	(16,089)	(14,153)
Salaries payable	(396)	6,988
Accrued expenses and other payables	(2,632)	8,767
Other current liabilities	2,408	1,280
Others	(1,687)	(1,616)
Total adjustments	<u>65,212</u>	<u>(29,230)</u>
Cash inflow generated from operations	229,963	146,779
Interest received	1,551	1,327
Interest paid	(650)	(745)
Income taxes paid	(38,360)	(14,798)
Net cash flows from operating activities	<u>192,504</u>	<u>132,563</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	-	(20,000)
Repayments at maturity of financial assets at amortized cost	10,000	-
Proceeds from disposal of financial assets at fair value through profit or loss	-	4,698
Acquisition of investments accounted for using equity method	(30,000)	(13,500)
Acquisition of property, plant and equipment	(3,565)	(3,809)
Proceeds from disposal of property, plant and equipment	526	28
Acquisition of unamortized assets	(4,654)	(2,898)
Proceeds from disposal of unamortized assets	795	-
Increase in other non-current assets	(1,904)	(5,206)
Net cash flows used in investing activities	<u>(28,802)</u>	<u>(40,687)</u>
Cash flows from (used in) financing activities:		
Cash dividends	(94,034)	(51,291)
Payment of lease liabilities	(11,282)	(9,928)
Net cash flows used in financing activities	<u>(105,316)</u>	<u>(61,219)</u>
Net increase in cash and cash equivalents	58,386	30,657
Cash and cash equivalents at beginning of year	<u>298,646</u>	<u>267,989</u>
Cash and cash equivalents at end of year	<u>\$ 357,032</u>	<u>298,646</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

OTSUKA INFORMATION TECHNOLOGY CORP. (“the Company”) was incorporated on August 4, 1995 in accordance with the Company Act. The Investment Commission, Ministry of Economic Affairs permits the foreign stockholders to invest the Company in accordance with the Statute for Investment by Foreign Nationals. The address of the Company’s registered office is 6F., No. 68, Sec. 2, Sianmin Blvd., Banqiao Dist., New Taipei City. The major business activities of the Company are designing, trading, maintaining, import and export the hardware, software, computers, network and accessories.

The Company’s common shares were listed on the Taipei Exchange (“TPEX”) on October 23, 2008.

(2) Approval date and procedures of the financial statements:

The parent company only financial statements were authorized for issuance by the Board of Directors on March 22, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent company only financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its parent company only financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its parent company only financial position and parent company only financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent company only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent company only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

Except the defined benefit liabilities (assets) are recognized as plan assets less the present value of the defined benefit obligation, the parent company only financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the Company operates. The Company’s parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period (reporting date), monetary items denominated in foreign currencies are translated into functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(e) Cash and cash equivalents

Cash comprises cash on hand and bank deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets classified as the same categories are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost and fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and accounts receivables, other receivable, guarantee deposit paid and other financial assets, etc.).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12-month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 1 year past due.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than one year past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-method and includes expenditure and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method. There is no difference between net income and comprehensive income in the Company's parent company only financial statements and net income and comprehensive income attributable to stockholders of the parent. The equity in the Company's parent company only financial statements and the equity attributable to stockholders of the parent in the Company's consolidated financial statements are also the same.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings: 10~50 years
- 2) Computers: 2 ~3 years
- 3) Office equipment: 2 ~ 5 years

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

Depreciation methods, useful lives and residual values are reviewed at annual reporting date and adjusted if appropriate.

(j) Lease

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how, and for what purpose, the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose, it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised or penalty should be paid.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on purchase option, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment properties and lease liabilities as a separate line item respectively in the balance sheet.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of parking lots that have short-term lease and leases of low-value asset. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The Company recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of rental income

(k) Intangible assets

(i) Recognition and measurement

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Computer Software 3 years

Amortization methods, useful lives and residual values are reviewed at annual reporting date and adjusted if appropriate.

(l) Impairment—non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue

Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

(i) Sale of goods

The Company purchases and sells software products in the market and recognizes revenue as well as receivable when the goods are delivered to customers as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(ii) Rendering of services

The Company provides services such as installation of software, connection of systems and training. The related revenues are recognized when the Company has provided all services and has submitted the invoices to the customers.

Some contracts include multiple deliverables, such as software, installation of software, and training. In most cases, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation.

(iii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money. If it is more than one year, the transaction price would be adjusted during the period to reflect the impact of the time value of money in accordance with.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability (assets), which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Share based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary stockholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary stockholders of the Company divided by the weighted average number of ordinary shares outstanding. The diluted earnings per share are calculated as the profit attributable to ordinary stockholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise accrued employee remuneration.

(r) Operating segments

Please refer to the Company's consolidated financial statements for the years ended December 31, 2020 and 2019, for further details.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent company only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting estimates and assumptions. Management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments made in applying accounting policies that have significant effect on amounts recognized in the parent company only financial statements.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of accounts receivable

The Company has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs.

(b) Valuation of inventory

As inventories are measured at the lower of cost or net realizable value, the Company estimates the amount due to inventories' obsolescence and unmarketable items at the reporting date and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash	\$ 227	252
Checking and demand desposts	214,305	155,894
Time deposits	<u>142,500</u>	<u>142,500</u>
	<u>\$ 357,032</u>	<u>298,646</u>

As of December 31, 2020 and 2019, the Company had provided time deposits amounted to \$500 thousands as collateral and the deposit have been reclassified to other non-current assets.

(b) Financial assets measured at amortized cost

	December 31, 2020	December 31, 2019
Financial bond—current	\$ -	10,000
Financial bond—non-current	<u>20,000</u>	<u>20,000</u>
	<u>\$ 20,000</u>	<u>30,000</u>

The Company has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

- (i) The Company purchased the six-year bonds of Bank of Panhsin in June 2014. The face value of the bond was \$10,000 thousands and its effective interest rate was 3%. The bond has matured and the principal has been paid in July 2021.
- (ii) The Company purchased the seven-year bonds of Bank of Panhsin in June 2019. The face value of the bond was \$20,000 thousands and its effective interest rate was 2.25%.
- (iii) As of December 31, 2020 and 2019, the Company did not provide any of the aforementioned bond as collateral.
- (c) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 28,764	25,361
Accounts receivable	159,772	230,938
Accounts receivable – related parties	1,317	-
	189,853	256,299
Less: allowance for doubtful accounts	(544)	(3,578)
Long-term notes and accounts receivable, net	(2,725)	(2,410)
	\$ 186,584	250,311

- (i) The Company did not provide any of the aforementioned notes and accounts receivable as collateral. The aforementioned notes and accounts receivable were not discounted because the due dates were less than a year. The book value is assumed to approximate the fair value.
- (ii) The amount of notes and accounts receivable from the installment sales were \$6,363 thousands and 8,910 thousands as of December 31, 2020 and 2019 respectively. The aforementioned receivables as of December 31, 2020 were expected to be recovered by \$3,638 thousands and \$2,725 thousands for the years ended December 31, 2021 and 2022, respectively. The aforementioned receivables as of December 31, 2019 were expected to be recovered by \$6,500 thousands and \$2,410 thousands for the years ended December 31, 2020 and 2021, respectively, and \$6,500 thousands were already recovered for the year ended December 31, 2020.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

- (iii) The Company applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivable (including long-term). To measure the ECL, notes and accounts receivable have been grouped based on shared credit risk characteristics and customer's ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information. The ECL allowance provision analysis was as follows:

	December 31, 2020		
	Carrying amounts of notes and accounts receivable (including long- term)	Lifetime weighted- average ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 182,194	0%	-
Past due 0 to 60 days	6,247	0.5%~1.5%	34
Past due 61 to 210 days	813	7%~20%	108
Past due 211 to 360 days	310	30%~40%	113
More than 1 years past due	289	100%	289
	\$ 189,853		544
	December 31, 2019		
	Carrying amounts of notes and accounts receivable (including long- term)	Lifetime weighted- average ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 232,394	0%	-
Past due 0 to 60 days	19,222	0.5%~3%	146
Past due 61 to 210 days	1,879	7%~100%	628
Past due 211 to 360 days	2,183	30%~100%	2,183
More than 1 years past due	621	100%	621
	\$ 256,299		3,578

The movements in the allowance for notes, accounts receivable and other receivables was as follows:

	2020	2019
Balance at January 1	\$ 3,578	3,060
Impairment losses recognized (reversed)	(868)	1,815
Amounts written off	(733)	(1,297)
Balance at December 31	\$ 1,977	3,578

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(d) Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Software	\$ 77,349	84,185
Hardware	<u>287</u>	<u>72</u>
	<u>\$ 77,636</u>	<u>84,257</u>

Except for the cost of inventories that have been sold, the Company recognized the following items as cost of goods sold:

	<u>2020</u>	<u>2019</u>
Losses and (gains) on obsolete inventories and inventory valuation	\$ (2,961)	1,182
Loss on disposal of inventories	<u>5,416</u>	<u>1,669</u>
Total	<u>\$ 2,455</u>	<u>2,851</u>

As of December 31, 2020 and 2019, the Company did not provide any of the aforementioned inventories as collateral.

(e) Prepaid expense and other current assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other receivables	\$ 1,716	466
Other receivables — related parties	4,122	-
Prepaid expense	930	1,055
Less: allowance for doubtful accounts — other receivables	<u>(1,433)</u>	<u>-</u>
	<u>\$ 5,335</u>	<u>1,521</u>

Please refer to note 6(c) for the movements in the allowance for other receivables.

(f) Investments accounted for using equity method

The Company's investments accounted for using the equity method at the reporting dates comprise:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	<u>\$ 176,121</u>	<u>146,147</u>

- (i) Please refer to the Company's consolidated financial statements for the year ended December 31, 2020, for details of subsidiaries.
- (ii) As of December 31, 2020 and 2019, the Company did not provide any of the aforementioned investments as collateral.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Computers</u>	<u>Office equipment</u>	<u>Total</u>
Cost:					
Balance on January 1, 2020	\$ 10,260	6,175	21,580	3,174	41,189
Additions	-	-	3,209	356	3,565
Disposals	-	-	(3,515)	(342)	(3,857)
Balance on December 31, 2020	<u>\$ 10,260</u>	<u>6,175</u>	<u>21,274</u>	<u>3,188</u>	<u>40,897</u>
Balance on January 1, 2019	\$ 10,260	6,175	18,817	3,208	38,460
Additions	-	-	3,734	75	3,809
Disposals	-	-	(971)	(109)	(1,080)
Balance on December 31, 2019	<u>\$ 10,260</u>	<u>6,175</u>	<u>21,580</u>	<u>3,174</u>	<u>41,189</u>
Depreciation:					
Balance on January 1, 2020	\$ -	1,971	13,711	2,593	18,275
Depreciation	-	103	2,853	164	3,120
Disposals	-	-	(3,157)	(171)	(3,328)
Balance on December 31, 2020	<u>\$ -</u>	<u>2,074</u>	<u>13,407</u>	<u>2,586</u>	<u>18,067</u>
Balance on January 1, 2019	\$ -	1,791	11,969	2,469	16,229
Depreciation	-	180	2,688	226	3,094
Disposals	-	-	(946)	(102)	(1,048)
Balance on December 31, 2019	<u>\$ -</u>	<u>1,971</u>	<u>13,711</u>	<u>2,593</u>	<u>18,275</u>
Carring amounts:					
Balance on December 31, 2020	<u>\$ 10,260</u>	<u>4,101</u>	<u>7,867</u>	<u>602</u>	<u>22,830</u>
Balance on December 31, 2019	<u>\$ 10,260</u>	<u>4,204</u>	<u>7,869</u>	<u>581</u>	<u>22,914</u>
Balance on January 1, 2019	<u>\$ 10,260</u>	<u>4,384</u>	<u>6,848</u>	<u>739</u>	<u>22,231</u>

As of December 31, 2020 and 2019, the Company did not provide any of the aforementioned property, plant and equipment as collateral.

(h) Right-of-use assets

The cost and depreciation of the building for which the Company lease as a lessee were as follows:

	<u>Buildings</u>
Cost:	
Balance on January 1, 2020	\$ 44,207
Additions	<u>7,341</u>
Balance on December 31, 2020	<u>\$ 51,548</u>
Balance as of January 1, 2019	\$ 39,479
Additions	<u>4,728</u>
Balance as of December 31, 2019	<u>\$ 44,207</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

	<u>Buildings</u>
Depreciation:	
Balance on January 1, 2020	\$ 10,462
Depreciation	<u>11,443</u>
Balance on December 31, 2020	<u><u>\$ 21,905</u></u>
Balance as of January 1, 2019	\$ -
Depreciation	<u>10,462</u>
Balance as of December 31, 2019	<u><u>\$ 10,462</u></u>
Carrying amount:	
Balance on December 31, 2020	<u><u>\$ 29,643</u></u>
Balance as of December 31, 2019	<u><u>\$ 33,745</u></u>
Balance as of January 1, 2019	<u><u>\$ 39,479</u></u>

The Company subleases partial of its right-of-use assets to subsidiaries under operating lease, please refer to notes 6(j) and 7 for information about the lease.

(i) Lease liabilities

Lease liabilities of the Company were as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Current	<u><u>\$ 12,949</u></u>	<u><u>10,277</u></u>
Non-current	<u><u>\$ 17,389</u></u>	<u><u>24,002</u></u>

For the maturities analysis, please refer to note 6(r).

The amount recognized in profit or loss were as follows:

	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	<u><u>\$ 650</u></u>	<u><u>745</u></u>
Income from sub-leasing right-of-use assets	<u><u>\$ 486</u></u>	<u><u>-</u></u>
Expenses relating to short-term leases and leases of low-value assets	<u><u>\$ 3,640</u></u>	<u><u>3,079</u></u>

The amounts recognized in the statement of cash flows for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Rental paid in operating activities	\$ (3,640)	(3,079)
Interest on lease liabilities paid in operating activities	(650)	(745)
Payment made on lease liabilities in financing activities	<u>(11,282)</u>	<u>(9,928)</u>
Total cash outflow for leases	<u><u>\$ (15,572)</u></u>	<u><u>(13,752)</u></u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

The Company leases buildings for its office space and warehouse. The leases of office space typically run for a period of 2 to 5 years, and of warehouse for 2 years.

(j) Operating lease

The Company leases out partial of its right-of-use assets to subsidiaries. The Company has classified the leases as operating leases, because the period of sublease does not cover the major remaining term of the head lease. Please refer to notes 6(h) and 7 for information about the lease.

For the year ended December 31, 2020, the Company recognized rental revenue with respect to right-of-use asset lease amounting to \$486 thousand as other gains and losses. There was no such transaction for the year ended December 31, 2019.

(k) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and fair value adjustment of plan assets of the Company were as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 29,885	29,445
Fair value of plan assets	26,880	24,007
Net defined benefit liability	\$ 3,005	5,438

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive payments based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company contributes pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$26,880 thousands at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit obligation at January 1	\$ 29,445	20,851
Current service costs and interest expense	620	494
Remeasurement of net defined liability expense		
— Actuarial gain (loss) arising from experience adjustments	(180)	3,914
— Actuarial gain (loss) arising from financial assumptions	-	4,186
Defined benefit obligation at December 31	<u>\$ 29,885</u>	<u>29,445</u>

3) Movements in the fair value of plan assets

The movements in the fair value of plan assets for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets at January 1	\$ 24,007	21,322
Contributions paid by the employer	1,927	1,717
Interest income	380	392
Remeasurement of net defined asset		
— Return on plan assets (excluding interest income)	566	576
Fair value of plan assets at December 31	<u>\$ 26,880</u>	<u>24,007</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Current service costs	\$ 178	129
Net interest of net liabilities (asset) for defined benefit	62	(27)
	<u>\$ 240</u>	<u>102</u>
Selling expenses	\$ 194	83
Administrative expenses	35	14
Research and development expenses	11	5
	<u>\$ 240</u>	<u>102</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

- 5) Remeasurement of the net defined benefit liabilities (asset) recognized in other comprehensive income

As of December 31, 2020 and 2019, the Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income were as follows:

	<u>2020</u>	<u>2019</u>
Cumulated amount at January 1	\$ 1,896	(5,629)
Recognized during the period	<u>(746)</u>	<u>7,525</u>
Cumulated amount at December 31	<u>\$ 1,150</u>	<u>1,896</u>

- 6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	<u>2020</u>	<u>2019</u>
Discount rate	1.50 %	1.50 %
Future salary increase rate	4.00 %	4.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one year period after the reporting date was \$2,622 thousands.

The weighted average duration of the defined benefit plans is 6.2 years.

- 7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligations as of December 31, 2020 and 2019, would have been as follows:

	Influence of defined benefit obligations	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
Discount rate:		
December 31, 2020	\$ <u>(862)</u>	<u>900</u>
December 31, 2019	\$ <u>(905)</u>	<u>947</u>
	Influence of defined benefit obligations	
	<u>Increased 1%</u>	<u>Decreased 1%</u>
Future salary increase rate:		
December 31, 2020	\$ <u>3,448</u>	<u>(2,999)</u>
December 31, 2019	\$ <u>3,653</u>	<u>(3,152)</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. Many assumption changes may affect each other in practice. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There was no change in the method and assumptions used in the preparation of the sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company recognized pension costs under the defined contribution method amounted to \$6,575 thousands and \$5,804 thousands for the years ended December 31, 2020 and 2019, respectively.

(l) Income taxes

(i) Income tax expense

The components of income tax expenses were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense	\$ 25,622	30,172
Deferred tax expense	2,330	2,711
Income tax expense	<u>\$ 27,952</u>	<u>32,883</u>

(ii) The Company had no income taxes recognized directly in equity.

(iii) The amounts of income tax benefit recognized in other comprehensive income were as follows:

	<u>2020</u>	<u>2019</u>
Exchange differences on translation of foreign operations' financial statements	\$ <u>(6)</u>	<u>(943)</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

- (iv) Reconciliation of income tax expense and profit before tax were as follows:

	<u>2020</u>	<u>2019</u>
Profit before income tax	\$ 164,751	176,009
Income tax using the Company's domestic tax rate	32,950	35,202
Change in provision in prior periods	(3,907)	(3,279)
10% surtax unappropriated earnings	1,174	627
Investment tax credits accrued	(3,579)	-
Others	1,314	333
	<u>\$ 27,952</u>	<u>32,883</u>

- (v) Deferred tax assets and liabilities

There are no unrecognized deferred tax assets and liabilities. Change in the amount of deferred tax assets and liabilities were as follows:

	<u>Investment income of subsidiaries recognized under the equity method</u>	<u>Defined benefit obligations</u>	<u>Other</u>	<u>Total</u>	
Deferred tax liabilities:					
Balance on January 1, 2020	\$ 3,203	1,448	-	4,651	
Recognized in profit or loss	1,155	337	-	1,492	
Balance on December 31, 2020	<u>\$ 4,358</u>	<u>1,785</u>	<u>-</u>	<u>6,143</u>	
Balance on January 1, 2019	\$ 1,138	1,125	10	2,273	
Recognized in profit or loss	2,065	323	(10)	2,378	
Balance on December 31, 2019	<u>\$ 3,203</u>	<u>1,448</u>	<u>-</u>	<u>4,651</u>	
	<u>Share of other comprehensive income of subsidiaries recognized under the equity method</u>	<u>Loss on inventory valuation and obsolete inventories</u>	<u>Bad debt in excess of tax limit</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:					
Balance on January 1, 2020	\$ (2,948)	(1,462)	(384)	(126)	(4,920)
Recognized in profit or loss	-	592	187	59	838
Recognized in other comprehensive income	(6)	-	-	-	(6)
Balance on December 31, 2020	<u>\$ (2,954)</u>	<u>(870)</u>	<u>(197)</u>	<u>(67)</u>	<u>(4,088)</u>
Balance on January 1, 2019	\$ (2,005)	(1,226)	(275)	(804)	(4,310)
Recognized in profit or loss	-	(236)	(109)	678	333
Recognized in other comprehensive income	(943)	-	-	-	(943)
Balance on December 31, 2019	<u>\$ (2,948)</u>	<u>(1,462)</u>	<u>(384)</u>	<u>(126)</u>	<u>(4,920)</u>

- (vi) The Company's income tax returns have been examined by the tax authority through the years up to 2018.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(m) Capital and other equity

(i) Capital

As of December 31, 2020 and 2019, the number of authorized ordinary shares both were 20,000 thousand shares with par value of \$10 (dollars) per share and amounted to \$200,000 thousands. As of the dates, 17,097 thousand shares of ordinary shares were issued and all issued ordinary shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2020	December 31, 2019
Additional paid-in capital	\$ 68,176	68,176
Employee stock options	637	637
	\$ 68,813	68,813

According to the ROC Company Act, capital surplus can only be used to offset an accumulated deficit, and then the realized capital surplus can be distributed as stock dividends or cash dividends according to the stockholders' original percentage of ownership. The aforementioned realized capital surplus includes capital surplus resulting from premium upon the issuance of capital stock and donation gains. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the increase in capital by transferring the paid-in capital in excess of the par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

Base on the Company's articles of incorporation, when allocating the earnings for each year, the Corporation shall first pay income taxes, and offset its prior years' deficits, if any. Of the remaining balance, 10% is to be appropriated as legal reserve, until the accumulated legal reserve has equaled the total capital of the Corporation; then set aside a special reserve in accordance with the relevant laws when necessary. The balance of the earnings shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed by the Board of Directors' distribution proposals and the resolution at the stockholders' meeting.

The Company shall consider the demand for expanding the scale of corporation, cash-flow, retained earnings, flexibility of business operation, and strength of competition to distribute dividend. The dividend distributed by directors' meeting shall not be less than 20% of the net amount of the annual profit after deducting the reserve retained in accordance with the laws while cash dividend shall not be less than 10% of the distributed dividend. The rate of cash dividend could be adjusted by the stockholders' meeting in accordance with the actual profit in the year and demand of cash-flow in the future.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a stockholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash to shareholders, and only the portion of the legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of the current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the current-period total net reduction of other stockholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for the cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The Board of Directors resolved the distribution of earnings for 2019 on March 16, 2020, as well as the stockholders' meeting resolved the distribution of earnings for 2018 on June 24, 2019, respectively. The distribution was \$5.50 (dollars) and \$3.00 (dollars) per share, which amounted to \$94,034 thousands and \$51,291 thousands, respectively. Information can be accessed in the Market Observation Post System website.

(n) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding was as follows:

	2020	2019
Profit attributable to ordinary shareholders of the Company	<u>\$ 136,799</u>	<u>143,126</u>
	2020	2019
Weighted average number of ordinary shares (thousand shares)	<u>17,097</u>	<u>17,097</u>

(ii) Diluted earnings per share

The calculation of diluted earnings per share based on the profit attributable to and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

	2020	2019
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 136,799</u>	<u>143,126</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares (basic) (thousand shares)	17,097	17,097
Effect of employee remuneration	134	123
Weighted average number of ordinary shares (diluted) (thousand shares)	<u>17,231</u>	<u>17,220</u>

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2020</u>	<u>2019</u>
Primary geographical markets:		
Taiwan	<u>\$ 1,031,001</u>	<u>1,091,288</u>
Major products:		
CAD	\$ 752,805	735,870
Service	79,174	80,891
Subscription contracts	66,504	144,379
Game engine	21,902	22,916
3D Animation	19,465	31,062
Other	91,151	76,170
	<u>\$ 1,031,001</u>	<u>1,091,288</u>

(ii) Contract balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Notes and accounts receivable (including long-term)	\$ 188,536	256,299	256,967
Accounts receivable – related parties	1,317	-	-
Less: allowance for impairment	(544)	(3,578)	(3,060)
Total	<u>\$ 189,309</u>	<u>252,721</u>	<u>253,907</u>

For details on notes, accounts receivable (including long-term) and allowance for impairment, please refer to note 6(c).

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(p) Employee compensation and directors' and supervisors' remuneration

Based on the Company's articles of incorporation, more than 5% of annual profit should be appropriated as employee remuneration. The Board of Directors will adopt a resolution on whether the distribution is paid in cash or stock. Qualified employees, including the employees of subsidiaries of the Company meeting certain specific requirements, are entitled to receive their remuneration specified by the Board of Directors. The annual profit aforementioned may also be appropriated as directors' and supervisors' remuneration through the board's resolution, wherein the amount should not exceed 3% of annual profit. (In June 2020, the stockholders' meeting resolved to establish an Audit Committee to replace the supervisors.) However, if the Company has accumulated deficits, the profit should be reserved to offset the deficits.

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$8,810 thousands and \$9,412 thousands, and directors' and supervisors' remuneration amounting to \$2,643 thousands and \$2,824 thousands, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating expenses during period. The amounts, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2020 and 2019.

(q) Other gains and losses

The details of other gains and losses were as follows:

	<u>2020</u>	<u>2019</u>
Foreign exchange losses	\$ (399)	(24)
Rental revenue	486	-
Other	<u>399</u>	<u>97</u>
	<u>\$ 486</u>	<u>73</u>

(r) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2020 and 2019, the maximum amount exposed to credit risk amounted to \$582,794 thousands and \$591,977 thousands, respectively.

2) Concentration of credit risk

Since the Company has a lot of customers, it does not trade with single customer and market areas are diversified. The Company periodically evaluates these customers' financial position and the possibility of recovery of notes and accounts receivable to lower credit risk, collaterals will be requested from the customers if necessary.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

- 3) For credit risk exposure of notes and accounts receivable (including long-term), please refer to note 6(c).
- 4) The exposure to credit risk for the financial assets at amortized cost are measured and monitored by the Company's finance department. The Company only deals with banks with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
December 31, 2020					
Accounts payable	\$ 66,649	66,649	66,649	-	-
Salaries payable	46,633	46,633	46,633	-	-
Accrued expenses and other pyables	22,245	22,245	22,245	-	-
Lease liabilities	<u>30,338</u>	<u>31,097</u>	<u>13,437</u>	<u>12,571</u>	<u>5,089</u>
	<u>\$ 165,865</u>	<u>166,624</u>	<u>148,964</u>	<u>12,571</u>	<u>5,089</u>
December 31, 2019					
Accounts payable	\$ 82,738	82,738	82,738	-	-
Salaries payable	47,029	47,029	47,029	-	-
Accrued expenses and other pyables	24,878	24,878	24,878	-	-
Lease liabilities	<u>34,279</u>	<u>35,462</u>	<u>10,869</u>	<u>10,866</u>	<u>13,727</u>
	<u>\$ 188,924</u>	<u>190,107</u>	<u>165,514</u>	<u>10,866</u>	<u>13,727</u>

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

- 1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	<u>December 31, 2020</u>			<u>December 31, 2019</u>			
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	
<u>Financial assets</u>							
Monetary items-USD	\$	388	28.10	10,893	127	30.10	3,812
<u>Financial liabilities</u>							
Monetary items-USD		19	28.10	542	1	30.10	18

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents and accounts payable that are denominated in foreign currency. A weakening (strengthening) of 5% of the TWD against the USD as of December 31, 2020 and 2019, would have increased or decreased the profit before tax by \$518 thousands and \$190 thousands for the years ended December 31, 2020 and 2019, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain or loss on monetary items

The information on the amount of the Company's foreign exchange gain or loss on monetary items (including realized and unrealized) translated to the functional currency, and on the exchange rate translated to the functional currency of the parent company (the presentation currency), TWD, was as follows:

Functional currencies	2020		2019	
	Foreign exchange gain or loss	Average exchange rate	Foreign exchange gain or loss	Average exchange rate
TWD	\$ <u>(399)</u>	1	<u>(24)</u>	1

(iv) Interest rate analysis

The Company's financial assets with floating-rate were bank deposits and there were no financial liabilities with floating-rate. The Company believes that the cash flow risk arising from the fluctuation in interest rates was not significant and the sensitivity analysis of interest rate was not required.

(v) Fair value—Kinds of financial instruments and fair value

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value and lease liabilities, disclosure of fair value information is not required.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

		December 31, 2020				
		Fair Value				
		Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:						
	Financial bond	\$ 20,000				
	Cash and cash equivalents	357,032				
	Notes and accounts receivable (including long-term)	189,309				
	Other receivables (including related parties)	4,405				
	Refundable deposits	11,548				
	Restricted deposit	<u>500</u>				
	Total	<u>\$ 582,794</u>				
Financial liabilities measured at amortized cost:						
	Accounts payable	\$ 66,649				
	Salaries payable	46,633				
	Accrued expenses and other payables	22,245				
	Lease liabilities	<u>30,338</u>				
	Total	<u>\$ 165,865</u>				
		December 31, 2019				
		Fair Value				
		Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:						
	Financial bond	\$ 30,000				
	Cash and cash equivalents	298,646				
	Notes and accounts receivable (including long-term)	252,721				
	Other receivables	466				
	Refundable deposits	9,644				
	Restricted deposit	<u>500</u>				
	Total	<u>\$ 591,977</u>				

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

	Carrying amounts	December 31, 2019			
		Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost:					
Accounts payable	\$ 82,738				
Salaries payable	47,029				
Accrued expenses and other payables	24,878				
Lease liabilities	<u>34,279</u>				
Total	<u>\$ 188,924</u>				

(s) Financial risk management

(i) Overview

The Company has exposure to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

(ii) Structure of risk management

The financial management department of the Company provides services for each business, including helping businesses to operate in the domestic and international financial markets, and supervising and managing the financial risks of the Company related to the operation by analyzing the internal risk report in accordance with the degree and extent of risk. Internal auditors continue to review policy compliance and risk limits.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Company's cash and cash equivalents; receivables; and bonds.

1) Notes, accounts and other receivables

The Company has established a credit policy and is required to transact with corporations having high credit ratings. The Company uses external credit rating systems and previous transaction records to assess the credit quality and set the credit limits for the customer. The Company constantly supervises credit exposures and credit limits of transaction partners, and controls credit exposures through setting the credit limits.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

2) Investment

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on bank deposits that are denominated in a currency other than the respective functional currencies of the Company's entities. The bank deposits are denominated in USD. The Company believes the cash flow risk arising from the fluctuation in exchange rates is not significant.

2) Interest rate risk

The Company's main assets with a floating interest rate basis are bank deposits. The Company believes that cash flow risk arising from the fluctuation in interest rates is not significant.

(t) Capital Management

The Company's capital management policy is to maintain a strong capital base and appropriate debt ratio so as to maintain investor, creditor, and market confidence to sustain the future development of the business.

As of December 31, 2020 and 2019, the debt ratios were 22% and 26%, respectively. There were no changes in the Company's approach to capital management as of December 31, 2020.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(u) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the year ended December 31, 2020 and 2019, were as follows:

(vi) For acquisition of right-of-use asset by leasing, please refer to notes 6(h) and (i).

(vii) Reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1,</u> <u>2020</u>	<u>Acquisition</u>	<u>Cash flows</u>	<u>Non-cash</u> <u>change</u>	<u>December</u> <u>31, 2020</u>
Lease liabilities (Amount of total liabilities from financing activities)	\$ <u>34,279</u>	<u>7,341</u>	<u>(11,282)</u>	<u>-</u>	<u>30,338</u>
	<u>January 1,</u> <u>2019</u>	<u>Acquisition</u>	<u>Cash flows</u>	<u>Non-cash</u> <u>change</u>	<u>January 1,</u> <u>2019</u>
Lease liabilities (Amount of total liabilities from financing activities)	\$ <u>39,479</u>	<u>4,728</u>	<u>(9,928)</u>	<u>-</u>	<u>34,279</u>

(7) Related-party transactions:

(a) Names and relationship of the related parties

The followings is related party that has had transactions with the Company during the periods covered in the parent company only financial statements.

<u>Name</u>	<u>Relationship</u>
Otsuka Information Technology Ltd. (Otsuka Information)	A subsidiary
To Gather Corp. (To Gather)	A subsidiary
Unilink Innovation Information Technology Corp. (Unilink)	A subsidiary
Otsuka Software Trading (Dongguan) Ltd. (Otsuka Dongguan)	A subsidiary
Otsuka OITC Information Technology (Shanghai) Ltd. (OITC)	A subsidiary

(b) Significant transactions with related parties

(i) Sales

The amounts of sales by the Company to related parties and outstanding balances were as follows:

	<u>Sales</u>		<u>Accounts receivable</u>	
	<u>2020</u>	<u>2019</u>	<u>December</u> <u>31, 2020</u>	<u>December</u> <u>31, 2019</u>
Subsidiaries	\$ <u>6,413</u>	<u>-</u>	<u>1,317</u>	<u>-</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

The selling price offered to related parties was determined based on the cost plus profit margin. The trading terms of related parties and other customers were 30 to 60 days and 30 to 210 days, respectively.

(ii) Purchases

The amounts of purchases by the Company from related parties and the outstanding balances were as follows:

	<u>Purchases</u>		<u>Accounts payable</u>	
	<u>2020</u>	<u>2019</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ <u>-</u>	<u>664</u>	<u>-</u>	<u>-</u>

There were no significant differences in the purchasing price and other trading terms between related parties and other vendors. The payment terms of related parties and other vendors were 30 days and 30 to 60 days, respectively.

(iii) Property transaction

In 2020, the Company sold its office and computer equipment as well as other assets to Unilink with selling price amounting to \$1,299 thousand. As of December 31, 2020, The transaction has been completed and there is no outstanding balance.

(iv) Loans to related parties

The balance of selling price loans to related parties were as follows (There was no such loans to related parties for the year ended December 31, 2019.):

	<u>2020</u>					
	<u>Highest balance</u>	<u>Ending balance</u>	<u>Actual usage amount</u>	<u>Agreed interest rate</u>	<u>interest income</u>	<u>Other receivables</u>
To Gather	\$ <u>10,000</u>	<u>10,000</u>	<u>4,000</u>	1.8%	<u>29</u>	<u>4,029</u>

(v) Other transactions

1) Operating expenses – other

The amounts of operating expenses paid to related parties by the Company and the outstanding balances were as follows:

	<u>Operating expenses</u>		<u>Other payables</u>	
	<u>2020</u>	<u>2019</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
To Gather	\$ <u>1,174</u>	<u>27</u>	<u>-</u>	<u>-</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

2) Other revenue (recognized as other gains and losses)

The Company entered into a management service contract with its subsidiary to provide supporting service such as accounting and capital management, and subleased partial of its right-of-use asset under operating lease to its subsidiary as office space.

The revenue and outstanding balance were as follows:

	Revenues		Other receivables	
	2020	2019	December 31, 2020	December 31, 2019
Service revenue				
To Gather	57	-	68	-
Unilink	24	-	25	-
Rental revenue				
Unilink	486	-	-	-
	<u>\$ 567</u>	<u>-</u>	<u>93</u>	<u>-</u>

(vi) Guarantee

The amounts of guarantees by the Company, provided to related parties were as follows:

	December 31, 2020	December 31, 2019
To Gather—Performance guarantee	<u>\$ -</u>	<u>10,000</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2020	2019
Short term employee benefits	\$ 20,838	20,200
Termination benefits	222	178
Post employment benefits	-	-
Other long term benefits	-	-
Share based payments	-	-
	<u>\$ 21,060</u>	<u>20,378</u>

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2020	December 31, 2019
Other non-current assets—restricted deposit	line of corporate credit card	<u>\$ 500</u>	<u>500</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(9) Commitments and contingencies:

- (a) For the detail of the Company's guarantees provided to subsidiaries, please refer to notes 7.
- (b) Guarantee notes provided as part of agreements and line of forward exchange were as follows:

	December 31, 2020	December 31, 2019
Guaranteed notes	\$ 3,845	19,628

(10) Losses Due to Major Disasters:None**(11) Subsequent Events:None****(12) Other:**

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	2020			2019		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		-	171,948	171,948	-	163,598	163,598
Labor and health insurance		-	12,470	12,470	-	11,185	11,185
Pension		-	6,815	6,815	-	5,906	5,906
Remuneration of directors		-	4,652	4,652	-	3,344	3,344
Others		-	6,354	6,354	-	6,270	6,270
Depreciation		-	14,563	14,563	-	13,556	13,556
Amortization		-	3,767	3,767	-	3,058	3,058

The following were the additional information on the Company's employees and employee benefits for the years ended December 31, 2020 and 2019:

	2020	2019
Average numbers of employees	161	149
Numbers of directors, but not employees concurrently	8	5
The average employee benefit	\$ 1,291	1,298
The average salaries and wages	\$ 1,124	1,136
The average adjustment of salaries and wages	(1.06)%	
Remuneration of supervisors	\$ 1,419	1,472

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

The Company's salary and remuneration policy (including directors, supervisors, managers and employee) was as follows:

The reward of directors and supervisors includes compensation, duty performance allowance and remuneration. The amount of compensation and duty performance allowance should follow the Company's Articles of Incorporation that authorize the board of directors paying reasonable remuneration to directors and supervisors with considering responsibilities charged, contribution made to the Company and the standard of peer companies. The remuneration will be taken into consideration operating result and evaluation of directors' performance and stated in the Company's Articles of Incorporation, as well as should be appropriated not exceed 3% of annual profit. The evaluation of performance and rationality of remuneration are both resolved by the Remuneration Committee and Board of Directors.

The salary structure includes the basic salary, duty and other allowances and bonus, etc.. The remuneration of managers will be evaluated by the Remuneration Committee being taken into consideration the nature of job, responsibilities charged, along with the education, experiences, seniority and performance, and the result of remuneration will be submitted to the Board of Directors. After the resolution of the Board of Director and stockholders' meeting, the employee compensation will be distributed according to each employee's performance, seniority, job grade and special contribution to the Company.

(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant transactions required to be disclosed by the Regulations for the Company:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 1)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	To Gather Corp.	Other receivables	Y	10,000	10,000	4,000	1.8%	Necessary to short-term loans to other parties	-	Operating capital	-	N	-	70,355	140,710
1	Otsuka Software Trading (Dongguan) Ltd.	Otsuka OITC Information Technology (Shanghai) Ltd.	Other receivables	Y	21,665	21,585	-	-	Necessary to short-term loans to other parties	-	Operating capital	-	N	-	52,399	74,856

Note1: The ending balance is the amount of loans to other parties were authorized by the Board of Directors.

Note2: The total amount of loans provided by the domestic subsidiaries to a company shall not exceed 10% of its net worth; and the total amount of loans to all companies shall not exceed 20% of their net worth.

Note3: The total amount of loans provided by the foreign subsidiaries to a company shall not exceed 70% of their net worth; and the total amount for loans to all companies shall not exceed their net total worth.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

- (ii) Guarantees and endorsements for other parties:None
- (iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Company holding securities	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Financial Bond: FY2019 1st subordinated bond of Bank of Panhsin	None	Financial assets measured at amortized cost-non-current	-	20,000	-	20,000	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Otsuka Software Trading (Dongguan) Ltd.	Structured Investment Products	Financial Assets at Fair Value through Profit and Loss	-	-	-	-	102,528	-	103,243	102,528	715	-	-	
Otsuka OITC Information Technology (Shanghai) Ltd.	"	"	-	-	-	-	68,352	-	68,829	68,352	477	-	-	

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None
- (ix) Trading in derivative instruments:None

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The company	Otsuka Information Technology Ltd.	Hong Kong	Holding company	129,517	129,517	32,760	100.00 %	139,501	5,776	5,776	
"	To Gather Corp.	Taiwan	Restaurant	13,500	13,500	1,350	90.00 %	7,710	(5,200)	(4,680)	
"	Unilink Innovation Technology Corp.	Taiwan	Software merchandising	30,000	-	3,000	100.00 %	28,910	(1,090)	(1,090)	

(c) Information on investment in China:

(i) The names of investees in China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Otsuka Software Trading (Dongguan) Ltd.	Software merchandising	44,960 (US\$1,600 thousand)	Investing in China through the company incorporated in the third country	44,960 (US\$1,600 thousand)	-	-	44,960 (US\$1,600 thousand)	874	100.00%	874	74,856	-
Otsuka Information Technology (Shanghai) Ltd.	Software merchandising	73,060 (US\$2,600 thousand)	"	73,060 (US\$2,600 thousand)	-	-	73,060 (US\$2,600 thousand)	4,902	100.00%	4,902	64,638	-

Note 1: The limited companies did not issue the shares.

(ii) Limitation on investment in China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
118,020 (USD4,200 thousand)	118,020 (USD4,200 thousand)	422,131

Note: The TWD amount was measured on December 31, 2020 with the spot exchange rate of 28.10.

The above investment income (losses) were based on the financial statements audited by the Company's auditors.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in China are disclosed in “Information on significant transactions”.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Otsuka Corp.		6,465,900	37.81 %
Tu, Shui-Cheng		1,700,000	9.94 %
Liu, Bo-Wen		1,414,000	8.27 %
The Otsuka Information Technology Corp. Employee Welfare Trust Account handled by Bank SinoPac		865,187	5.06 %

(14) Segment information:

Please refer to the Company's consolidated financial statements for the year ended December 31, 2020, for details.

OTSUKA INFORMATION TECHNOLOGY CORP.

Statement of cash and cash equivalents

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand	Petty cash and working capital	\$ <u>227</u>
Check deposits		1,094
Demand deposits – NTD		201,877
Demand deposits – foreign currency	USD388 thousand ; Exchange rate28.10	10,893
	JPY1,620 thousand ; Exchange rate0.2725	<u>441</u>
		<u>214,305</u>
Time deposits – NTD	Term:2020.10.14~2021.3.29; Interest rate 0.41%	<u>142,500</u>
Total		<u>\$ 357,032</u>

Statement of notes and accounts receivable

<u>Customers</u>	<u>Description</u>	<u>Amount</u>
Notes receivable:		
Other (note)	Sales to non-related parties	\$ <u>28,764</u>
Accounts receivable:		
Other (note)	"	<u>159,772</u>
Accounts receivable – related parties:		
Unilink Innovation Information Technology Corp.	Sales to related parties	<u>1,317</u>
Subtotal		<u>189,853</u>
Less: allowance for doubtful accounts		<u>(544)</u>
Long-term notes and accounts receivable, net		<u>(2,725)</u>
Total		<u>\$ 186,584</u>

Note: The amounts of the individual items which below 5% of the account are not listed separately.

OTSUKA INFORMATION TECHNOLOGY CORP.

Statement of inventories

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Cost	Net realizable value
Software	\$ 80,364	80,101
Provision for software	<u>(3,015)</u>	
	<u>77,349</u>	
Hardware	1,619	1,614
Provision for hardware	<u>(1,332)</u>	
	<u>287</u>	
Net amount	<u><u>\$ 77,636</u></u>	<u><u>81,715</u></u>

OTSUKA INFORMATION TECHNOLOGY CORP.

Statement of changes in investments accounted for using the equity method

From January 1 to December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Additions		Disposal		Other adjustments (Note)		Ending Balance			Market value or book value	Pledged of guaranteed (Book value)
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Percentage of holding shares	Amount		
Otsuka Information Technology Ltd.	32,760	\$ 133,757	-	-	-	-	-	5,744	32,760	100.00 %	139,501	139,501	None
To Gather Corp.	1,350	12,390	-	-	-	-	-	(4,680)	1,350	90.00 %	7,710	7,710	"
Unilink Innovation Information Technology Corp.	-	-	3,000	30,000	-	-	-	(1,090)	3,000	100.00 %	28,910	28,910	"
Total		<u>\$ 146,147</u>		<u>30,000</u>		<u>-</u>		<u>(26)</u>			<u>176,121</u>	<u>176,121</u>	

Note : Other adjustments include the profit from investments using the equity method amounted to \$6 thousands, and the cumulative translation adjustments amounted to (\$32) thousands.

OTSUKA INFORMATION TECHNOLOGY CORP.

Statement of changes in property, plant and equipment

From January 1 to December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(g) for Property, plant and equipment.

Statement of changes in right-of-use assets

From January 1 to December 31, 2019

Please refer to note 6(h) for right-of-use assets.

Statement of other non-current assets

December 31, 2020

<u>Item</u>	<u>Description</u>	<u>Ammount</u>
Refundable deposits	Deposits of lease and performance bond, etc.	\$ 11,548
Long-term prepaid expense	Software, etc.	5,308
Deferred tax assets		4,088
Long-term notes and accounts receivable		2,725
Restricted deposit	Pledge for line of corporate credit card	<u>500</u>
Total		<u><u>\$ 24,169</u></u>

OTSUKA INFORMATION TECHNOLOGY CORP.

Statement of accounts payables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
SYNNEX TECHNOLOGY INTERNATIONAL CORPORATION	Purchase from non-related-parties	\$ 43,361
SIEMENS INDUSTRY SOFTWARE (TW) CO., LTD.	"	5,031
PARAMETRIC TECHNOLOGY CORPORATION	"	4,133
GRANDTECH C.G. SYSTEMS INC.	"	3,382
Other (note)	"	<u>10,742</u>
Total		<u><u>\$ 66,649</u></u>

Note: The amounts of the individual items which below 5% of the account are not listed separately.

Accrued expenses and other payables

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Tax payable	Corporation income tax payable	\$ 13,092
Employee and director remuneration payable	Employees' and directors' remuneration for 2020 in accordance with the Articles	11,453
Sales tax payable		2,752
Other (note)	Payable of labor and health insurance, service fee and pension, etc.	8,040
Total		<u><u>\$ 35,337</u></u>

Note: The amounts of the individual items which below 5% of the account are not listed separately.

Otsuka Information Technology Corp.
Statement of operating revenue
From January 1 to December 31, 2019
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Sales revenue:	
Software	\$ 942,663
Hardware	10,286
Less: Sales returns and discounts	<u>(1,122)</u>
Net sales revenue	951,827
Net service revenue	<u>79,174</u>
Total	<u><u>\$ 1,031,001</u></u>

Statement of operating costs

<u>Item</u>	<u>Amount</u>
Inventories on January 1, 2020	\$ 91,565
Add: Purchases	607,091
Less: Inventories on December 31, 2020	(81,983)
Gains on inventory valuation and obsolete inventories	(2,961)
Other operating costs	(84)
Self-use and transferred to expense	<u>(195)</u>
Cost of goods sold	613,433
Service costs	<u>7,263</u>
Operating costs	<u><u>\$ 620,696</u></u>

Otsuka Information Technology Corp.

Statement of selling, administrative, research and development expenses

From January 1 to December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>
Salaries	\$ 146,501	24,430	5,669
Depreciation	11,919	2,172	472
Insurance	10,371	2,045	453
Service expense	-	4,298	-
Other (note)	<u>33,863</u>	<u>4,318</u>	<u>1,121</u>
Total	<u>\$ 202,654</u>	<u>37,263</u>	<u>7,715</u>

Note: The amounts of the individual items which below 5% of the account are not listed separately.

Otsuka Information Technology Corp.



Chairman Tsurumi Hironobu

