

# Otsuka Information Technology Corp.

## **2022 ANNUAL REPORT**

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

**May 31, 2023**

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

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## I. Letter to Shareholders

### I. 2022 Business Report

#### (I) Implementation Results of Business Plans

The Corporation has been dedicated to assisting clients in integration of all 3D computer graphics software systems, providing middle-to-high level CAX/CAM software application solutions and technical consultation to our clients, meanwhile performing optimization process for design of link information to enhance client R&D efficiency. We expand new high-level application opportunities continuously and develop agency opportunities for new products, meanwhile assisting clients in incorporating all production node information management, integrating data system and introducing mixed reality and mobile data. Becoming the best business partner for client's digital transformation. As a result, with the injection of revenue brought by groups of high-quality clients, operating income and profit in 2021 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 2022 operating revenue is NTD 1,556,029 Thousand, which increased by NTD 255,503 Thousand, 19.65% from last year; operating margin is NTD 521,704 Thousand, which increased by 40,982 Thousand, 8.53% from last year, and net income is NTD 181,706 Thousand, which increased by 36,587 Thousand, 25.21% from last year.

#### Otsuka Consolidated Financial Statement

Unit: NTD thousands

Year	2021		2022		Gain/Loss	
	Amount	%	Amount	%	Amount	%
Operating Revenue	1,300,526	100.00	1,556,029	100.00	255,503	19.65
Gross Profit	480,722	36.96	521,704	33.53	40,982	8.53
Operating Expenses	303,468	23.33	300,652	19.32	-2,816	-0.93
Operating Income	177,254	13.63	221,052	14.21	43,798	24.71
Income before Tax	179,248	13.78	219,089	14.08	39,841	22.23
Net Income	145,119	11.16	181,706	11.68	36,587	25.21

Because the Company had no financial forecast in 2022, there was no disclosure of budget execution.

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

Item			2021	2022	Difference
Financial Structure	Debt to Assets Ratio		25.00%	25.07%	0.07%
	Long-term Funds to Fixed Assets Ratio		2,758.81%	3,048.58%	289.77%
Debt Paying Ability	Current Ratio		384.87%	387.66%	2.79%
	Quick Ratio		331.28%	324.97%	-6.31%
Profitability	Return on Assets (%)		15.06%	17.05%	1.99%
	Shareholders' Return on Equity (%)		19.85%	22.71%	2.86%
	Profit before Tax to Capital Stock (%)	Operating Profit	103.67%	129.29%	25.62%
		Net Profit Before Tax	104.84%	128.14%	23.30%
	Net Profit Ratio (%)		11.16%	11.68%	0.52%
	Earnings per Share(NTD)		8.50	10.65	2.15

### (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	2020	2021	2022
R&D Expense(A)	7,715	8,161	7,478
Net Operating Revenue(B)	1,129,672	1,300,526	1,556,029
(A)/(B)	0.68%	0.63%	0.48%

In 2022, the R&D Department of the Corporation conducted custom digitization introduction plans for clients with intelligent layout design and process, in which percentages of errors and reworks for clients can be reduced among the flow through the utilization of digitized assets. Besides, the high-end CAD system value-added software, developed by the Corporation, and introduction of agency of digital productivity tool served as leads to clients in the digital transformation and furthermore boosted the clients' 3D design performance. On the other hand, the Corporation has been dedicated to ERP system updating and upgrading and internal system integration with a view to facilitate overall business management effectiveness, and providing customers with more complete service system.

## II. 2023 Business Plan Abstract:

### (I) Guideline for management

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

The Corporation is entering its 27<sup>th</sup> 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, through big data analysis and systematic management over solutions to targeted customers, etc. we wish to review and discover our key clients' changing needs and continuously heighten the coverage rate of repurchases by our existing clients. In addition, technical support team, high-quality client service center and Otsuka e-Consultant on the official website of the Corporation this year, including 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 middle and high level CAX/CAM product line, including manufacturing, construction and Autodesk Media & Entertainment (M&E), and has established a complete technical incubation and service team under the design and manufacturing of complete solutions for tools and applications used in full process. 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 advanced level 3D graphic software, for which the Corporation serves as agent, is the system with extraordinarily extensive use among Taiwanese computer manufacturers, and the industries related to mechanical equipment and vehicles, etc., containing powerful features of strong advanced surface design, structural static analysis, and intuitional modeling, etc. Moreover, it is equipped with the kit of application programs with excellent integration, built-in computer-assisted design, engineering and manufacturing toolkits, which provide clients with such supreme features of more flexible software configuration, etc. Also, as the Corporation is equipped with solid industry guidance experiences and serves as an agent providing

product life cycle management system, we are able to facilitate the internal collaboration efficiency between the departments of our clients, and integrates various tools for data management, process automation, decision-making support, etc..

- (3)The Institute for Information Industry suggests that decentralization and OMO (online merge offline) application development will be more diversified, such as application related to metaverse, mixed reality, digital transformation and internal productivity tools, etc. The Corporation will develop a diversity of brands to maintain the service capability. 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 effective and equipped with data analysis capabilities. In 2022, the Corporation undertook ERP system upgrading, and proceeded with integration of CRM to combine the client contract management, online consultation service and sales provided to clients, furthermore assisting business units, technical units, and central supervisors accountable to have instant grasp on condition of clients case by case, service progress, business performance, etc., In 2023, after all systems are connected in series, better service can be provided to clients to allow a smoother process of operation information and generate operation benefits.

(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 2023 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 the future, the software industry's challenge is how to use software tools to drive the enterprises to carry out digital transformation. Therefore, our business department continues to promote development based on the needs of 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 for implementation of digital transformation Furthermore, we will maintain a concrete introduction of our product lines with value-adding synergy and increase width and depth of product lines.
- 4.The MIC of the Institute of Information Industry indicates that importance of "soft and hard integration" in the future will be continuously enhanced and during the process of product development, software design shall be accompanied with a variety of

application scenarios in the vertical industries; incessant innovation in soft and hard integration ability is the impetus 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, remote communication and multi-party cooperation,, many applications including hardware, service and contents are benefitting from such; therefore, we actively cultivate professional technical support consultants to provide a complete and integrated sales model and client service, to cultivate management trainees, to pass on the Corporation's technical ability, and furthermore enhance the Corporation's competitiveness in sustainable development.

(IV) Future development strategies

1. Provide integrated business systems via professional service

Being a domestic leading-brand service provider in middle and high level CAX/CAM software integration, the high-level technology team the Corporation has fostered for years keeps abreast with clients to jointly cope with every challenge during technical development in such an environment wherein the global supply chain technology is highly developed without interruption. CAD and vision 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) Strengthening and optimization of toolkits. In terms of main CAD product systems, we will continue to incorporate requirements from client feedbacks and advanced application features, and increase toolkits of newly-distributed product lines, meanwhile, we will develop online auto update feature to provide contract clients access to download kits of latest version and to allow them to experience the new productivity tools immediately.

(2) High-level CAD system value-added software development. At present, a lot of value-added application tools have been developed in optoelectronics industry, molds design and automatic processing. we will launch brand-new value-added software bundles to take a comprehensive facilitation of mold processing precision and effects.

(3) Integrated application development for Cloud-Based AI Services. Using cloud service and AI-developed API, cloud applications and system integration are empowered capability of innovation with enhanced efficiency of information transformation, and unique Cloud-Based AI solutions may therefore be created.

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

1. Effects of the external competitive environment



The domestic enterprises have, step by step, introduced digital tools, and accumulated the foundation of digital transformation during the pandemic period. Therefore, in terms of data collection, collection through sensors for data collection installed on machines and equipment has become commonplace. Meanwhile, in the trend of growth in the demand on the pre-processing of data as well as its application on the local end of AI, the combination of AI and IoT called AIoT (Artificial Intelligence of Things) application becomes gradually spread in the manufacturing industry. The Corporation, in addition to providing solutions in various aspects of professional computer graphics software, introduces ConMas i-Reporter mobile data collection plans featuring highly automated data processing service which the important but repetitive data collection and compilation are processed by automated AI software services, and clients only need to operate the modular operating interface and skip to the stage of data analysis application with regards to gaining profits for the enterprise. With such, we enhance client dependence on our technical services and segment our positioning and competitive edges against our peers.

## 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 Corporate Governance and Enterprise sustainable development 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

According to S&P Global, the global economic growth rate in 2023 will reduce to 1.5%. 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.

## (VI) Prospects

According to the latest prediction as announced by Chung-Hua Institution Economic Research in December 2022, the domestic economy growth rate in 2023 is 2.72%. The Corporation, as the CAD/CAM leader in the Taiwanese market holds the "becoming the best business partner for client's digital transformation" striding towards the goal of expanding technical edge, continuous market share expansion. This year, with broader application of emerging technology, 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 2022. 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 2022 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.
		Approved by the Investment Commission to invest in the Mainland region.
2008	November	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.

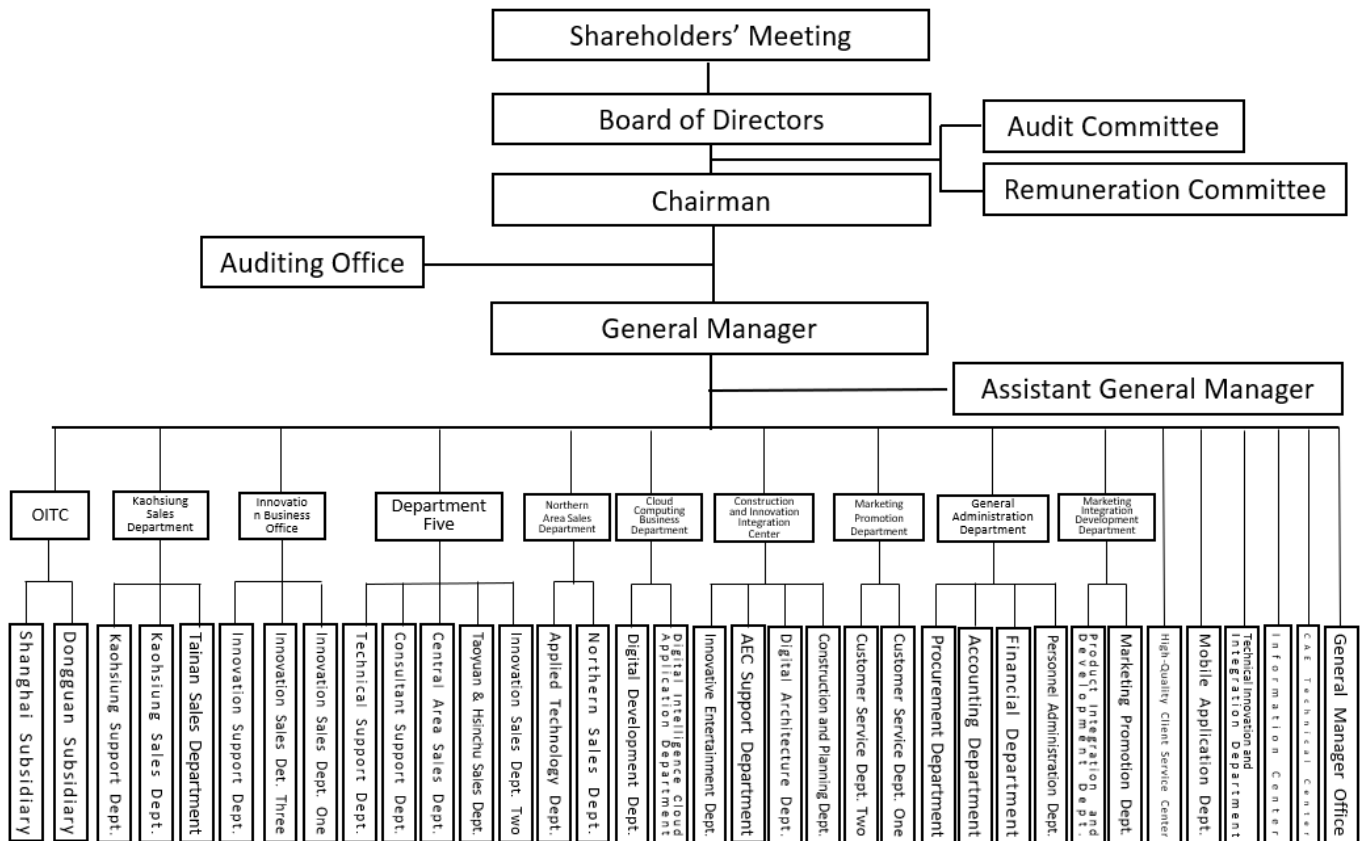
Year	Month	Company History
2009	April	Approved by the Investment Commission to increase investment in the Mainland region.
	June	Otsuka Software Corp. in Suzhou obtained its business registration certificate.
	October	Obtained the distribution rights for Autodesk digital construction series product; 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	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
	August	The subsidiary UnLink Innovation Information Technology Corporation was established.
2021	August	Obtained the agency agreement of GRAPHISOFT Archicad
2022	October	Obtained platinum distribution rights for Siemens.
	December	The subsidiary of "To Gather Corporation" was Liquidation completed.

### III. Corporate Governance Report

#### I. Organizational System:

##### (I) Corporate Organizational Structure

#### Otsuka Information Technology Corp. Organization chart



##### (II) Department Functions:

Department	Main Functions
General Manager Office	(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.
Information Center	(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.
Technology Innovation Integration Department	(1) Big data AI, mobile data solutions, technical research and testing. (2) Pre-sale and after-sale service of product lines, customized program development and maintenance.

Department		Main Functions
Department of Mobile Applications		(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
High-Quality Client Service Center		(1) Online technical support (2) Offer clients effective solutions that cater to the clients' needs by incorporating 3D graphic software
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. (5) In charge of the planning of internal personnel training, the management of educational materials and publications. (6) Planning and execution of the training courses for clients' software. (7) In charge of training new employees, ensuring professionally certified abilities. (8) In charge of creating new content on the online learning platform and platform maintenance.
Product Integration and Development Division		(1) Original manufacturer's product integration and research and test of new products. (2) Pre-sale display and after-sale service of the product line and development and maintenance of the customized programs.
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		In charge of accounting, tax related issues, and financial analysis and planning
Procurement Department		(1) Regular contacts 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 Promotion Department		(1) Assisting and managing the tele-marketing, service and development of the products under the agency of the company (2) Offering proactive customer service and cooperating with related departments to develop new business opportunities. (3) In charge of the sales of yearly maintenance contracts and OITC value-added products.
Construction and Innovation Integration Center		(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. (4) 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.
Cloud Computing Business Department		(1) Digital transformation solutions; 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 mobile application to plan for integration of the existing products.
Northern Area Sales Department		(1) In charge of the sales and promotion of various products within their designated region. (2) In charge of negotiation and communication for the sold products and the purchasing inquiry, parity and bargain within their designated region
Dept. Five		(3) Providing product technology support services and related resources (4) Manage and carry out the pre-sale display and after-sales support service of each product line.
Kaohsiung Sales Department		(5) Assisting the clients in the conduction of training and relevant service (6) In charge of project execution and counseling and assisting the enterprises in building up the standardized and processed operation.
Innovation Sales Department		Mainly in charge of promoting the integration of PTC'S 3D CAD/CAM drawing software.
OITC	Dongguan subsidiary	(1) In charge of sales and promotion of products in the China region.
	Shanghai Subsidiary	(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.

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

April 21, 2023

Unit:shares; %

Title <sup>1</sup>	Nationality or Place of Registration	Name	Gender & Age <sup>2</sup>	Date Elected	Term	Dated First Elected <sup>3</sup>	Shares held upon election		Current Shares Held		Current Shares Held by the Spouse & Minor Children		Current Shares held in the Name of Others		Experience <sup>4</sup> (Education)	Current Position in the Company and Other Companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship			Remarks <sup>5</sup>
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairperson of the Judicial person	Japan	Otsuka Corp.	-	June 21, 2022	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 67	June 21, 2022	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 of Otsuka Corp. 3. President of Otsuka Information Trading Ltd. (Shanghai)	-	-	-	-
Director	Japan	Otsuka Corp. Representative: Hideyuki Aoki <sup>6</sup>	Male 46	June 21, 2022	3	November 20, 2001	0	0%	0	0%	0	0%	0	0%	Department of Education of Waseda University	1. Special Assistant of President of Otsuka Corp..	-	-	-	-
Director	R.O.C.	Kuo, Yi-Lung	Male 46	June 21, 2022	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 Oitc Information Technology Corp. in Shanghai 5. President and general manager of UniLink Innovation Information Technology Corporation	-	-	-	-

Title <sup>1</sup>	Nationality or Place of Registration	Name	Gender & Age <sup>2</sup>	Date Elected	Term	Dated First Elected <sup>3</sup>	Shares held upon election		Current Shares Held		Current Shares Held by the Spouse & Minor Children		Current Shares held in the Name of Others		Experience <sup>4</sup> (Education)	Current Position in the Company and Other Companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship			Remarks <sup>5</sup>
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Hsu, Hui-Ju	Female 56	June 21, 2022	3	October 29, 2007	137,000	0.80%	128,000	0.75%	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 Oite Information Technology Corp. in Shanghai 4. Director of UniLink Innovation Information Technology Corporation	-	-	-	-
Independent Director	R.O.C.	Yan, Jun-De	Male 55	June 21, 2022	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.	-	-	-	-
Independent Director	R.O.C.	Lin, Hui-Fen	Female 55	June 21, 2022	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. Independent Director, Audit Committee and Remuneration Committee Member of Lin Horn Technology Co., Ltd. 3. Independent Director, Audit Committee and Remuneration Committee Member of Joytech Corp.	-	-	-	-
Independent Director	R.O.C.	Hsieh, Kun-Feng	Male 48	June 21, 2022	3	August 11, 2021 <sup>7</sup>	0	0%	0	0%	0	0%	0	0%	Master of Law of Wisconsin University, USA.	1. Managing Director of CrownPro Law 2. Responsible Person of Kuan Chieh Consulting Ltd. 3. Responsible Person of Shih Hung Ltd.	-	-	-	-
Director	R.O.C.	Huang, Xiang-Min	Male 49	June 21, 2022	3	June 22, 2020	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. Representative of Corporate Director at Excelsior Biopharma Inc 4. Chairman of Hao-Jung Investments Ltd.	-	-	-	-



Title <sup>1</sup>	Nationality or Place of Registration	Name	Gender & Age <sup>2</sup>	Date Elected	Term	Dated First Elected <sup>3</sup>	Shares held upon election		Current Shares Held		Current Shares Held by the Spouse & Minor Children		Current Shares held in the Name of Others		Experience <sup>4</sup> (Education)	Current Position in the Company and Other Companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship			Remarks <sup>5</sup>
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Liu Cheng Ho	Male 57	June 21, 2022	3	June 22, 2020	0	0%	0	0%	0	0%	0	0%	Department of Computer Science and Information Engineering, Tamkang University	1. Director and assistant general manager of Koei TECMO Co., Ltd.	-	-	-	-
Director	Japan	Tamehiro Akio	Male 73	June 21, 2022	3	June 22, 2020	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. 2. Chairman of Noah Information Technology Taiwan Corp.	-	-	-	-

Note 1: 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.

Note 2: Please specify the actual age and adopt the expression in an interval way, e.g. 41-50 of age or 51-60 of age.

Note 3: Explanation should be provided when the tenure of first session for the Company's supervisor or director was disconnected.

Note 4: 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.

Note 5: 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.



2. Major shareholders of corporate directors (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.	33.54
	The Master Trust Bank of Japan, Ltd. (Trust Account)	12.01
	Custody Bank of Japan, Ltd. (Trust Account)	7.11
	Yuji Otsuka	2.46
	OTSUKA CORPORATION Employee Stock-Sharing Plan	2.34
	SMBC Nikko Securities Inc.	2.13
	Keiko Otsuka	1.83
	JPMorgan Securities Japan Co., Ltd.	1.69
	STATE STREET BANK WEST CLIENT – TREATY 505234	1.22
	Atsushi Otsuka	1.02

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 (refer to the notices of the Judicial Yuan for inquiry.) and the sponsorship or donation ratio of such organizations; if the donor is deceased, please specify “deceased”.

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

Name of Institutional Shareholder <sup>1</sup>	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 (refer to the notices of the Judicial Yuan for inquiry.) as well as the ratio or sponsor; if the donor is deceased, please specify “deceased”.

Note 4: Most of the corporate shareholders are Japanese banks, JP Morgan or bank trust accounts.

#### 4. Information Disclosure of Professional Qualifications of Directors and Supervisors and Independence of Independent Directors

Criteria Name	Professional Qualification and Experience (Note 1)	Independence Status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Otsuka Corp. Representative: Tsurumi Hironobu	<ol style="list-style-type: none"> <li>1. Director of Otsuka Corp.</li> <li>2. Managing Director of Otsuka Corp.</li> <li>3. Have the work experience required for commerce, law, finance, accounting or sales of the company.</li> <li>4. No conditions specified in Article 30 of the Company Act is involved.</li> </ol>	Non-independent director	None
Otsuka Corp. Representative: Hideyuki Aoki	<ol style="list-style-type: none"> <li>1. Special Assistant of President of Otsuka Corp.</li> <li>2. Own the professional licenses such as accountant and security analyst, etc.</li> <li>3. Have the work experience required for commerce, law, finance, accounting or sales of the company.</li> <li>4. No conditions specified in Article 30 of the Company Act is involved.</li> </ol>	Non-independent director	None
Kuo, Yi-Lung	<ol style="list-style-type: none"> <li>1. General Manager of the company.</li> <li>2. Have the work experience required for commerce, law, finance, accounting or sales of the company.</li> <li>3. No conditions specified in Article 30 of the Company Act is involved.</li> </ol>	None-independent director	None
Hsu, Hui-Ju	<ol style="list-style-type: none"> <li>1. Assistant general manager of the company.</li> <li>2. Have the work experience required for commerce, law, finance, accounting or sales of the company.</li> <li>3. No conditions specified in Article 30 of the Company Act is involved.</li> </ol>	Non-independent director	None
Yan, Jun-De	<ol style="list-style-type: none"> <li>1. CFO at Winking Entertainment Co., Ltd. of the company.</li> <li>2. Have the work experience required for commerce, law, finance, accounting or sales of the company.</li> <li>3. No conditions specified in Article 30 of the Company Act is involved.</li> </ol>	<ol style="list-style-type: none"> <li>1. Those persons, including the principal, spouse and relatives within the 2<sup>nd</sup> degree of kinship do not serve as the director, supervisor or employee of the company or its subsidiaries.</li> <li>2. Those persons, including the principal, spouse and relatives within the 2<sup>nd</sup> degree of kinship (or in others' names) do not hold the shares of the company.</li> <li>3. The person does not serve as the director, supervisor or employee of the company which has the specific relations with the company.</li> <li>4. The person does not render the service of commerce, law, finance and accounting to the company or its subsidiaries within the latest two years.</li> </ol>	1
Lin, Hui-Fen	<ol style="list-style-type: none"> <li>1. Accountant at Weyong International CPAs &amp; CO.</li> <li>2. Possess the accountant's professional license in Taiwan.</li> <li>3. Have the work experience required for commerce, law, finance, accounting or sales of the company.</li> <li>4. No conditions specified in Article 30 of the Company Act is involved.</li> </ol>		2
Hsieh, Kun-Feng	<ol style="list-style-type: none"> <li>1. Managing Director of CrownPro Law.</li> <li>2. Possess the lawyer's professional license in Taiwan.</li> <li>3. Have the work experience required for commerce, law, finance, accounting or sales of the company.</li> <li>4. No conditions specified in Article 30 of the Company Act is involved.</li> </ol>		None

Criteria Name	Professional Qualification and Experience (Note 1)	Independence Status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Huang, Xiang-Min	1. CEO at Fortune Construction Co., Ltd. 2. Possess the architect's professional license in Taiwan. 3. Have the work experience required for commerce, law, finance, accounting or sales of the company. 4. No conditions specified in Article 30 of the Company Act is involved.	Non-independent director	None
Liu, Cheng Ho	1. Director and Assistant general manager of Koei TECMO Co., Ltd. 2. Have the work experience required for commerce, law, finance, accounting or sales of the company. 3. No conditions specified in Article 30 of the Company Act is involved.	Non-independent director	None
Tamehiro Akio	1. Chairman of Noah International Taiwan Corp. 2. Have the work experience required for commerce, law, finance, accounting or sales of the company. 3. No conditions specified in Article 30 of the Company Act is involved.	Non-independent director	None

Note 1: Professional Qualification and Experience: Specify the professional qualification and experience of the individual director and supervisor. In case of the member of the Audit Committee who has the expertise of accounting or finance, specify his/her accounting or financial background as well we the work experience. Besides, specify whether any conditions set forth in Article 30 of the Company Act are involved.

Note 2: Specify how the independent director meets the independence and whether those persons, including but not limited to the principal, spouse and relatives within the 2<sup>nd</sup> degree of kinship serve as the director, supervisor or employee of the company or its subsidiaries; specify the number and proportion of shares of the company, held by the principal, spouse, relatives within the 2<sup>nd</sup> degree of kinship (or in others' names); specify whether they serve as the director, supervisor or employee of the company which has the specific relations with the company. (Please refer to the Regulations Governing Appointment of Independent Directors and Compliance Matters by Public Companies); specify the amount of remuneration acquired by rendering the service of commerce, law, finance and accounting to the company or its subsidiaries within the latest two years.

Note 3: For the disclosure method, please refer to the best-practice example on the website of the Corporate Governance Center of the Taiwan Stock Exchange.

## 5. Diversification and Independence of the Board of Directors

### (1) Diversification Policy, Goal and Achievement Status:

- a. Diversification Policy of the Board of Directors: In order to strengthen the corporate governance and promote the sound development of the composition and structure of the Board of Directors, it is believed that the diversification policy can help the enhancement of the company's overall performance. In regards to the company's diversification policy on the members of the Board of Directors, the directors who concurrently serve as the managers shall not exceed one third of the director seats; besides, an appropriate diversification policy will be mapped out, based on the company's own performance, operational pattern and development need.
- b. Diversification Goal of the Board of Directors: The election of the members of the Board of Directors shall be based on the principle of "to employ only talents", who are possessed of the multiple and complementary ability across the industrial areas, including the basis composition (e.g. age, gender, nationality, etc.) and each of whom has the industrial experience and relevant skills (e.g. operation, finance & accounting, law & information technology, etc.), as well as such capability as business judgment, business management, leadership & decision making and crisis management, etc. It is advisable to include, but not limit the following two aspects of standards:
  - (a) Basic criteria and value: Gender, age, nationality and culture, etc.
  - (b) Expertise and Skill: Professional background (e.g. law, accounting, industry, finance, marketing or technology), professional skills and industrial experience, etc.
- c. Achievement Status of the Members of the Board of Directors:
  - (a) Member Structure: Currently, there are 10 directors in the company, including 3 external independent directors.
  - (b) Gender Structure: There are totally 2 female directors and 8 male directors.
  - (c) Nationality Structure: There are totally 3 Japanese directors and 7 domestic directors.
  - (d) Professional Background: The professional areas of members include business management, finance & accounting, law and architecture related areas.
- d. Goal and Achievement of Diversification Policy of the Board of Directors Members.

Type of Expertise	Goal (Person)	Achievement (%)
Business Management	5	100%
Finance and Accounting	3	100%
Expertise in Law	1	100%
Expertise in Industry (Manufacturing, Construction, Entertainment)	5	100%

- (2) Independence of the Board of Directors: At present, there are three seats of external independent directors in the company, accounting for 30% of the members of the Board of Directors; their qualification and eligibility criteria all do not involve the circumstances as stipulated in Paragraphs 3 & 4 of Article 26-3, the Securities and Exchange Act and there is no such condition as the relationship of the spouse and the 2<sup>nd</sup> degree relatives of kinship among the directors, supervisors or between the directors and supervisors.

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

April 21, 2023

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 (note1)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	R.O.C.	Kuo, Yi-Lung	Male	Jan. 16, 2016	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 Oitc Information Technology Corp. in Shanghai 4. President and general manager of unlink innovative information Technology Corp.	None	None	None	None
Assistant General Manager	R.O.C.	Sung, Jin-Cheng	Male	Jan. 10, 2019	—	—	—	—	—	—	Lunghwa University of Science and Technology, Department of Business Administration	1. Director of unlink innovation information technology Corp.	None	None	None	None
Assistant General Manager	R.O.C.	Hsu, Hui-Ju	Female	Jan. 10, 2019	128,000	0.75%	—	—	—	—	Shiga University, M.Ed.	1. Supervisor at Otsuka Software Trading Corp. in Dongguan 2. Supervisor at Oitc Information Technology Corp. in Shanghai 3. Director of unlink innovation information technology Corp	None	None	None	None
Director of the Kaohsiung Sales Department	R.O.C.	Tsai, Tsung-Chieh	Male	Jan. 1, 2022	—	—	—	—	—	—	Department of Electronic Engineering, National United Institute of Technology and Commerce	None	None	None	None	None
Marketing Integration Development Department	R.O.C.	Kao, Yueh-Yun	Female	Jan. 1, 2023	—	—	—	—	—	—	Information Management, Tamkang University	None	None	None	None	None
Director of the Construction and Innovation Integration Center	R.O.C.	Chen, Chi-Shou	Male	Jan. 1, 2023	—	—	—	—	—	—	National Chung Hsing University Department of Civil Engineering	None	None	None	None	None
Director of the Marketing Promotion Department	R.O.C.	Tsai, Chun-Chu	Female	Jan. 1, 2023	—	—	—	—	—	—	National Taiwan University of Science and Technology Department of Business Administration	None	None	None	None	None
Director of the General Administration Division	R.O.C.	Lin, Chih-Ming	Male	March 15, 2016	—	—	—	—	—	—	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 unlink innovation information technology Corp.	None	None	None	None
Accounting Manager	R.O.C.	Fu, Kai-Li	Female	August 6, 2018	—	—	—	—	—	—	National Dong Hwa University, Department of Accounting	None	None	None	None	None

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 (2022) to directors, supervisors, the general manager, and assistant general manager :

#### 1. Remunerations of Directors and independent directors

Unit:NT\$1000

Title	Name	Remunerations of Directors								Total Amount and Ratio of Remuneration (A+B+C+D) to Net Income (%)		Relevant remuneration received by directors who are also employee								Total amount and ratio of 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	The Company		Companies in the consolidated financial report		The Company	Companies in the consolidated financial report			
														Cash	Stock	Cash	Stock					
Chairman	Tsurumi Hironobu	1,890	1,890	—	—	2,198	2,198	—	—	4,088 2.2%	4,088 2.2%	14,411	14,411	—	—	920	—	920	—	19,419 10.7%	19,419 10.7%	None
Director Representative	Wakamatsu Yasuhiro <sup>4</sup>																					
Director Representative	Hideyuki Aoki <sup>4</sup>																					
Director	Kuo, Yi-Lung																					
Director	Hsu, Hui-Ju																					
Director	Liu Cheng He																					
Director	Huang Xiang Min																					
Director	Tamehiro Akio	1,470	1,470	—	—	1,319	1,319	—	—	2,789 1.5%	2,789 1.5%	—	—	—	—	—	—	—	2,789 1.5%	2,789 1.5%	None	
Independent Director	Yan Jun-De																					
Independent Director	Lin Hui-Fen																					
Independent Director	Hsieh Kun-Feng																					

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 serving as a non-employee consultant of the parent company/all companies as stated in the financial report and the reinvested businesses) in the most recent fiscal year: None

Note 1: The Company did not pay Directors and Supervisors any Severance in 2022.

Note 2: The Severance Pay set for directors who are also employees at the Company is set at NT\$ 50,000.

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

Note 4: The Company does not disclose the remuneration of the Directors and Supervisors.

## 2. 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 Hideyuki Aoki Kuo, Yi-Lung Hsu, Hui-Ju Liu Chien-he Huang Xian Min Tamehiro Akio Yan, Jun-De Lin, Hui-Fen Hsieh, Kun-Feng	Tsurumi Hironobu Hideyuki Aoki Kuo, Yi-Lung Hsu, Hui-Ju Liu Chien-he Huang Xian Min Tamehiro Akio Yan, Jun-De Lin, Hui-Fen Hsieh, Kun-Feng	Tsurumi Hironobu Hideyuki Aoki Liu Chien-he Huang Xian Min Tamehiro Akio Yan, Jun-De Lin, Hui-Fen Hsieh, Kun-Feng	Tsurumi Hironobu Hideyuki Aoki Liu Chien-he Huang Xian Min Tamehiro Akio Yan, Jun-De Lin, Hui-Fen Hsieh, Kun-Feng
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)	—	—	—	—
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)	—	—	Kuo, Yi-Lung	Kuo, Yi-Lung
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	10	10	10	10

### 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)				Total amount and ratio of 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	4,640	4,640	—	—	15,973	15,973	1,200	—	1,200	—	21,813 11.98%	21,813 11.98%	None
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)	—	—
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)	Sung, Jin-cheng,	Sung, Jin-cheng,
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)	Kuo,Yi-Lung	Kuo,Yi-Lung
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, 2022 Unit: NT\$1000

	Title	Name	Stock	Cash	Total	Rate of total amount to pure profits after tax (%)
Manager	General Manager	Kuo, Yi-Lung	—	1,770	1,770	0.97%
	Assistant General Manager and Director of Office Five	Sung, Jin-Cheng				
	Assistant General Manager	Hsu, Hui-Ju				
	Director of Kaohsiung Sales Department	Tsai, Tsung-Chieh				
	Director of General Administration Division	Lin, Chih-Ming				
	Manager of the Accounting Department	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 2022				Year 2021			
	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	22,208	22,208	12.2%	12.2%	19,730	19,730	13.6%	13.6%
General Manager	21,813	21,813	11.98%	11.98%	20,340	20,340	13.99%	13.99%

The remuneration for the Corporation's directors, general manager and assistant general manager slightly increased in 2022; however, due to rising operation performance in 2022, the ratio to net profit after tax declined.

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 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 reported at the shareholders meeting, 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

Eight (A) 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 8, 2023); 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	8	0	100.00%	
Juridical Person Director	Otsuka Corp. Representative Hideyuki Aoki	8	0	100.00%	
Director	Kuo, Yi-Lung	8	0	100.00%	
Director	Hsu, Hui-Ju	8	0	100.00%	
Director	Huang Xian-Min	8	0	100.00%	
Director	Liu, Cheng Ho	8	0	100.00%	
Director	Tamehiro Akio	8	0	100.00%	
Independent Director	Yen Jun De	8	0	100.00%	
Independent Director	Lin Hue Fen	8	0	100.00%	
Independent Director	Hsieh, Kun-Feng	8	0	100.00%	

Note 1: The corporate director, Otsuka Corp., re-delegated Hideyuki Aoki as its representative on June 21, 2021.

Note 2: The original director Chen, Yen-Xun resigned on December 31<sup>st</sup>, 2020 and the newly-appointed independent director, Hsieh, Kun-Feng, was by-elected and took office at the regular shareholders meeting on August 11, 2021.

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

The Board of Directors	Contents of Resolution	Qualified Opinion from any Independent Director
Meeting 16 of 9 <sup>th</sup> Board March 22, 2022	<ol style="list-style-type: none"> <li>1. Review the plan for allocation of remuneration for the Company's employees</li> <li>2. Review the plan for allocation and distribution of remuneration for the Company's directors.</li> <li>3. Adopt the Company's 2021 business report, individual financial report, and consolidated financial report.</li> <li>4. Distribute earnings of the 2021.</li> <li>5. Regular evaluation on independence of the Company's certified accountants</li> <li>6. Establish "Statements about internal control system" based on the internal control self-inspection in 2021.</li> <li>7. Expand the Company's "Guidelines for management".</li> <li>8. Reelect the directors.</li> <li>9. The Board nominates and reviews candidates of independent directors.</li> <li>10. Lift the non-competition limitations on the Company's new directors.</li> <li>11. Plan relevant affairs of convening the Company's 2022 Regular Meeting of Shareholders.</li> <li>12. Review each item of remuneration project, implemented for Tsai, Tsung-Chieh who was promoted to be the manager of the Company in 2022.</li> </ol>	The related proposals are all approved by all independent Directors.
Meeting 17 of 9 <sup>th</sup> Board May 9, 2022	<ol style="list-style-type: none"> <li>1. Adopt the Company's consolidated financial report and auditors' review report on quarter 1 of 2022.</li> <li>2. Revise the earnings distribution in 2021.</li> <li>3. Establish base date for the cash Dividends and distribution date in 2021.</li> <li>4. Lift the non-competition limitations on the Company's new directors.</li> </ol>	
Meeting 1 of 10 <sup>th</sup> Board June 21, 2022	<ol style="list-style-type: none"> <li>1. Elect the chairperson.</li> <li>2. Plan to recruit the remuneration committee member of the Company.</li> </ol>	
Meeting 2 of 10 <sup>th</sup> Board August 9, 2022	<ol style="list-style-type: none"> <li>1. Review the 2022 summer assessments on managers</li> <li>2. Review the plan for distribution of 2022 mid-term performance bonuses.</li> <li>3. Review the plan to distribute remunerations for the Company's employees in 2021.</li> <li>4. Adopt the Company's consolidated financial report of 2022 Q2 and the draft of the CPA's review report.</li> </ol>	
Meeting 3 of 10 <sup>th</sup> Board November 8, 2022	<ol style="list-style-type: none"> <li>1. Adopt the Company's consolidated financial report of 2021 Q3 and the draft of the CPA's review report.</li> <li>2. The subsidiary, UniLink Innovation Information Technology Corporation, proceeds with closing business.</li> <li>3. Appoint the Company's director of audit.</li> </ol>	
Meeting 4 of 10 <sup>th</sup> Board December 20, 2022	<ol style="list-style-type: none"> <li>1. Plan to review on the policy, system, standard and structure of remunerations for the Company's directors.</li> <li>2. Review the items of remunerations for the Company's managers to be launched in 2023.</li> <li>3. Review the 2022 annual assessment on managers.</li> <li>4. Review the distribution of the 2022 year-end bonus for managers.</li> <li>5. The Company's 2023 annual budget for operation</li> <li>6. The Company's 2022 annual audit fee for certification of accountants.</li> <li>7. Expand the Company's "The internal control system" and "Guidelines for management".</li> <li>8. The Company's Audit Plan in 2023.</li> </ol>	
Meeting 5 of 10 <sup>th</sup> Board March 20, 2023	<ol style="list-style-type: none"> <li>1. Review the plan for allocation of remuneration for the Company's employees</li> <li>2. Review the plan for allocation and distribution of remuneration for the Company's directors and supervisors.</li> <li>3. Review each item of remuneration project, implemented for Kao-Yueh-Yun, Chen-Chi-Shou and Tsai-Chun-Chu who was promoted to be the manager of the Company in 2023.</li> <li>4. Adopt the Company's 2022 business report, individual financial report, and consolidated financial report.</li> <li>5. Distribute earnings of the 2022.</li> <li>6. Due to the internal organization adjustment of accounting firm in the first quarter of 2023, the Company replaced its CPAs accordingly.</li> <li>7. Regular evaluation on independence of the Company's certified accountants</li> <li>8. Establish the Company's "General Principles of the Pre-approval of Non-assurance Services Policy".</li> <li>9. Establish the Company's "General Principles of the Pre-approval of Non-assurance Services Policy"</li> <li>10. Expand the Company's "Guidelines for management".</li> <li>11. Plan relevant affairs of convening the Company's 2022 Regular Meeting of Shareholders.</li> </ol>	
Meeting 6 of 10 <sup>th</sup> Board May 8, 2023	<ol style="list-style-type: none"> <li>1. Adopt the Company's consolidated financial report and auditors' review report on quarter 1 of 2023.</li> <li>2. Revise the earnings distribution in 2022.</li> <li>3. Appointment of corporate governance officer.</li> <li>4. Reset the convening venue of the regular shareholders meeting of the Company in 2023</li> </ol>	

- (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 2 of 10th Board August 9, 2022:

During the review of the 2022 summer evaluation of managers, the 2022 employee compensation plan, the 2022 Mid-Year performance bonus plan, Director and General Manager Kuo, Yi-Lung, and Director and Assistant General Manager Hsu, Hui-Ju did not participate in discussion and voting to avoid conflict of interest.

(2) Meeting 4 of 10th Board December 20, 2022:

The 2022 annual assessment on managers and the distribution of the 2022 year-end bonus for managers, Director and General Manager Kuo, Yi-Lung, and Director and Assistant General Manager Hsu, Hui-Ju did not participate in discussion and voting to avoid conflict of interest.

3. The TWSE/TPEX listed companies shall disclose the frequency, duration, range of evaluation, method, and content of evaluation, and other matters of self-evaluation (or peer evaluation) of the Board of Directors Meeting. The implementation of evaluation of the Board of Directors (latest three years):

Frequency	Duration	Range	Method	Content
Once every year	January 1, 2022 to December 31, 2022	Performance of each individual director and peer performance	Adopt the self-evaluation of members of the Board of Directors	Performance of the Board of Directors 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. Performance of each individual director 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.
			Weighted score of performance evaluation of the Board of Directors: 89.4 Weighted score of performance evaluation of members of the Board of Directors: 90.4	
Once every year	January 1, 2021 to December 31, 2021	Performance of each individual director and peer performance	Adopt the self-evaluation of members of the Board of Directors	Performance of the Board of Directors 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. Performance of each individual director 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.
			Weighted score of performance evaluation of the Board of Directors: 93.3 Weighted score of performance evaluation of members of the Board of Directors: 89.8	
Once every year	January 1, 2020 to December 31, 2020	Performance of each individual director and peer performance	Adopt the self-evaluation of members of the Board of Directors	Performance of the Board of Directors 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. Performance of each individual director 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.
			Weighted score of performance evaluation of the Board of Directors: 95.9 Weighted score of performance evaluation of members of the Board of Directors: 92.7	

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. 35 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. 25 for the condition of execution.

- (2) Promoting Information Transparency: Such information of the company as the financial information, significant resolutions, the further study course which the directors attend has all been published on the MOPS of TWSE in accordance with the relevant statutory regulations. The financial and sales information of the company is also disclosed on the company's website, in which the investors can obtain the information timely.

(3) Implementation of Evaluation of Functional Committees:

Frequency	Duration	Range	Method	Content
Once every year	January 1, 2022 to December 31, 2022	Individual members of the Audit Committee	Adopt the self-evaluation of the committee members Weighted score of performance evaluation of members of the Board of Directors: 98	Performance evaluation of the audit committee covers criteria of participation in business operation, awareness about the audit committee's obligations, quality of the audit committee, composition and structure of the audit committee, election of the members, and internal control, etc.
Once every year	January 1, 2022 to December 31, 2022	Individual members of the Remuneration Committee	Adopt the self-evaluation of the committee members Weighted score of performance evaluation of members of the Board of Directors: 96.33	Performance evaluation of the remuneration committee covers criteria of participation in business operation, awareness about the remuneration committee's obligations, quality of the audit committee, composition and structure of the audit committee, election of the members, and internal control, etc.

(II) The state of operations of Audit Committee

During the most recent year up to the printing date of the annual report, the Audit Committee convened 7 (A) meetings, and attendance of the independent directors is summarized as below:

Title	Name	In-Person Attendance(B)	Entrusted to Attend	In-Person Attendance Rate (%) (B/A)	Remarks
Audit Committeeman	Lin, Hui-Fen	7	0	100.00%	
Audit Committeeman	Yan, Jun-De	7	0	100.00%	
Audit Committeeman	Hsieh, Kun-Feng	7	0	100.00%	

Other matters to be recorded:

1.If any of the following conditions occurred during the operation of the audit committee, the convening date of the Audit Committee meeting, the meeting session, content of proposals, the opposing views and reservations or contents of significant suggestion items, the committee's final resolution results, and the Company's responses to the Audit Committee's opinions shall be specified.

(1) Provisions in Article 14.5 of the Securities and Exchange Act

Date of Meeting	Content and Subsequent Processing	Review results of Audit Committee	The Company's response to the Audit Committee's opinions
Meeting 10 of the 1st Audit Committee 2022.03.21	1. Adopt the Company's 2021 business report, individual financial report, and consolidated financial report. 2. Distribute earnings of the 2021. 3. Regular evaluation on independence of the Company's certified accountants 4. Establish "Statements about internal control system" based on the internal control self-inspection in 2021. 5. Expand the Company's "Guidelines for management".	Relevant proposals gave been accepted by all attending committeemen with consensus	Not applicable
Meeting 11 of the 1st Audit Committee 2022.05.06	1.The Company's consolidated financial report and the draft of the accountant's review report on quarter 1 of 2022. 2.Expand the Company's "Internal control system". 3. Revise the earnings distribution in 2021.	Except for Proposal 2 which, as a result of the attending members' discussion, will be re-submitted at the next meeting, other proposals have been accepted by all attending committee members with consensus.	
Meeting 1 of the 2nd Audit Committee 2022.08.08	1. To elect the convener of the 2nd Audit Committee 2.Adopt the Company's consolidated financial report and the draft of the accountant's review report on quarter 2 of 2022.	Relevant proposals gave been accepted by all attending committeemen with consensus	
Meeting 2 of the 2nd Audit Committee 2022.11.07	1. Adopt the Company's consolidated financial report of 2022 Q3 and the draft of the CPA's review report. 2. The subsidiary, UniLink Innovation Information		

	Technology Corporation, proceeds with closing business. 3. Appoint the Company's director of audit.		
Meeting 3 of the 2nd Audit Committee 2022.12.19	1. The Company's 2023 annual budget for operation. 2. Amend the Company's internal control system and the management regulations. 3. The Company's Audit Plan in 2023.		
Meeting 4 of the 2nd Audit Committee 2023.03.17	1. Adopt the Company's 2022 business report, individual financial report, and consolidated financial report. 2. Distribute earnings of the 2022. 3. Effective Q1 of 2023, the Company's CPAs were replaced by Fu, Hung-Wen and Hung, Shih-Kang. 4. Regular evaluation on independence of the Company's certified accountants. 5. Establish the Company's "General Principles of the Pre-approval of Non-verified Service Policy". 6. Establish "Statements about internal control system" based on the internal control self-inspection in 2022. 7. Amend the Company's management regulations.		
Meeting 5 of the 2nd Audit Committee 2023.05.08	1. Adopt the Company's consolidated financial report of 2023 Q1 and the draft of the CPA's review report.		

(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: If the independent directors resign prior to the end of the fiscal year, specify the date of resignation on the column of remarks and the rate of their attendance in person shall be counted on the basis of frequency of meetings held by the Audit Committee and the frequency of their attendance in person during their tenure of office.

Note 2: If the independent directors are reelected prior to the end of the fiscal year, the new and old directors should be both listed and in the column of remarks, the former & new appointment, or reelection and date of reelection for the said independent directors should be specified. The rate of their attendance in person shall be counted on the basis of frequency of meetings held by the Audit Committee and the frequency of their attendance in person during their tenure of office.

(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?	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.	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(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) Does the company establish and execute risk management and firewall system within its conglomerate structure?	V		(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.	



Items	Implementation Status			Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Its Reasons
	Yes	No	Description	
(4) Does the company establish internal rules against insides trading with undisclosed information?	V		(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”
3. Composition and Responsibilities of the Board of Directors. (1) Does the Board develop and implement a diversified policy and the concrete management goal?	V		(1) In order to strengthen the corporate governance and promote the sound development of the composition and structure of the Board of Directors, in regards to the company’s diversification policy on the members of the Board of Directors, the directors who concurrently serve as the managers shall not exceed one third of the director seats; besides, an appropriate diversification policy will be mapped out, based on the company’s own performance, operational pattern and development need. As for the diversification goal of the Board of Directors, the election of the members of the Board of Directors shall be based on the principle of “to employ only talents”, who are possessed of the multiple and complementary ability across the industrial areas, including the basis composition (e.g. age, gender, nationality, etc.) and each of whom has the industrial experience and relevant skills (e.g. operation, finance & accounting, law & information technology, etc.), as well as such capability as business judgment, business management, leadership & decision making and crisis management, etc. As far as the achievement status of diversification, the Company has established the “Corporate Governance Practices and Principles” to ensure diversity in the board directors and supervisors and take	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	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		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. Hideyuki Aoki, Mr. Kuo, Yi-Lung and Ms. Hsu, Hui-Ju. Three of our independent directors, Mr. Yan, Jun-De, and Ms. Lin, Hui-Fen, and Hsieh, Kun-Feng are experienced in administrative management, finance, accounting and law. The Company has disclosed the diversification policy of the Board members on the Company’s website.	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually, submit	V		(2) The Company has established the Remuneration Committee and Audit Committee according to relevant laws to strengthen the corporate governance system.  (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	

Items	Implementation Status			Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Its Reasons
	Yes	No	Description	
<p>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>according to the regulations. The 2022 performance assessment has been reported to the Board of Directors on March, 20, 2023, 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 22, 2022 and March 20, 2023.</p>	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
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	V		Regarding appointment of the chief corporate governance officer, who shall take charge of affairs related to corporate governance, the Company had approved the proposal thereof by a resolution of the Board of Directors’ meeting on May 8, 2023. Besides, the meeting affairs unit and the shareholders’ affairs unit shall assist in the implementation of relevant business, including main duties	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	
limited to offering necessary 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 responsibilities of providing directors with information required for their business execution, related matters of meetings of the Board of Directors and the Shareholders’ Meeting, company registration, and alteration 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	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

Items	Implementation Status			Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Its Reasons
	Yes	No	Description	
<p>status of corporate governance?</p> <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 years 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	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>	<p>Listed Companies”</p> <p>Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”</p> <p>The plan for disclosure in advance depends on the company policy in the future</p>
<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</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</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	
policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>would also pay attention the rights and interests of our investors, as well 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: The Directors 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 45 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</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	
			<p>according to the results of the risk evaluation, in order to ensure the 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: Following the regulations, the Company has covered the liability insurance for our directors and minimized the risk in the execution of business for our directors in order to protect the interests of our investors.</p>	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
<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 updated on its official Website such information as the “Explanation on Summary of Annual Key Tasks of the Audit Committee”, “Communication with Independent Directors”, “Information on Communication with Stakeholders”, and “Concrete Measures to Implement Ethical Management Policy”, etc.</p> <p>(2) Proposal for unimproved items: The Company has updated on its official Website and Annual Report such information as the “Goal and Achievement of Diversification Policy of the Board of Directors Members”.</p>				

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

1.Information on members of the Remuneration committee

<div>Criteria</div> <div>Status Type (Note 1)      Name</div>		Professional Qualification and Experience (Note 2)	Independence Status (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director (Convener)	Yan, Jun-De	1. CFO at Winking Entertainment Co., Ltd. of the company. 2. Have the work experience required for commerce, law, finance, accounting or sales of the company. 3. No conditions specified in Article 30 of the Company Act is involved.	The regulations of Independence are met, because none of conditions are involved, as stipulated in Paragraph 1, Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”.	1
Independent Director	Lin, Hui-Fen	1. Accountant at Weyong International CPAs & CO. 2. Possess the accountant’s professional license in Taiwan. 3. Have the work experience required for commerce, law, finance, accounting or sales of the company. 4. No conditions specified in Article 30 of the Company Act is involved.		2
Independent Director	Hsieh, Kun-Feng	1. Managing Director of CrownPro Law. 2. Possess the accountant’s professional license in Taiwan. 3. Have the work experience required for commerce, law, finance, accounting or sales of the company. 4. No conditions specified in Article 30 of the Company Act is involved.		None

Note 1: The remuneration committeemen of the Company are all the independent directors. For the related information, please refer to Page 14 of the relevant contents in Attachment 1 – Information of Directors and Supervisors (I). In respect of the status type, please specify the independent director or others (in case of the convener, please annotate.)

Note 2: Professional Qualification and Experience: Specify the professional qualification and experience of the individual remuneration committeeman.

Note 3: Meet the Requirements of Independence: Specify how the remuneration committeeman meets the independence and whether those persons, including but not limited to the principal, spouse and relatives within the 2<sup>nd</sup> degree of kinship serve as the director, supervisor or employee of the company or its subsidiaries; specify the number and proportion of shares of the company, held by the principal, spouse, relatives within the 2<sup>nd</sup> degree of kinship (or in others’ names); specify whether they serve as the director, supervisor or employee of the company which has the specific relations with the company. (Please refer to Paragraph 1.5-1.8 of Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange.); specify the amount of remuneration acquired by rendering the service of commerce, law, finance and accounting to the company or its subsidiaries within the latest two years.

## 2. Operation status of the Remuneration Committee

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

(2) Current Term: From June 21, 2022 to June 20, 2025. 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)	Entrusted to Attend	In-Person Attendance Rate (%) (B/A)	Remarks
Convener	Yan, Jun-De	4	0	100.00%	
Committee Member	Lin, Hui-Fen	4	0	100.00%	
Committee Member	Hsieh, Kun-Feng	4	0	100.00%	

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 9 of the 4 <sup>th</sup> 2022.03.21	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. 3. Review each item of remuneration for Tsai, Tsung-Chieh who was promoted to be the manager of the Company in 2023.	Relevant proposals gave been accepted by all independent directors with consensus	Not applicable
Meeting 1 of the 5 <sup>th</sup> 2022.08.08	1. To elect the convener and Chairman of the 5th Remuneration Committee 2. Review the 2022 summer assessment on managers. 3. Review the 2022 mid-term performance bonus plan. 4. Review the plan for distribution of 2021 remuneration for employees.		
Meeting 2 of the 5 <sup>th</sup> 2022.12.19	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 2023. 3. Review the 2022 annual assessment on management. 4. Review the plan of distribution of 2022 annual bonus. 5. Discuss the work plan of the Company's Remuneration Committee in 2023.		
Meeting 3 of the 5 <sup>th</sup> 2023.03.17	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. 3. Review each item of remuneration for Kao-Yueh-Yun, Chen-Chi-Shou and Tsai-Chun-Chu who was promoted to be the manager of the Company in 2023.		

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



(V) The state of the company’s performance of promoting sustainable development, deviation from the “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons:

Items	Implementation State (Note 1)			Deviation from the “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
1. Does the company build up the governance framework of promoting sustainable development and establish the unit, exclusively (concurrently) in charge of sustainable development and the Board of Directors authorize the high-ranking management level to handle it with its supervision status? (The TWSE/TPEX listed company shall report the implementation status. This is not a comply-or-explain provision.)	V		1. The governance unit in charge of promoting sustainable development of the Company is the general administration division. 2. Performance state: The Company has established “Sustainable Development Best Practice Principles.” The Company incorporates sustainable development 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. 3. Supervision status of the Board of Directors on sustainable development: Each meeting of the Board of Directors, which the Company summons will include the important report items of operation in the report cases, the contents of which include the establishment of the management policy, strategy and goal and review measures, etc.	The task of promoting sustainable development of the Company is assumed by the general administration division. However, the said unit is not authorized by the Board of Directors to implement the operations related to sustainable development, so it does not report the operation status to the Board of Directors on a regular basis.
2. Does the company conduct the risk evaluation on such issues of environment, society and corporate governance, related to the company’s operation, pursuant to the materiality principle and establish the relevant risk management policy or strategy? (Note 2) (The TWSE/TPEX listed company shall report the implementation status. This is not a comply-or-explain provision.)		V	The risk assessment boundary of the Company includes the head office, branches in Taiwan as well as the subsidiaries established by the Group in regions of China such as Shanghai, Dongguan, etc. The Company establishes the “Risk Management Regulations”, by which a risk management and promotion team is organized to focus on the tasks of separately defining related risk items, and conducting assessment, response and report on the risk items, depending on the Company’s operations, regulatory compliance, environment, climate changes, etc.	In the future, the Company will plan and promote the relevant policy of corporate sustainable development, depending on the operational needs.
3. Issues of Sustainable Environment Development (1) Does the company build up the appropriate environment management system on the basis of its industry features? (2) Does the company endeavor to enhance the utilization efficiency of various resources	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	Follows the “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies

Items	Implementation State (Note 1)			Deviation from the “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
<p>and use the recycled materials which make the low impact on the load of environment?</p> <p>(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?</p> <p>(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?</p>	V	V	<p>employees to carry their own reusable utensils so as to improve the efficiency of applying various resources.</p> <p>(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.</p> <p>(4) Because the Company does not create the greenhouse gas emission, water consumption, and the waste materials, the Company has not established relevant mechanism and policies.</p>	<p>Follows the “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies</p> <p>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. Currently, guidance and training on inventory check has been planned for staff, and a quarterly progress report will be submitted to the Board of Directors. .</p>
<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		<p>(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 &amp; 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</p>	<p>Follows the “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies</p>

Items	Implementation State (Note 1)			Deviation from the “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
(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		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. (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.	Follows the “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
(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 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. There has no occupational disasters which happen to the employees this year.	
(4) Does the company provide its employees with career development and training sessions?	V		(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	

Items	Implementation State (Note 1)			Deviation from the “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
<p>(5) Does the Company observe the international criteria and relevant laws to ensure such issues as 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’ or clients’ rights?</p> <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?</p>	V		<p>up a center that is dedicated specifically for employee training courses, we also have an Staff Education and Training Academy online e-learning system. The online TMS 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. The Company also calls the internal division-level meetings to draw up the training fitness plan for the career development of employees as well as achievement of making best arrangements for the occupational development of employees.</p> <p>(5) The Company values the consumers’ rights and observes relevant laws of protecting personal information. It has established customer service department, member center, on-the-job training institute, and e-learning studio platform. The customer satisfaction survey and other after-sale service would be conducted to ensure consumers’ rights.</p>	<p>Follows the “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies</p>
		V	<p>(6) The Company has not placed specific requirements in the agreement signed with the suppliers.</p>	<p>The Company may consider whether to plan the related policies to promote the sustainable development of the company, depending on the needs of business operation.</p>
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 ESG report depending on the needs of business operation.

Items	Implementation State (Note 1)			Deviation from the “Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description	
VI. If the Company has established the sustainable development best-practice principles based on “the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation: There is no significant difference from the sustainable development best-practice principles that the Company has established and “the Sustainable Development 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 sustainable development 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. This year, the Company teamed up with KPMG to promote the donation activities of “Love Remote Countryside with Happiness”, the charitable activities of “Support Campus”, etc. to demonstrate the Company’s management team’s mission to enhance its own value by taking social responsibilities.				

Note 1: If “Yes” is ticked for the implementation state, please explain the important policy, strategy and measures adopted; if “No” is ticked, please explain, in the column of “Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies”, the conditions of and reasons for deviation and describe the plan of the policy, strategy and measures adopted in the future. However, for Items 1 and 2, the Company shall describe its governance and supervisory framework for sustainable development, including but not limited to management policy, strategy and goal formulation, review measures, etc. It additionally shall describe the company's risk management policies or strategies for operations-related environmental, social, and corporate governance issues, and their assessment status.

Note 2: The materiality principle refers to the significant impact made by the environment, society and corporate governance on the company’s investors and other stakeholders.

Note 3 : Those companies who meet specific requirements shall disclose climate-related information: This year, the paid-in capital of the Company did not reach the requirements for disclosure thereof this .

(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>	<p>V</p> <p>V</p> <p>V</p>		<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>V</p> <p>V</p> <p>V</p>	<p>V</p>	<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>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	
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? (4) Has the company established effective systems for both 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? (5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		(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 (4) To ensure the implementation of corporate integrity, the Company has established an effective internal control system, methods and accounting system. The 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. (5) The Company would promote operational integrity during internal meetings and educational trainings.	Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”.
3. Operation of the integrity channel (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?  (2) Does the company establish standard operating procedures as well as follow-up procedures after the investigation for confidential reporting on investigating accusation cases? (3) Does the company provide proper whistleblower protection?	V		(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.  (2) The Company’s grievance mechanism has established standard operating procedures, tracing process, and a confidential system in the related matter. (3) The Company’s grievance mechanism has established related procedures to protect the whistleblower.	Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	V		(1) All related information is disclosed in the investors’ section on the Company’s website and in MOPS	Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
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.				

Items	Implementation Status			Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description	
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.				

(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 2022:

Title	Name	Date	Organizing Unit	Course Title	Hours Spent on the Course
Director	Tsurumi Hironobu	August 18, 2022	Taiwan Corporate Governance Association	Latest Amendment Tendency and Interpretation of the Company Act	3
		November 16, 2022	Taiwan Corporate Governance Association	Updated Version of Corporate Governance Blueprint and Interpretation of Key Points of Regulatory Compliance	3
Director	Hideyuki Aoki	August 18, 2022	Taiwan Corporate Governance Association	Latest Amendment Tendency and Interpretation of the Company Act	3
		November 16, 2022	Taiwan Corporate Governance Association	Updated Version of Corporate Governance Blueprint and Interpretation of Key Points of Regulatory Compliance	3
Director	Kuo, Yi-Lung	June 21, 2022	Taiwan Corporate Governance Association	Global Risks and Corporal Social Responsibilities	3
		November 8, 2022	Taiwan Corporate Governance Association	Exploration on Legal Issues of Real-time Communication	3
Director	Hsu, Hui-Ju	June 21, 2022	Taiwan Corporate Governance Association	Global Risks and Corporal Social Responsibilities	3
		November 8, 2022	Taiwan Corporate Governance Association	Exploration on Legal Issues of Real-time Communication	3
Independent Directors	Yan, Jun-De	June 21, 2022	Taiwan Corporate Governance Association	Global Risks and Corporal Social Responsibilities	3
		November 8, 2022	Taiwan Corporate Governance Association	Exploration on Legal Issues of Real-time Communication	3
Independent Directors	Lin, Hui-Fen	June 21, 2022	Taiwan Corporate Governance Association	Global Risks and Corporal Social Responsibilities	3
		November 8, 2022	Taiwan Corporate Governance Association	Exploration on Legal Issues of Real-time Communication	3
Independent Directors	Hsieh, Kun-Feng	February 25, 2022	Taiwan Corporate Governance Association	Prospect of Global and Taiwanese Economy	1
		March 4, 2022	Taiwan Corporate Governance Association	Interpretation of Annual Report Information and Responsibilities from Directors' Perspectives	3
		March 11, 2022	Taiwan Corporate Governance Association	Shareholders' Meeting and Equity Management	3
		June 21, 2022	Taiwan Corporate Governance Association	Global Risks and Corporal Social Responsibilities	3
		September 8, 2022	Independent Director Association Taiwan	Advanced Drilling Course Program of 2022 Independent Director Elites Research and Training Institute	3
		November 8, 2022	Taiwan Corporate Governance Association	Exploration on Legal Issues of Real-time Communication	3

Title	Name	Date	Organizing Unit	Course Title	Hours Spent on the Course
Director	Liu, Cheng Ho	June 21, 2022	Taiwan Corporate Governance Association	Global Risks and Corporal Social Responsibilities	3
		November 8, 2022	Taiwan Corporate Governance Association	Exploration on Legal Issues of Real-time Communication	3
Director	Huang, Xiang-Min	June 21, 2022	Taiwan Corporate Governance Association	Global Risks and Corporal Social Responsibilities	3
		November 8, 2022	Taiwan Corporate Governance Association	Exploration on Legal Issues of Real-time Communication	3
Director	Tamehiro Akio	August 18, 2022	Taiwan Corporate Governance Association	Latest Amendment Tendency and Interpretation of the Company Act	3
		November 16, 2022	Taiwan Corporate Governance Association	Updated Version of Corporate Governance Blueprint and Interpretation of Key Points of Regulatory Compliance	3

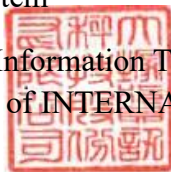
2. Status of Managers in continuing their education in 2022:

Title	Name	Date	Organizing Unit	Couse Title	Hours Spent on the Course
Division Director	Lin, Chih-Ming	March 16, 2022	Accounting Research and Development Foundation	Tax Practices and Case Interpretation of “Cross Border E-commerce”	3
		March 16, 2022		Latest laws of taxes on securities and financing; analysis on professional issues	1
		May 18, 2022		Evaluation of New Trend and Thinking of Corporate ESG Sustainability Performance”	3
		May 18, 2022		Latest laws of taxes on securities and financing; analysis on professional issues	1
		July 20, 2022		Latest Corporate Governance Policies and Laws, and Interpretation on Common Deficiencies	3
		July 20, 2022		Latest laws of taxes on securities and financing; analysis on professional issues	1

(IX) Internal Control System Execution Status

1. Statement of Internal Control System

Otsuka Information Technology Corp.  
Statement of INTERNAL Control System



Date: March 20, 2023

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 2021:

- (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 on December 31, 2022, 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 Articles 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 20, 2023, and those 10 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

The Board of Directors	Contents of Resolution
Meeting 16 of 9 <sup>th</sup> Board March 22, 2022	<ol style="list-style-type: none"> <li>1. Review the plan for allocation of remuneration for the Company's employees</li> <li>2. Review the plan for allocation and distribution of remuneration for the Company's directors.</li> <li>3. Adopt the Company's 2021 business report, individual financial report, and consolidated financial report.</li> <li>4. Distribute earnings of the 2021.</li> <li>5. Regular evaluation on independence of the Company's certified accountants</li> <li>6. Establish "Statements about internal control system" based on the internal control self-inspection in 2021.</li> <li>7. Expand the Company's "Guidelines for management".</li> <li>8. Reelect the directors.</li> <li>9. The Board nominates and reviews candidates of independent directors.</li> <li>10. Lift the non-competition limitations on the Company's new directors.</li> <li>11. Plan relevant affairs of convening the Company's 2022 Regular Meeting of Shareholders.</li> <li>12. Review each item of remuneration project, implemented for Tsai, Tsung-Chieh who was promoted to be the manager of the Company in 2022.</li> </ol>
Meeting 17 of 9 <sup>th</sup> Board May 9, 2022	<ol style="list-style-type: none"> <li>1. Adopt the Company's consolidated financial report and auditors' review report on quarter 1 of 2022.</li> <li>2. Revise the earnings distribution in 2021.</li> <li>3. Establish base date for the cash Dividends and distribution date in 2021.</li> <li>4. Lift the non-competition limitations on the Company's new directors.</li> </ol>
Meeting 1 of 10 <sup>th</sup> Board June 21, 2022	<ol style="list-style-type: none"> <li>1. Elect the chairperson.</li> <li>2. Plan to recruit the remuneration committee member of the Company.</li> </ol>
Meeting 2 of 10 <sup>th</sup> Board August 9, 2022	<ol style="list-style-type: none"> <li>1. Review the 2022 summer assessments on managers</li> <li>2. Review the plan for distribution of 2022 mid-term performance bonuses.</li> <li>3. Review the plan to distribute remunerations for the Company's employees in 2021.</li> <li>4. Adopt the Company's consolidated financial report of 2022 Q2 and the draft of the CPA's review report.</li> </ol>
Meeting 3 of 10 <sup>th</sup> Board November 8, 2022	<ol style="list-style-type: none"> <li>1. Adopt the Company's consolidated financial report of 2021 Q3 and the draft of the CPA's review report.</li> <li>2. The subsidiary, UniLink Innovation Information Technology Corporation, proceeds with closing business.</li> <li>3. Appoint the Company's director of audit.</li> </ol>
Meeting 4 of 10 <sup>th</sup> Board December 20, 2022	<ol style="list-style-type: none"> <li>1. Plan to review on the policy, system, standard and structure of remunerations for the Company's directors.</li> <li>2. Review the items of remunerations for the Company's managers to be launched in 2023.</li> <li>3. Review the 2022 annual assessment on managers.</li> <li>4. Review the distribution of the 2022 year-end bonus for managers.</li> <li>5. The Company's 2023 annual budget for operation</li> <li>6. The Company's 2022 annual audit fee for certification of accountants.</li> <li>7. Expand the Company's "The internal control system" and "Guidelines for management".</li> <li>8. The Company's Audit Plan in 2023.</li> </ol>
Meeting 5 of 10 <sup>th</sup> Board March 20, 2023	<ol style="list-style-type: none"> <li>1. Review the plan for allocation of remuneration for the Company's employees</li> <li>2. Review the plan for allocation and distribution of remuneration for the Company's directors and supervisors.</li> <li>3. Review each item of remuneration project, implemented for Kao-Yueh-Yun, Chen-Chi-Shou and Tsai-Chun-Chu who was promoted to be the manager of the Company in 2023.</li> <li>4. Adopt the Company's 2022 business report, individual financial report, and consolidated financial report.</li> <li>5. Distribute earnings of the 2022.</li> <li>6. Due to the internal organization adjustment of accounting firm in the first quarter of 2023, the Company replaced its CPAs accordingly.</li> <li>7. Regular evaluation on independence of the Company's certified accountants</li> <li>8. Establish the Company's "General Principles of the Pre-approval of Non-assurance Services Policy".</li> <li>9. Establish "Statements about internal control system" based on the internal control self-inspection in 2022.</li> <li>9. Establish "Statements about internal control system" based on the internal control self-inspection in 2022.</li> <li>10. Expand the Company's "Guidelines for management".</li> <li>11. Plan relevant affairs of convening the Company's 2022 Regular Meeting of Shareholders.</li> </ol>
Meeting 6 of 10 <sup>th</sup> Board May 8, 2023	<ol style="list-style-type: none"> <li>1. Adopt the Company's consolidated financial report and auditors' review report on quarter 1 of 2023.</li> <li>2. Revise the earnings distribution in 2022.</li> <li>3. Appointment of corporate governance officer.</li> <li>4. Reset the convening venue of the regular shareholders meeting of the Company in 2023</li> </ol>

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

Date	Resolution	Implementation Status
June 21, 2022	1. Business Report and Consolidated Financial Statements of the year 2021.	Financial Statements certified by CPA are disclosed on the Company's website and MOPS.
	2. The statement of surplus allocation for the year of 2021.	Cash dividend has been distributed on July 29, 2022.
	3. Amendment of the Corporation's Articles of Incorporation.	The amended provisions have been implemented after the 2022 Shareholders Meeting.
	4. Amendment of the Corporation's Procedures for Acquisition and Disposal of Assets.	The amended provisions have been publicized on the Company's website and implemented according to relevant laws after 2022 Shareholders' Meetings.
	5. Amendment of the Corporation's Rules of Procedure for Shareholders' Meetings.	The amended provisions have been publicized on the Company's website and implemented according to relevant laws after 2022 Shareholders' Meetings.
	6. By-election of Directors.	The relevant information has been disclosed on MOPS.
	7. Contents of Proposal on removing Non-Competing Limitations for the candidates of the Corporation's new directors.	The relevant information has been disclosed on MOPS.

(XII) 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.

(XIII) 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:

Title	Name	Arrival date	Dismissal date	Reason for the change
Internal audit officer	Tsai, Tsung-Fu	December 16, 2019	September 16, 2022	Resignation

## V. Information on CPA Fee

(I) Service Content of Non-audit Fee, Paid to CPAs, CPAs' Accounting Firm and its Affiliates

Monetary Unit: NT\$1,000

Accountant Firm	Accountant Name	Accountant Audit Period	Audit Fee	Non-Audit Fee	Total	Remarks
KPMG TW	Wu, Mei-Ping	2022	2,690	400	3,090	None
	Fu, Hong-Wen	2022				

Note: Please specify the service contents of the non-audit fee (e.g. taxation certification, verification or other financial consultation service): The non-audit fee was paid for the settlement operations of the subsidiary, "To Gather Corporation".

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

1. If there is any change in the appointed independent auditors and the Company's annual auditing expenses decreased simultaneously: Not Applicable
2. 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:

Date of replacement	March 20, 2023		
Reason for replacement and note	Due to the internal adjustment needs of KPMG TW. Since the first quarter of 2023, the independent auditors were changed from CPA Wu, Mei-Pin and CPA Fu, Hung-Wen to CPA Fu, Hung-Wen and CPA Horng, Shyh-Gang.		
Termination or appointment rejection by the appointer or CPAs	Interested party		Appointor
	Reason	CPA	
	Decided to terminate the appointment	Not applicable	Not applicable
	Appointment/reappoint ment rejection	Not applicable	Not applicable
Opinions in and reason for audit reports issued other than unqualified opinion in the last two years	Not applicable		
Disagreement with the issuer (Yes/No)	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or procedure
			Others
	No	V	
	Description: Not applicable		
Other disclosures (Matters to be disclosed as set out in Sub-clause 10.6.1.4 through 10.6.1.7 of these Regulations)	None		

(II) About Successor CPAs:

<b>Name of CPA firm</b>	KPMG TW
<b>Name of CPA</b>	CPA Fu, Hung-Wen and CPA Horng, Shyh-Gang
<b>Date of appointment</b>	March 20, 2023
<b>Consultancy and result before appointment concerning the accounting practices or principles for specific transactions and the opinions possibly offered on financial statements</b>	Not applicable
<b>New CPA's written opinion on the matters on which the former CPA had different opinions</b>	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	2022		Current Year to April 21	
		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	Hideyuki Aoki	0	0	0	0
Director/General Manager	Kuo, Yi-Lung	0	0	0	0
Director/ Assistant General Manager	Hsu, Hui-Ju	0	0	(9,000)	0
Independent Director	Yan, Jun-De	0	0	0	0
Independent Director	Lin, Hui-Fen	0	0	0	0
Independent Director	Hsieh, Kun-Feng	0	0	0	0
Director	Huang, Xiang-Min	0	0	0	0
Director	Liu, Cheng-Ho	0	0	0	0
Director	Tamehiro Akio	0	0	0	0
Assistant General Manager	Sung, Jin-Cheng	0	0	0	0
Director of Kaohsiung Sales Department	Tsai, Tsung-Chieh	0	0	0	0
Director of the Marketing Promotion Department	Kao, Yueh-Yun	0	0	0	0
Director of the Construction and Innovation Integration Center	Chen, Chi-Shou	0	0	0	0
Director of the Marketing Promotion Department	Tsai, Chun-Chu	0	0	0	0
Director of General Administration Division	Lin, Chih-Ming	0	0	0	0
Accounting Department Manager	Fu, Kai-Li	0	0	0	0

(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:

April 21, 2023 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	0	0	0	0	None	None	—
The Otuska Information Technology Corp. Employee Welfare Trust Account handled by Bank SinoPac	1,010,751	5.91%	0	0	0	0	None	None	—
Tu Hsui Cheng	845,000	4.94%	0	0	0	0	None	None	—
Liu, Bo-Wen	696,000	4.07%	0	0	0	0	None	None	—
Tamehiro Akio	610,050	3.57%	0	0	0	0	None	None	—
Kuo, Pao-Chang	246,000	1.44%	0	0	0	0	None	None	—
Chang, De-Ming	200,000	1.17%	0	0	0	0	Chang, Cun-Yi	Father and Son	—
Chang, Cun-Yi	166,000	0.97%	0	0	0	0	Chang, De-Ming	Father and Son	—
Hsu, Hui-ju	128,000	0.75%	0	0	0	0	None	None	—
Fei, Chung-Ping	95,000	0.56%	0	0	0	0	None	None	—

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:

March 31, 2023 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%
UniLink Innovation Information Technology Corporation	3,000,000	100%	—	—	3,000,000	100%



## IV. Capital Raising Activities

### I. Capital and Shares

#### (I) Type of Capital Stock

##### 1. Source of Capital Stock

May 31, 2023 Unit: Share

Share Types	Authorized Capital Stock			Remarks
	Outstanding Capital Stock (Note)	Unissued Stock	Total	
Common Stock	17,097,000 Shares	12,903,000 Shares	30,000,000 Shares	Over-the-counter shares

##### 2. Formation process of Capital Stock

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 No.09632332060
2007/06	32.0	20,000	200,000	13,955	139,550	Capital Increase by Cash	None	
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
2019/06	10.0	30,000	300,000	17,097	170,970	Increase of Authorized Capital Stock	None	Approved on 2019/06/26 No. 1088041848

3. Information about the general reporting system: Not applicable

(II) Shareholder Structure

April 21, 2023 Unit Share; Person

Shareholder Structure Quantity	Government Institutions	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Foreign Persons	Total
Number of Shareholders	—	3	22	2,254	14	2,293
Shareholding	—	101,000	1,165,531	9,165,569	6,664,900	17,097,000
Holding Percentage (%)	—	0.59%	6.82%	53.61%	38.98%	100.00%

(III) Diffusion of Ownership

1. Common Stock

April 21, 2023

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

Class of Shareholding	Number of Shareholders	Shareholding	Percentage
1 ~ 999	480	49,773	0.29%
1,000 ~ 5,000	1,571	2,654,946	15.53%
5,001 ~ 10,000	121	955,100	5.59%
10,001 ~ 15,000	34	444,069	2.60%
15,001 ~ 20,000	27	506,000	2.96%
20,001 ~ 30,000	19	472,000	2.76%
30,001 ~ 40,000	10	356,648	2.09%
40,001 ~ 50,000	10	456,000	2.67%
50,001 ~ 100,000	12	834,763	4.88%
100,001 ~ 200,000	3	494,000	2.89%
200,001 ~ 400,000	1	246,000	1.44%
400,001 ~ 600,000	0	0	0.00%
600,001 ~ 800,000	2	1,306,050	7.64%
800,001 ~ 1,000,000	1	845,000	4.94%
Over 1,000,001	2	7,476,651	43.73%
Total	2,293	17,097,000	100.00%

2. Preferred Share: None

(IV) Major Shareholders

April 21, 2023 Unit: Share

SHARES NAME OF MAJOR SHAREHOLDERS	SHARES HELD	PERCENTAGE (%)
Otsuka Corp.	6,465,900	37.82%
The Otuska Information Technology Corp. Employee Welfare Trust Account handled by Bank SinoPac	1,010,751	5.91%
Tu, Shui-Cheng	845,000	4.94%
Liu, Po-Wen	696,000	4.07%
Tamehiro Akio	610,050	3.57%
Kuo, Pao-Chang	246,000	1.44%
Chang, De-Ming	200,000	1.17%
Chang, Cun-Yi	166,000	0.97%
Hsu, Hui-Ju	128,000	0.75%
Fei Chung-Ping	95,000	0.56%

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

Unit:NT\$

Item		Year	2021	2022	2023 (As of March 31 <sup>st</sup> )
Market Price Per Share (Note 1)	Highest		89.30	93.10	126.00
	Lowest		67.20	77.00	87.00
	Average		78.47	85.70	110.96
Net Worth Per Share (Note 2)	Before Distribution		44.27	49.29	—
	After Distribution		38.27	41.79	—
Earnings Per Share	Weighted average shares		17,097	17,097	17,097
	Earnings per share (Note 3)		8.50	10.65	2.78
Dividend Per Share	Cash Dividend		6.0	7.5	—
	Stock Dividends	Stock Dividend from Retained Earnings	—	—	—
		Stock Dividend from Additional Paid-In Capital	—	—	—
	Accumulated Undistributed Dividends (Note 4)		—	—	—
Return on Investment	P/E Ratio (Note 5)		9.11	8.07	—
	Price-Dividend Ratio (Note 6)		12.91	11.47	—
	Cash Dividend Yield (Note 7)		7.74%	8.72	—

Note 1: Indicate the highest and lowest market price of the ordinary share each year and calculate the average market price of each year, based on the transaction value and volume each year.

Note 2: Indicate the conditions of distribution via the resolution of the shareholders meeting of next year, based on the issued share number at the end of year.

Note 3: In case of such conditions as the stock grant which needs to be traced and adjusted, indicate the earnings per share before and after adjustment.

Note 4: 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 5: P/E Ratio = Current year average closing price per share/earnings per share

Note 6: Price-Dividend Ratio = Current year average closing price per share/ cash dividend per share

Note 7: 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 the 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 2022 Distribution of Stock Dividends

### 2022 Surplus Earnings Distribution

Unit: NT\$

Item	Amount	
	Subtotal	Total
Beginning Undistributed Surplus Earnings	291,442,334	
+: Change after re-evaluating the Benefit Plans	4,476,084	
Undistributed Surplus Earning in the End of the Period after the Adjustment.		295,918,418
+: 2022 Net Profit After Tax	182,145,113	
Distributable Earnings		478,063,531
-: Legal Reserve	18,214,511	
-:Special Reserve	(1,872,503)	
Assign Items		
1.Shareholders' Dividend- Stock (NT\$0 Per Share)	0	
2. Shareholders' Dividend- Cash (NT\$7.5 Per Share)	128,227,500	
Undistributed Surplus Earning in the End of the Period		333,494,023
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.		

3. When it is expected that there will be major changes in the dividend policy, it should be explained: None.

(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\$11,725,184 as the employees' compensation and NT\$3,517,555 as the Directors compensation in the form of cash dividend in 2022. 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 21, 2022 Shareholders' Meeting for the 2021 Compensation of the employees and Directors

		Unit: NT\$
<b>Distributed Amount</b>	Employee Cash Compensation	9,586,374
	Employee Stock Compensation	0
	Directors' Compensation	2,875,912
	Total	12,462,286

(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	Electronic 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 equipment 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	2021		2022		As of March 31, 2023	
	Amount	%	Amount	%	Amount	%
Software	1,193,049	70.79	1,443,121	92.74	424,366	93.87
Labor service	76,917	10.98	85,840	5.52	24,586	5.44
Others	30,560	18.23	27,068	1.74	3,118	0.69
Total	1,300,526	100.00	1,556,029	100.00	452,070	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 , construction industries and media entertainment. We are not only selling agent of CAID/CAD/CAM/CAE/ PDM/PLM/M&E and a lot of professional software, but also offer technical application consultation, software online education guidance, personnel training, industry aesthetics consultancy, 3D mobile application , VR/AR and digital transformation 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: mold, bicycle, hand tool, etc.
- (2) Education market
  - A. Teaching excellence project cooperate with the software market via the e-learning platform 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, CAE, PTC CREO, Siemens NX, Bentley, Archicad and i-Reporter, etc.
  - B. Self-R&D of HyperPDM, Otsuka UG and customize service
  - C. VR and AR software, digital transformation 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)

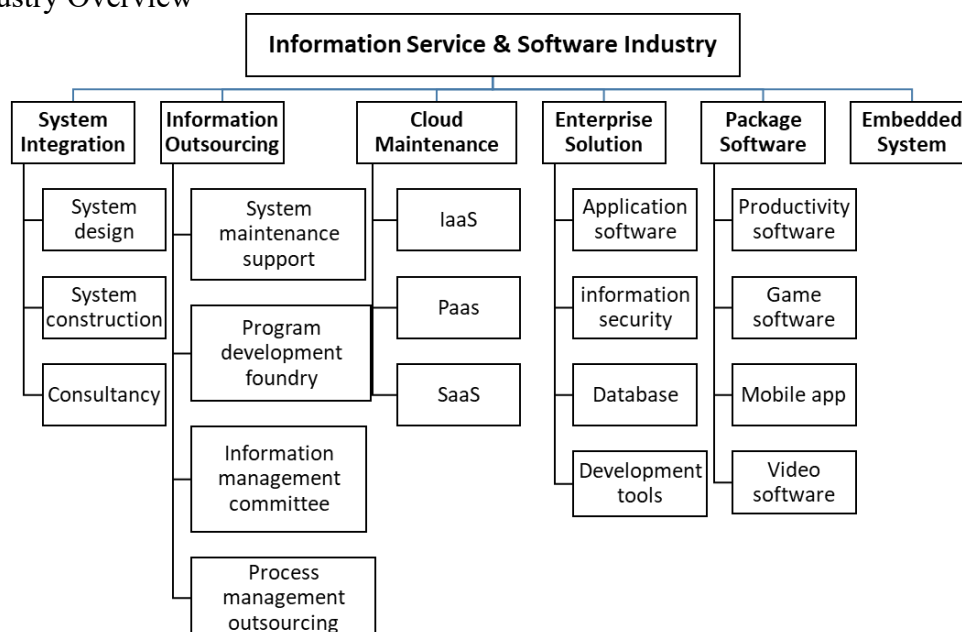
- (1) In order to improve the enterprise's operation efficiency, The technique application service of the AR (Augmented Reality) and VR (Virtual Reality) has become an important development direction. This Company possesses the 3D graphics industry technology and marketing resources for years. Through the integration of such development techniques as computer graphics, computer simulation, artificial intelligence, sensing, display and network parallel processing, etc. we provide the customers with the high-technique simulation system, created by the computer technique aid and the AR/VR application service includes employee training, industrial maintenance, marketing exhibition and after-sale service.
- (2) To be the best partner of the enterprises in digital transformation:  
 Smart governance, AI integration of big data and green-energy sustainability has turned out the key trends of global development, but information security protection in response to digitalization is even more important. Accordingly, the Company provides clients with encryption management of e-files and file protection solutions in order for them to greatly increase security and work effectiveness during the process of their digitalized development. In addition, under the premise of focusing on both information security and confidentiality, cloud offices make a complete representation of information for operation needs and build up a highly-efficient information transmission channel, so that even telecommuting or remote offices can share documents and offer necessary support at the decision-making time. And in terms of mobile forms, the tablet devices can be used to insert the columns of forms by photographing images so as to link data to systems with total exemption of filling out forms by hands and manual statistic operations. Consequently, benefits of paperless green-energy sustainability can be achieved.
- (3) CAD Value-added Development Product
  - A. CAD Add-in Toolkit  
 Otsuka Corp. inputs the experience of CAD customized program development it undertakes for years into the development of the CAD toolkit. We make use of the SDK (Software Development Kit) and API (Application Programming Interface), provided by CAD, to reinforce the graphic design efficiency and continuously, add the demand function of the CAD consultant and customer feedbacks, and incessantly improve the operation facility and execution effectiveness of the programs.



## B. NX Special Processing System

Originally known as Unigraphics (UG), NX is applied to the advanced CAD system of 3C industry and the tooling industry. By virtue of customized project development experience in NX tool processing, Otsuka Corp. introduces one after another the tool processing kit, which can rapidly upgrade the precision and effectiveness of the tool processing in keeping with the NX system.

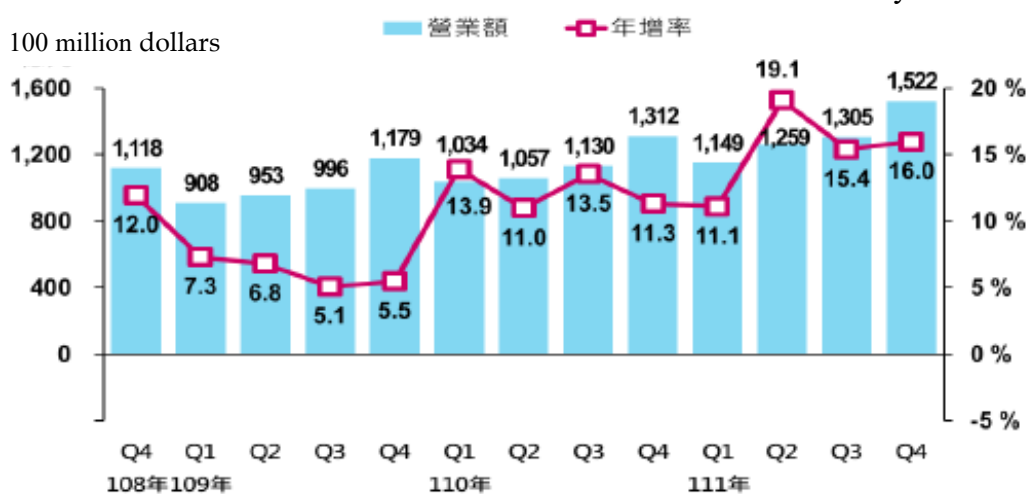
## (II) Industry Overview



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, on 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

In the fourth quarter of 2022, the revenue of computer and information service industry is NT\$152.2 billion by an annual growth rate of 16.0%; the revenue for computer system design service industry was NT\$114.1 billion, increase rate of 14.8% for the main reason of rising performance in integration design of the enterprises' software and hardware, 5G communication technology, information security protection, etc.; the revenue of information supply service industry was 38 billion, showing a record single season high for years by an annual increase rate of 19.7% for the main reason of active promotion of management operators of website auction platforms, on top of strong demands for valet management of electronic data interchange and cloud equipment service.

## 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:

Unit: 100 million dollars

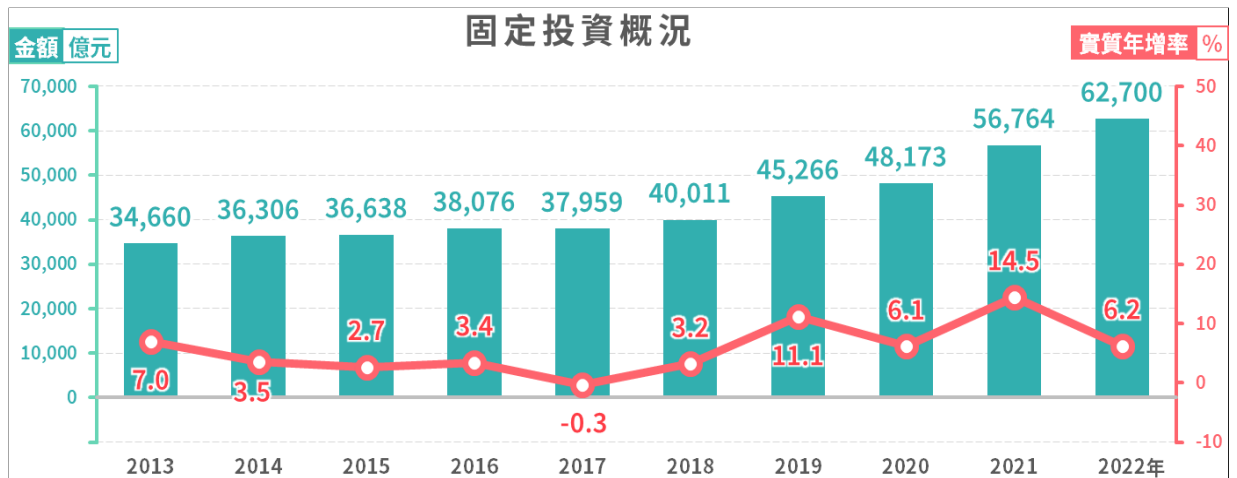
YEAR	TOTAL		Computer Program design sector		Information service sector	
	AMOUNT	Annual increase ratio	AMOUNT	Annual increase ratio	AMOUNT	Annual increase ratio
2017	3,323	5.3	2,540	4.0	783	9.6
2018	3,467	4.3	2,626	3.4	841	7.4
2019	3,804	9.7	2,867	9.2	936	11.3
2020	4,036	6.1	3,054	6.5	981	4.8
2021	4,534	12.4	3,414	11.8	1,120	14.1
2022	5,235	15.5	3,941	15.4	1,294	15.5

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.

## Overview of Domestic Fixed Investment in 2022



Source: Ministry of Economic Affairs, Office of Statistics

The Office of Statistics of the Ministry of Economic Affairs reports that since outbreak of the China-US trade war in 2018, and the COVID-19 pandemic, the domestic semiconductor industry has expanded advanced manufacturing processes, along with ongoing construction of 5G and green-energy facilities, and increase of investment in Taiwan by major international manufacturers and reflowed Taiwanese businessmen; the fixed investment has been driven to rise. The average annual growth during 2018 and 2022 was 8.2%, better than 3.3% during 2013 and 2017.

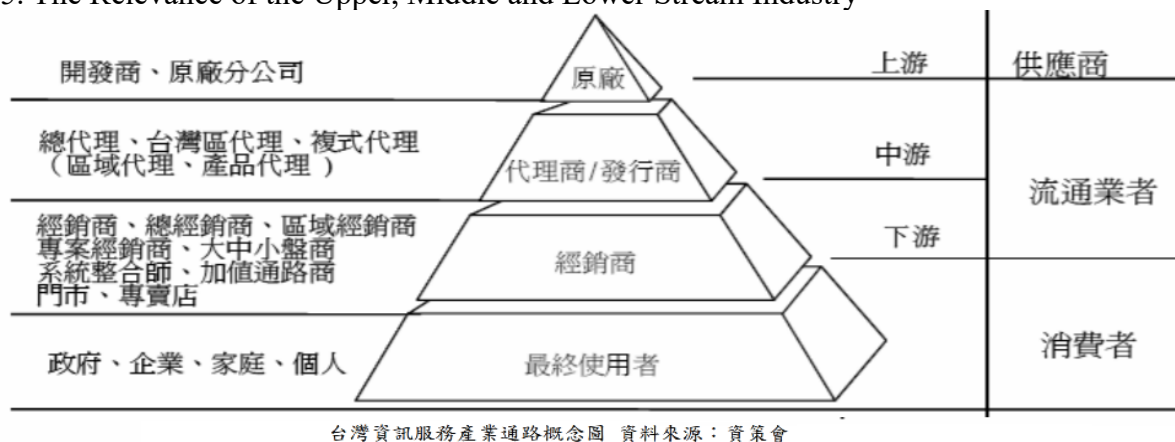
### 4. Industry Outlook

The Market Intelligence & Consulting Institute (MIC) and Industrial Technology Research Institute had an overview on the information software industry in 2022 and proposed the noteworthy trends as below:

- (1) As the development of product technologies is changing day by day, various transformations and innovations are evolving without cease. Layout of emerging applications with potentials in the market will facilitate to drive the mid-and-long-term development. Among those, the transformation development includes information security, digitalization, energy, etc., while the emerging applications cover electric vehicle, network physical technology, net zero carbon emission, green economy, etc.
- (2) Change of E-commerce Sales Model: The sale model of e-commerce will turn from B2C & B2B2C to D2C (Direct to Customer); namely, the influence of the e-commerce platform and the sales channel will tend to gradually decrease; the future consumption channel will face the consumers more directly and the brand dealer will combine its own marketing channels on the website with the social media, and by way of the D2C model, collect the data of customer behavior and transaction with a purpose of optimizing its own product and service.
- (3) According to the survey of Gartner, a research institution, in 2023, the global aggregate expenditures of products and services related to information security and risk management is expected to exceed US\$195 bn. by an annual increase of 11.8%. It is estimated that cloud security service will become the strongest growing industry in the coming two years, and the enterprises will be even more dependent on the technology which can achieve safe remote working and mixed office environment. In order to build a safer home office environment, enterprises will actively seek information security solutions which can rapidly obtain investment return. Moreover, enterprises are reducing use of VPN for safe access, and remote workers' demands for zero-trust protection are increasing, so ZTNA becomes the most growing market in the network security services. Expectedly, in 2023, the said market will enjoy 31% of growth.

(4)Gartner, a research institution, predicts that by 2026, one quarter of global consumers will spend one hour in Metaverse per day. Metaverse is a digital co-sensing world, composed of three axes of cyber-physical mix, digital economy and digital technology. However, a complete Metaverse technology still needs backup of more innovative research and development, such as advanced communication technologies of 5G, Wi-Fi6, etc., as well as software of 3D modeling, machine vision, human-machine interaction system, etc. The Metaverse technology will make more information of enterprises exposed to the digital environment. Therefore, requirements for information security will be stricter, and this will also lead to development of the industrial-level information security technology.

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



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

The global technology development will be boosted by the policy digital transformation and net zero, and the Company's product development trend will also be directed towards this goal.

##### (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 fast shows the designer's thought through the monitor, which breakthrough the problem of learning curve. The guiding technology of smart manufacturing operations applies augmented reality (AR) or virtual reality (VR) to provide the immersive educational training, and uses mixed reality (MR) to offer virtual guide and multi-user distance collaborative operations for the purpose of improving technology and quality of manual production, reducing occurrence of artificial errors, and decreasing reproduction and product damage to prevent loss of cost.

##### (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, for example, the mobile forms solution, launched by the Company, so they can assist business to make good use of resources. Due to the uncertainty of business transformation and changes of the environment, the growth of consultancy will be higher than system design and construction. However, consultancy, system design and construction companies 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, 3D scanning, modeling software, rendering engine, image computing rule, human-machine interaction software, etc. 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

In terms of solutions for the manufacturing industry, Autodesk PDMC are the bread-winning product of our company, which belong to middle-class 3D CAD drawing R&D integration package software, and offers digital prototyping tools especially designed for manufacturing industry. Industry now values R&D creativity and the time and efficiency of product development, provides with sound 3D modeling environment and powerful solution of productivity improvement, which will bring developing motivation to industry furthermore. Our main domestic competitor is SolidWorks software owned by Groupe Dassault of France.

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 2023, 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, Archicad 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. 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 160 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 25 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.

## (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	2022	2023 As of 31 <sup>st</sup> , March
R&D Cost	7,478	1,989
Operating Revenue	1,556,029	452,070
R&D Cost to revenue ratio	0.48%	0.44%

### 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) CAD Add-in Toolkit:

The company transfers the experience of CAD customized project development to a variety of design tools, which can expedite CAD and promote efficiency, and meanwhile support the customers in use of each kind of CAD system.

###### (3) Special Processing System:

Provide the specialized kit of diversified module processing in terms, a module advanced design system.

##### 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, enterprise digital transformation, information security and metaverse applied 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 Cloud Computing Business Department, and help with the marketing of digital transformation business.

(2) Long-term plan:

To build a system-integrated consultancy which “To be the best partner of the enterprises in digital transformation”. 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. Upgrade performance of internal ERP, combine the existing CRM framework to improve the concatenation function, 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 corporations.

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	2021		2022	
	Amount	%	Amount	%
Domestic sales	1,299,955	99.96%	1,547,803	99.47%
Export sales(Asian area)	571	0.04%	8,226	0.53%
total	1,300,526	100.00%	1,556,029	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 523.5 billion in 2022, 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 2020 to 2022 was 98.1 billion, 112 billion, and 129.4 billion NT dollars respectively, and the annual growth rate is 4.8%, 14.1%, and 15.5%.

### 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 “To be the best partner of the enterprises in digital transformation”, 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 meantime.

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 information and communication technology 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, the Company never stops to develop and provide customers with integration service of diversified products, high value-added after-sales service and technical support. We 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	<p>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.</p> <p>2.CAD: Computer Aided Design software: includes 3D design software for machinery purpose, pipe fitting equipment, circuit layout and civil construction.</p> <p>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.</p> <p>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.</p> <p>5.AEC: Architectural Engineering &amp;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.</p> <p>6.Media entertainment solutions:3D modeling and professional animation tools, includes Maya, 3Ds MAX, Unity series products, which enable artist to present creative concept by fast and creative toolset.</p>
Product Information management software	<p>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.</p> <p>i-Reporter: Management platform solutions of Mobile inspection and collection of statistical reports</p>

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 is software tool, 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 、GRAPHISOFT	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

	2021				2022				2023 as of previous quarter			
item	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	496,271	60.47	NA	Synnex	733,134	67.03	NA	Synnex	250,165	73.09	NA
2	Siemens	78,996	9.63	NA	Siemens	80,611	7.37	NA	Siemens	22,242	6.50	NA
	Others	245,353	29.90	NA	Others	279,946	25.60	NA	Others	69,848	20.41	NA
	Net purchases	820,630	100.00	-	Net purchases	1,093,691	100.00	-	Net purchases	342,255	100.00	-

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

Due to clients' needs, the Company purchased Autodesk from Synnex Technology International Corp. and Siemens, as well as Siemens' drawing software, so our operating revenue grew, leading to year-by-year increase of the purchase amount. Over recent years, there were no great changes for the supply to the Company.

2. Main sales customers information over last two years:

Unit: Expressed in thousands of NTD

	2021				2022				2023 as of previous quarter			
Item	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	NCSIST	55,818	4.29	NA	TSCM	34,608	2.22	NA	Delta Electronics	56,905	12.59	NA
2	Delta Electronics	28,137	2.16	NA	NCSIST	33,250	2.14	NA	FTC E-Commerce	16,952	3.75	NA
3	LITE-ON Technology	22,389	1.72	NA	Delta Electronics	28,067	1.80	NA	Yanfeng	15,549	3.44	NA
	Others	1,194,181	91.83	-	Others	1,460,104	93.84	-	Others	362,664	80.22	-
	Net sales	1,300,526	100.00	-	Net sales	1,556,029	100.00	-	Net sales	452,070	100.00	-

Among the sales customers of our company over last two years, such as NCSIST, Delta Electronics, TSMC, LITE-ON Technology, FTC E-Commerce, and Yanfeng are the customers of graphics software for the system upgrade to meet needs of business development, or project procurement.

(V) Volume of production table over last two years: The company is not the manufacturing, so it 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		2021				2022			
			Domestic sales		Export sales		Domestic sales		Export sales	
	Quant -ity	Value	Quant -ity	Value	Quant -ity	Value	Quant -ity	Value	Quant -ity	Value
Software	—	1,193,049	—	—	—	1,435,479	—	7,642	—	—
Labor service	—	76,346	—	571	—	85,256	—	584	—	—
Others	—	30,560	—	—	—	27,068	—	—	—	—
Total	—	1,299,955	—	571	—	1,547,803	—	8,226	—	—

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 employee for the two most recent fiscal years and up to Quarter 1 of 2023, their average years of service, average ages and education levels:

Year		2021	2022	2023.3.31
Staff number	Supervisor	32	38	38
	General	147	146	152
	Total	179	184	190
Average age		37.6	36.6	36.86
Average seniority		6.54	6.14	6.07
Ratio of educational attainment	PhD	0%	0%	0%
	Master's	13.41%	10.33%	10%
	University	81.56%	85.33%	85.79%
	High school	5.03%	4.34%	4.21%
	Less than high school	0%	0%	0%

IV. Environmental expenditure information

The company is not the manufacturing, so it is not applicable to the subject. There is no loss incurred from polluting the environment, so the amount of loss in the future cannot be estimated.

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, as follows are the welfares our employee have:

(1) Bonus system: In addition to the monthly sales bonus, the company will issue quarterly bonus, half year dividend, season-end & 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 the preferential shareholding opportunity and bonus issue.
2. Implementation status of further study and training
- Arranging courses by orientation training, assisting 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, TMS 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 1<sup>st</sup> 1995, the company has enacted the pension system, according to Labor Pension Statutes, and withdraws 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 11<sup>th</sup> 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. Cyber Security Management

I. Specify the cyber security risk management framework, the cyber security policy, the concrete management project and the resources input in the cyber security management:

1. The unit in charge of cyber security management in the company is the information center where five persons are staffed.
2. Cyber Security Policy:
  - (5) The access and control of information shall be properly authorized in order to ensure the information security.
  - (6) Protect the information files and equipment security.
  - (7) Ensure the availability of the information systems when the emergency/accident happens, as well as the feasibility of the recovery plan.
3. The concrete management project and input resources are to carry out on a regular basis the cyber system security requirement test, including the user login identity verification and the checking & screening test of user input & output; the system recovery plan is to periodically conduct the cyber security risk evaluation by identifying the cyber security risks that the core business and the core cyber system might suffer, analyzing the impact of losing the confidentiality, integrity and availability and implementing the control measures in aspects of cyber security management and techniques.

II. Specify the loss the company suffers from the significant cyber security events, the possible impact and the response measures in the recent year and as of the date of publication of the annual report: None.

#### VII. 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.	2018.11.27 to date	Autodesk agency Contract of related products	NA
Agency agreement	SIEMENS	2017.01.02 to date	Siemens agency Contract of related products	NA
Agency agreement	Parametric Technology PTC	2021.07.01 to date	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

<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Item</div> <div>Year</div> </div>		Financial information in the last five years					2023 as of first quarter (review by auditor)
		2018	2019	2020	2021	2022	
Current assets		705,407	793,534	802,584	897,500	1,016,004	1,044,949
Real estate, plant and equipment		22,791	25,216	25,527	27,468	27,643	26,591
Intangible asset		—	—	—	—	—	—
Other assets		34,952	100,902	95,060	85,322	81,052	113,572
Gross assets		763,150	919,652	923,171	1,010,290	1,124,699	1,185,112
Ccurrent liabilities	Before distribution	181,353	219,493	189,614	233,196	262,089	375,369
	After distribution	232,644	313,527	278,518	335,778	390,317	375,369
Non-current liabilities		2,273	38,717	29,150	19,332	19,890	47,064
Total liabilities	Before distribution	183,626	258,210	218,764	252,528	281,979	422,433
	After distribution	234,917	352,244	307,668	355,110	410,207	422,433
Attributed to owner's equity of the Parent Company		579,524	660,066	703,551	756,809	842,720	762,679
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	346,903	431,213	474,724	527,288	611,327	530,674
	After distribution	295,612	337,179	385,820	424,706	483,099	530,674
Other equity		(7,162)	(10,930)	(10,956)	(10,262)	(8,390)	(7,778)
Treasury stock		—	—	—	—	—	—
Non-controlling Interests		—	1,376	856	953	—	—
Total equity	Before distribution	579,524	661,442	704,407	757,762	842,720	762,679
	After distribution	528,233	567,408	615,503	655,180	714,492	762,679

Note1: On March 20, 2023, a resolution has been passed by the Board of Directors' meeting to distribute the earnings of 2022.



(II) 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					2023 as of first quarter (review by auditor)
	2018	2019	2020	2021	2022	
Revenue	923,668	1,205,375	1,129,672	1,300,526	1,556,029	452,070
Gross Profit	319,599	438,090	437,977	480,722	521,704	134,956
Operating income Statement	91,131	174,178	162,555	177,254	221,052	57,745
Non-operating Income	1,954	2,637	2,036	1,994	(1,963)	744
Pre-Tax Income	93,085	176,815	164,591	179,248	219,089	58,489
Income from Continuing Operation for this Term	74,245	143,002	136,279	145,119	181,706	47,574
Loss on Discontinuing Operation	—	—	—	—	—	—
Net Income (Loss) for this Term	74,245	143,002	136,279	145,119	181,706	47,574
Other Comprehensive Income for this Term (After-tax Net Amount)	(2,998)	(11,293)	720	(2,860)	6,348	612
Total Amount of Comprehensive Income & Loss for this Term	71,247	131,709	136,999	142,259	188,054	48,186
Net income attributed to owner of the parent company	74,245	143,126	136,799	145,395	182,145	47,574
Net income attributed to non-controlling interest	—	(124)	(520)	(276)	(439)	—
Total comprehensive income attributed to owner of the parent company	71,247	131,833	137,519	142,535	188,493	48,186
Total comprehensive income attributed to non-controlling interest	—	(124)	(520)	(276)	(439)	—
Earnings Per Share	4.34	8.37	8.00	8.50	10.65	2.78

Notel: On March 20, 2023, a resolution has been passed by the Board of Directors' meeting to distribute the earnings of 2022.

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

Unit: Expressed in thousands of NTD

Year Item		Financial information in the last five years					2023 as of first quarter
		2018	2019	2020	2021	2022	
Current assets		569,665	644,735	626,587	698,258	821,539	No compilation of individual financial quarter report
Real estate, plant and equipment		22,231	22,914	22,830	26,013	27,018	
Investments Accounted for Using Equity Method		128,147	146,147	176,121	196,504	189,087	
Other assets		29,258	76,398	73,812	68,235	74,037	
Gross assets		749,301	890,194	899,350	989,010	1,111,681	
Current liabilities	Before distribution	167,504	196,037	169,262	214,683	249,231	
	After distribution	218,795	290,071	258,166	317,265	377,459	
Non-current liabilities		2,273	34,091	26,537	17,518	19,730	
Total liabilities	Before distribution	169,777	230,128	195,799	232,201	268,961	
	After distribution	221,068	324,162	284,703	334,783	397,189	
Attributed to owner's equity of the Parent Company		579,524	660,066	703,551	756,809	842,720	
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	346,903	431,213	474,724	527,288	611,327	
	After distribution	295,612	337,179	385,820	424,706	483,099	
Other equity		(7,162)	(10,930)	(10,956)	(10,262)	(8,390)	
Treasury stock		—	—	—	—	—	
Non-controlling Interests		—	—	—	—	—	
Total equity	Before distribution	579,524	660,066	703,551	756,809	842,720	
	After distribution	528,233	566,032	614,647	654,227	714,492	

Notel: On March 20, 2023, a resolution has been passed by the Board of Directors' meeting to distribute the earnings of 2022.

(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					2023as of first quarter
	2018	2019	2020	2021	2022	
Revenue	824,099	1,091,288	1,031,001	1,182,602	1,423,360	No compilation of individual financial quarter report
Gross Profit	291,348	408,493	410,305	445,233	492,052	
Operating income statement	84,079	165,897	163,541	172,972	215,425	
Non-operating Income	8,563	10,112	1,210	6,293	3,836	
Pre-Tax Income	92,642	176,009	164,751	179,265	219,261	
Net Income	74,245	143,126	136,799	145,395	182,145	
Other comprehensive income(Net Income)	(2,998)	(11,293)	720	(2,860)	6,348	
Total comprehensive income	71,247	13,833	137,519	142,535	188,493	
Earnings per share	4.34	8.37	8.00	8.50	10.65	

Notel: On March 20, 2023, a resolution has been passed by the Board of Directors' meeting to distribute the earnings of 2022.

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

Year	Accountancy firms	Name of auditors	Comment
2018	KPMG TW	Wu, Mei-Ping and Huang, Yon-Hua	Unqualified opinion
2019	KPMG TW	Wu, Mei-Ping and Chuang, Jun-Wei	Unqualified opinion
2020	KPMG TW	Wu, Mei-Ping and Chuang, Jun-Wei	Unqualified opinion
2021	KPMG TW	Wu, Mei-Ping and Fu, Hong-Wen	Unqualified opinion
2022	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 (Note I)		Financial analysis in the last five years					2023 as of first quarter(review by auditor)
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt to total assets	24.06	28.08	23.70	25.00	25.07	35.64
	Long term funding to property, plant and equipment ratio	2,542.78	2623.10	2759.46	2,758.71	3,048.58	2,868.18
Solvency %	Current ratio	388.97	361.53	423.27	384.87	387.66	278.38
	Quick ratio	360.4	319.28	375.96	331.28	324.97	226.74
	Times interest earned ratio	0	220.65	210.4	297.77	523.89	723.09
Operating ability	Average collection turnover(times)	3.94	4.27	4.66	5.03	5.07	5.74
	Average collection days	93	85	78	73	72	64
	Inventory turnover(times)	10.12	11.02	7.82	9.03	8.11	7.29
	Average payables turnover(times)	7.55	7.53	7.9	9.14	8.99	10.43
	Average inventory turnover days	36	33	47	40	45	50
	Property, plant and equipment turnover(times)	42.6	50.22	44.53	49.08	56.47	66.68
	Total assets turnover(times)	1.32	1.43	1.23	1.35	1.46	1.57
Profitability	Return on asset (%)	10.64	17.07	14.85	15.06	17.05	16.48
	Return on equity (%)	13.38	23.05	19.96	19.85	22.71	23.71
	Profit before tax to capital stock (%)	54.45	103.42	96.27	104.84	128.14	136.84
	Profit margin (%)	8.04	11.86	12.06	11.16	11.68	10.52
	Earnings per share (dollars)	4.34	8.37	8.00	8.5	10.65	2.78
Cash flow	Cash flow ratio (%)	46.93	68.84	111.02	43.66	73.94	(6.56)
	Cash flow adequacy ratio(%)	136.82	131.61	160.76	164.83	153.8	125.00
	Cash flow reinvestment ratio (%)	10.70	14.23	15.85	1.67	10.62	(3.05)
Leverage	Operating leverage	1.07	1.11	1.15	1.15	1.11	1.10
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00

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

1. Times interest earned ratio increase by 76%, which is caused by increase of the Pre-Tax Income.
2. Profit before tax to capital stock increase by 22%, which is caused by increase of the Pre-Tax Income.
3. The earnings per share increases by 25%: It is due to increase of net profit in the current period.
4. Cash flow ratio increase by 69%, which is caused by increase of the net cash flow from business activities.
5. Cash flow reinvestment ratio increase by 536%, which is caused by increase of the net cash flow from business activities.

Note I: 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)

Year Analysis Item (Note I)		Financial analysis in the last five years					2023 as of first quarter (review by auditor)
		2018	2019	2020	2021	2022	
(%) Financial structure	Debt to total assets	22.66	25.85	21.77	23.48	24.19	No compilation of individual financial quarter report
	Long term funding to property, plant and equipment ratio	2,606.83	2,880.62	3,081.70	2,909.35	3,119.11	
Solvency%	Current ratio	340.09	328.88	370.19	325.25	329.63	
	Quick ratio	312.07	285.13	321.17	281.60	267.72	
	Times interest earned ratio	0	237.25	254.46	384.87	618.64	
Operating ability	Average collection turnover(times)	3.99	4.36	4.72	4.96	5.10	
	Average collection days	91	84	77	74	72	
	Inventory turnover(times)	9.66	10.57	7.67	8.73	7.69	
	Average payables turnover(times)	7.29	7.60	8.31	9.34	8.76	
	Average inventory turnover days	38	35	48	42	47	
	Property, plant and equipment turnover(times)	38.99	48.35	45.08	48.42	53.68	
	Total assets turnover(times)	1.20	1.33	1.15	1.25	1.36	
Profitability	Return on asset (%)	10.82	17.53	15.34	15.44	17.37	
	Return on equity (%)	13.38	23.09	20.06	19.91	22.77	
	Profit before tax to capital stock (%)	54.19	102.95	96.36	104.85	128.25	
	Profit margin (%)	9.01	13.12	13.27	12.29	12.8	
	Earnings per share (dollars)	4.34	8.37	8.00	8.5	10.65	
Cash flow	Cash flow ratio (%)	48.40	67.62	113.73	43.58	82.16	
	Cash flow adequacy ratio (%)	112.20	109.25	129.96	117.08	125.38	
	Cash flow reinvestment ratio (%)	12.87	14.88	17.84	0.82	15.33	
Leverage	Operating leverage	1.06	1.10	1.11	1.11	1.09	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	
The variation of each inventory ratio is above 20% in the last two years statement is as follows: 1. Times interest earned ratio increase by 61%, which is caused by increase of the Pre-Tax Income. 2. Profit before tax to capital stock increase by 22%, which is caused by increase of the Pre-Tax Income. 3. Earnings per share increase by 25%, which is caused by increase of the Net Income. 4. Cash flow ratio increase by 89%, which is caused by increase of the net cash flow from business activities. 5. Cash flow reinvestment ratio increase by 1771%, which is caused by increase of the net cash flow from business activities.							

Note I: 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)

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

## **Otsuka Information Technology Ltd. Audit Committee's Report**

Approved

The Board of Directors hereby submits tabulations of the Corporation's 2022 separate financial statement and consolidated financial statement and business report and earnings distribution audited and attested by independent certified public accountants Ms. Wu, Mei Ping and Mr. Fu, Hung Wen of KPMG. All tabulations have been reviewed by the Audit Committee and all are produced in compliance with the relevant laws, therefore this report is prescribed in accordance with Article 219 of the Company Act. For your approval.

Hereby presented to

The Corporation's 2023 Annual Shareholders' Meeting

**Audit Committee Convener: Lin, Hui-Fen**

**March 20, 2023**



- IV. Latest Consolidated Combined Financial Statement Report Audited and Certified by CPAs:  
2022 consolidated financial statement, please refer to pages 96 to 151 of the annual report.
- V. Latest Consolidated Individual Financial Statement Report Audited and Certified by CPAs:  
2022 individual financial statement, please refer to pages 152 to 210 of the annual report.
- VI. Financial Difficulties Faced and 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: 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	2022	2021	Difference	
			Amount	%
Current assets	1,016,004	897,500	118,504	13.20%
Fixed assets	27,643	27,468	175	0.64%
Other assets	81,052	85,322	(4,270)	(5.00%)
Total assets	1,124,699	1,010,290	114,409	11.32%
Current liabilities	262,089	233,196	28,893	12.39%
Other liabilities	19,890	19,332	558	2.89%
Total liabilities	281,979	252,528	29,451	11.66%
Share capital	170,970	170,970	0	0.00%
Capital surplus	68,813	68,813	0	0.00%
Retained earnings	611,327	527,288	84,039	15.94%
Cumulative translation adjustment	(8,390)	(10,262)	1,872	(18.24%)
Non-control equity	0	953	(953)	(100.00%)
Total stockholders' equity	842,720	757,762	84,958	11.21%

- (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

<b>Item \ Year</b>	<b>2022</b>	<b>2021</b>	<b>Increase(decrease) amount</b>	<b>Increase and decrease ratio%</b>
Net operating revenue	1,556,029	1,300,526	255,503	19.65%
Operating cost	1,034,325	819,804	214,521	26.17%
Gross profit	521,704	480,722	40,982	8.53%
Operating expenses	300,652	303,468	(2,816)	(0.93%)
Operating profit	221,052	177,254	43,798	24.71%
Non-operating revenue and expense	(1,963)	1,994	(3,957)	(198.45%)
Pre-tax income	219,089	179,248	39,841	22.23%
Tax income (expense)	(37,383)	(34,129)	(3,254)	9.53%
Net income	181,706	145,119	36,587	25.21%

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

1. The net operating revenue increased mainly due to increase in the ordering amount.
2. The operating cost increased mainly due to the increase in the 2022 operating revenue.
3. The gross profit increased mainly due to the increase in the net operating revenue in 2022.
4. The operating expenses decreased mainly due to the decrease in expense of marketing.
5. The operating profit increased mainly because of the increase in the amount of order.
6. The non-operating revenue and expense decreased mainly due to the decrease in the other incomes.
7. The pre-tax income increased due to the increase in the operating profit.
8. The income tax increased due to the increase 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 2023; 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	
	2022	2021	amount	%
Operating activities	193,790	101,804	91,986	90.36%
Investment activities	(13,144)	(47,212)	34,068	72.16%
Financing activities	(118,891)	(104,911)	(13,980)	(13.33%)
Exchange influence	2,507	948	1,559	164.45%

#### Variation of increase/decrease proportion statement:

- 1.Cash inflows from operating activities was NT\$193,790 thousand, which increased in NT\$91,986 thousand compared to the last period. It was due to increase of cash inflow generated from operations in the current period.
- 2.Cash outflows from investment activities was NT\$13,144 thousand, which decreased in NT\$34,068 thousand compared to the last period, due to the purchase of the bonds and undertaking the term deposits.
- 3.Cash outflows from financing activities was NT\$118,891 thousand, which increased in NT\$13,980 thousand compared to the last period, due to the increase of the cash dividend distribution in this period.
- 4.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
523,870	174,253	(113,673)	584,450	—	—

#### 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 2023, so the cash from operating activities will increase in 2023.
- (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.

#### 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 2023.

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

2022.12. 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	8,197	8,197	Third place investment company Taiwan.	Reinforce niche product sales with high added value, continue developing related business.
Otsuka Software Trading (DongGuan) Limited.	49,152	4,486	4,486		
OITC Information Technology(shanghai)Limited.	79,872	3,711	3,711		
To Gather Corporation	28,500	(8,789)	(8,350)	Dissolved	The company had been liquidated with business closed in 2022.
Unlink innovation technology Co. Ltd.	30,000	136	136	Business was closed.	Adjust the operation, depending on the overall evaluation of the changes of the economic market and the business organization.

## (III)Investment plan for the coming year:

Aiming at the stable development and strategy, this Company will deliberately evaluate the investment synergy and undertake the investment plans in compliance with the relevant regulations.

## 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	2022	2023 as of 31st March
Interest income		2,981	800
Interest expense		419	81
Net operating revenue		1,556,029	452,070
(Interest expense- interest income)/Net operating revenue		(0.16%)	(0.16%)

## 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) Solidify financial planning of the company, utilize every financial instrument effectively and offer the related financial & investment information.

- (3) In the future, our company will still be 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

<b>Item</b>	<b>Year</b>	<b>2022</b>	<b>2023 as of 31st March</b>
Net exchange gains or losses		1,328	(140)
Net operating revenue		1,556,029	452,070
Net exchange gains or losses/ net operating revenue		0.09%	(0.03%)

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 is 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 and 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. 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 does 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 3rd Party, and strengthen the current system function through API (Application Programming Interface) provided by CAD system, which will increase the efficiency of 3D design greatly. We will

continue focusing on the R&D of PDM product series in 2023 the estimated R&D cost of manpower and equipment is around 7,956 thousands of NTD.

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

The company pays 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 (including cyber security risk) 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 any time, in order to grasp industrial dynamics and market information; cyber security risk: All the existing persons who use the information systems shall receive the educational training of information security and carry out the cyber security requirement test, including the smart information access and control, user login identity verification and checking & screening test of user input and output in order to ensure that the current cyber security system and procedures meet the requirements of the company's operation. 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 lived up to its name, and gained recognition from customer by our positive and active service attitude, and complies 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 and the high-end CAD system value-added software 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 2022, customer with direct transaction is around 3,000, among which the sales proportion of biggest client is merely 4.29%; 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 2002 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. 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: Information security risk.

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 has 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.

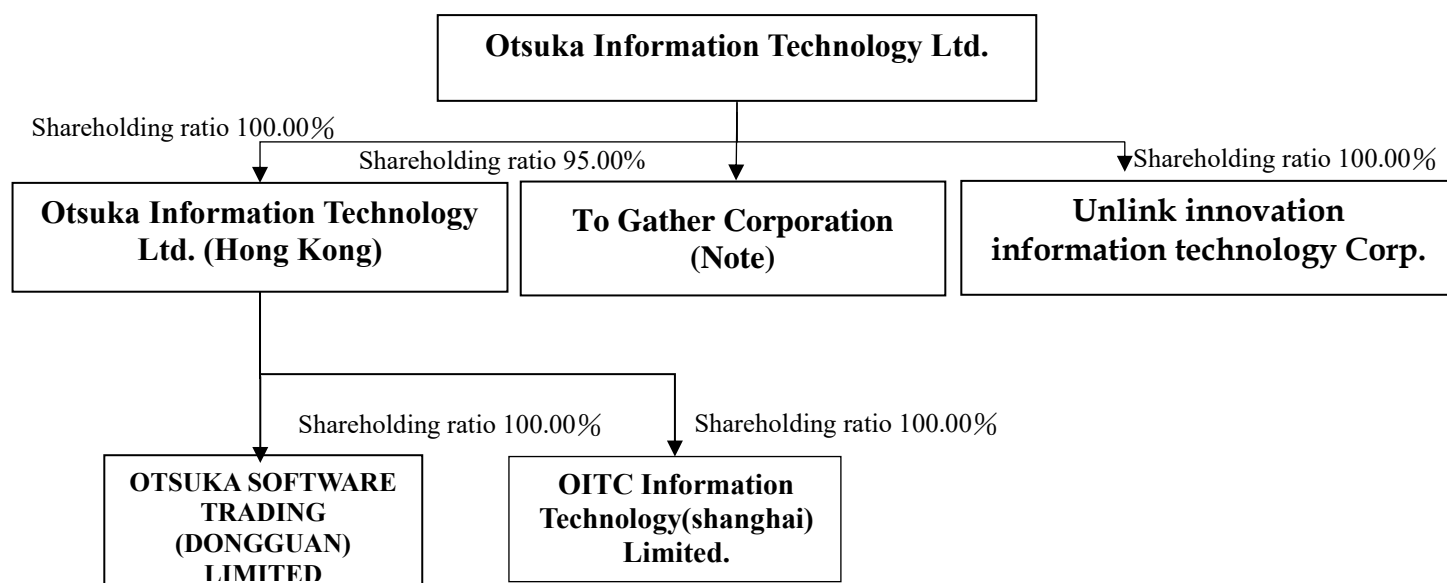
## VIII. Special Notes

### I. Information about the company's affiliates

#### (I) Consolidated business report of affiliate companies

##### 1. Affiliates overview

##### (1) Organization chart of affiliate companies



Note : The company had been liquidated with business closed in 2022.

##### (2) Basic information of affiliate companies

2022.12.31 Unit: Expressed in thousands of NTD

Name of company	Date of incorporation	Address	Paid-in capital	Main service or production items
Otsuka information Technology 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	49,152	Software trading and consultancy
OTSUKA information technology Corp (SUZHOU)LIMITED	2014.01.01	200336 Room 317, Block B, Far East International, 317 Xianxia Road, Changning District, Shanghai	79,872	
To Gather Corporation (Note 1)	2019.07.16	6F., No. 68, Sec. 2, Xianmin Blvd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	30,000	Catering service industry
Unlink innovation information technology Corp.	2020,08,13	6F., No. 68, Sec. 2, Xianmin Blvd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	30,000	Software sales and consulting service

Note 1: The company had been liquidated with business closed in 2022.

(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, and consultancy service.

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

2022.12.31

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 shares	100
Otsuka Software Trading (Dongguan) Limited.			USD 1,600 thousand dollars(Note1)	100
OITC Information Technology(shanghai)Limited.			USD 2,600 thousand dollars(Note1)	100
To Gather Corporation (Note 2)			2,850,000 shares	95
Unlink innovation information technology Corp			3,000,000 shares	100

Note 1: Non shareholding system, expressed in capital.

Note 2: The company had been liquidated with business closed in 2022.

## 2. Operation status of affiliate companies

## Financial status and operating result of affiliate companies

2022.12.31 ; Unit: Expressed in thousands of NTD

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating interest	Current income	Earnings per share
Otsuka Information Technology Limited.	129,517	176,213	14,758	161,455	0	0	8,197	(Note1)
Otsuka Software Trading (Dongguan) Limited.	49,152	94,413	8,481	85,932	84,293	3,884	4,486	
OITC Information Technology (Shanghai) Limited.	79,872	83,088	7,573	75,515	75,184	3,026	3,711	
To Gather Corporation (Note2)	0	0	0	0	1,163	(1,289)	(8,789)	0
Unlink innovation information technology Corp	30,000	27,677	45	27,632	21	(42)	136	0.05

Note 1: Non shareholding system, expressed in capital

Note 2: The company had been liquidated with business closed in 2022.

## (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 does 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, 2022 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 20, 2023



安侯建業聯合會計師事務所  
KPMG

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## 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, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2022 and 2021 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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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) for the accounting policy for "Inventories", note 5(b) for "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and note 6(d) for the details and related expenses for "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) for the accounting policy for "Financial Instruments", note 5(a) for "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and note 6(c) for the movements of allowance for "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 27% of the consolidated assets as of December 31, 2022. 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, 2022 and 2021, 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 Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 20, 2023

#### **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.



**Consolidated Balance Sheets**  
**December 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

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 Comprehensive Income**

**For the years ended December 31, 2022 and 2021**

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

		<b>2022</b>		<b>2021</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue</b> (notes 6(m) and 7)	\$ 1,556,029	100	1,300,526	100
5000	<b>Operating costs</b> (notes 6(d) and 7)	<u>1,034,325</u>	<u>66</u>	<u>819,804</u>	<u>63</u>
	<b>Gross profit</b>	<u>521,704</u>	<u>34</u>	<u>480,722</u>	<u>37</u>
	<b>Operating expenses: (notes 6(c), (h), (i), (n) and 12)</b>				
6100	Selling expenses	247,014	16	251,122	19
6200	Administrative expenses	45,811	3	44,529	3
6300	Research and development expenses	7,478	1	8,161	1
6450	Expected credit loss (reversal of expected credit loss)	<u>349</u>	<u>-</u>	<u>(344)</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>300,652</u>	<u>20</u>	<u>303,468</u>	<u>23</u>
	<b>Net operating income</b>	<u>221,052</u>	<u>14</u>	<u>177,254</u>	<u>14</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income	2,981	-	1,628	-
7020	Other gains and losses (notes 6(h) and (o))	(4,525)	-	970	-
7510	Interest expense (note 6(h))	<u>(419)</u>	<u>-</u>	<u>(604)</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>(1,963)</u>	<u>-</u>	<u>1,994</u>	<u>-</u>
	<b>Profit before tax</b>	219,089	14	179,248	14
7950	<b>Less: Income tax expenses</b> (note 6(j))	<u>37,383</u>	<u>2</u>	<u>34,129</u>	<u>3</u>
	<b>Profit</b>	<u>181,706</u>	<u>12</u>	<u>145,119</u>	<u>11</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified to profit or loss</b>				
8311	Remeasurement of defined benefit plans (note 6(i))	4,476	-	(3,554)	-
8349	Income tax related to items that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>4,476</u>	<u>-</u>	<u>(3,554)</u>	<u>-</u>
8360	<b>Items that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	2,340	-	867	-
8399	Income tax related to items that will be reclassified to profit or loss (note 6(j))	<u>(468)</u>	<u>-</u>	<u>(173)</u>	<u>-</u>
		<u>1,872</u>	<u>-</u>	<u>694</u>	<u>-</u>
8300	<b>Other comprehensive income</b>	<u>6,348</u>	<u>-</u>	<u>(2,860)</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>\$ 188,054</u>	<u>12</u>	<u>142,259</u>	<u>11</u>
	<b>Profit attributable to:</b>				
8610	Owners of parent	\$ 182,145	12	145,395	11
8620	Non-controlling interest	<u>(439)</u>	<u>-</u>	<u>(276)</u>	<u>-</u>
		<u>\$ 181,706</u>	<u>12</u>	<u>145,119</u>	<u>11</u>
	<b>Comprehensive income attributable to:</b>				
8710	Owners of parent	\$ 188,493	12	142,535	11
8720	Non-controlling interest	<u>(439)</u>	<u>-</u>	<u>(276)</u>	<u>-</u>
		<u>\$ 188,054</u>	<u>12</u>	<u>142,259</u>	<u>11</u>
	<b>Earnings per share (NT dollars)</b> (note 6(l))				
	Basic earnings per share	<u>\$ 10.65</u>		<u>8.50</u>	
	Diluted earnings per share	<u>\$ 10.56</u>		<u>8.43</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, 2022 and 2021**  
**(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
	Retained earnings				Unappropriated retained earnings				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve					
<b>Balance on January 1, 2021</b>	\$ 170,970	68,813	94,783	10,930	369,011	(10,956)	703,551	856	704,407
Profit	-	-	-	-	145,395	-	145,395	(276)	145,119
Other comprehensive income	-	-	-	-	(3,554)	694	(2,860)	-	(2,860)
Total comprehensive income	-	-	-	-	141,841	694	142,535	(276)	142,259
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	13,680	-	(13,680)	-	-	-	-
Special reserve	-	-	-	26	(26)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(88,904)	-	(88,904)	-	(88,904)
Changes in ownership interests in subsidiaries	-	-	-	-	(373)	-	(373)	373	-
Balance on December 31, 2021	170,970	68,813	108,463	10,956	407,869	(10,262)	756,809	953	757,762
Profit	-	-	-	-	182,145	-	182,145	(439)	181,706
Other comprehensive income	-	-	-	-	4,476	1,872	6,348	-	6,348
Total comprehensive income	-	-	-	-	186,621	1,872	188,493	(439)	188,054
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	14,540	-	(14,540)	-	-	-	-
Special reserve	-	-	-	(694)	694	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(102,582)	-	(102,582)	-	(102,582)
Decrease in non-controlling interests	-	-	-	-	-	-	-	(514)	(514)
<b>Balance on December 31, 2022</b>	<b>\$ 170,970</b>	<b>68,813</b>	<b>123,003</b>	<b>10,262</b>	<b>478,062</b>	<b>(8,390)</b>	<b>842,720</b>	<b>-</b>	<b>842,720</b>

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, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2022</u>	<u>2021</u>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 219,089	179,248
Adjustments:		
Adjustments to reconcile profit:		
Depreciation and amortization	23,344	26,237
Gains (Losses) related to inventories	1,937	(2,769)
Expected credit loss (reversal of expected credit loss)	349	(344)
Interest income	(2,981)	(1,628)
Interest expense	419	604
Losses on disposal and retirement of property, plant and equipment	783	101
Impairment loss on other non-current assets	5,685	-
Losses on termination of right-of-use assets	1,091	159
Gain on lease modification	-	(185)
<b>Total adjustments to reconcile profit</b>	<u>30,627</u>	<u>22,175</u>
<b>Changes in operating assets and liabilities:</b>		
Notes and accounts receivable (including related parties)	12,730	(110,190)
Inventories	(67,931)	(4,955)
Prepaid expenses and other current assets	(371)	5
Accounts payable (including related parties)	27,142	23,554
Salaries payable	(2,410)	13,392
Accrued expenses and other payables	2,647	4,059
Other current liabilities	3,658	3,320
Others	(1,794)	(1,175)
<b>Total adjustments</b>	<u>4,298</u>	<u>(49,815)</u>
Cash inflow generated from operations	223,387	129,433
Interest received	3,168	1,403
Interest paid	(419)	(604)
Income taxes paid	(32,346)	(28,428)
<b>Net cash flows from operating activities</b>	<u>193,790</u>	<u>101,804</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at amortized cost	-	(10,000)
Acquisition of property, plant and equipment	(5,644)	(7,439)
Proceeds from disposal of property, plant and equipment	96	367
Acquisition of unamortized assets	(8,743)	(1,919)
Decrease (increase) in refundable deposits	1,147	(1,221)
Increase in other current assets	-	(27,000)
<b>Net cash flows used in investing activities</b>	<u>(13,144)</u>	<u>(47,212)</u>
<b>Cash flows from (used in) financing activities:</b>		
Payment of lease liabilities	(15,795)	(16,007)
Cash dividends	(102,582)	(88,904)
Changes in non-controlling interests	(514)	-
<b>Net cash flows used in financing activities</b>	<u>(118,891)</u>	<u>(104,911)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>2,507</u>	<u>948</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	64,262	(49,371)
<b>Cash and cash equivalents at beginning of year</b>	459,608	508,979
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 523,870</u></u>	<u><u>459,608</u></u>

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, 2022 and 2021**

**(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 20, 2023.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission (“FSC”), R.O.C. 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, 2022:

- 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”

- (b) The impact of IFRSs 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, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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**OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES**  
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- (c) The impact of IFRSs issued by the International Accounting Standards Board (“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 IASB, but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.</p> <p>The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.</p>	January 1, 2024

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 1 “Non-current Liabilities with Covenants”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

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

**(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.

**(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.

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**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 are as below:

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding		Description
			December 31, 2022	December 31, 2021	
The Company	Otsuka Information Technology Ltd. (Otsuka)	Holding company	100 %	100 %	
The Company	To Gather Corp. (To Gather)	Restaurant	-	95 %	(Note 1)
The Company	Unilink Innovation Information Technology Corp. (Unilink)	Software Merchandising	100 %	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 Company invested in To Gather in cash at the amount of 15,000 thousand in April 2021, resulting in the increase of its shareholding percentage to 95%. The Board of Directors of To Gather resolved to liquidate the company on March 28, 2022. The liquidation process was completed on December 2, 2022.

Note 2: Due to operational consideration, Unilink has applied for a temporary suspension of its business in 2022 and 2021. The temporary suspension periods were from December 1, 2022 to November 30, 2023, and from December 1, 2021 to November 30, 2022, respectively.

(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.

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**OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES**  
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(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 noncontrolling 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.

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

(f) Cash and cash equivalents

Cash comprises cash on hand and demand 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

Account receivables 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 trade 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 trade 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 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.

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

2) Fair value through profit or loss

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 account receivables, 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 receivables 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.

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## 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.

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**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.

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**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
- 4) Transportation equipment: 10 years

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

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

(j) 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.

(i) 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.

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

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## OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

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	3~10 years

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

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

(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.

(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 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.

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**OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES**  
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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.

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.

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**OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES**  
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(o) 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 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 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.

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.

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**OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES**  
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(p) 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.

(q) 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 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 to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(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.

(Continued)

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

(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.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash	\$ 276	345
Checking and demand deposits	366,840	292,333
Time deposits	156,754	166,930
	<b>\$ 523,870</b>	<b>459,608</b>

As of December 31, 2022 and 2021, the Group had provided time deposits amounted to \$500 thousand as collateral and the deposit have been reclassified to other non-current assets.

As of December 31, 2022 and 2021, the Group's time deposit of \$27,000 thousand, maturing over three months, was accounted for as other current assets.

(b) Financial assets measured at amortized cost—non-current

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Financial bond	<b>\$ 30,000</b>	<b>30,000</b>

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 seven-year bonds of Bank of Panhsin in June 2019. The face value of the bond was \$20,000 thousand and its effective interest rate was 2.25%.
- (ii) The Group purchased the seven-year bonds of Bank of Panhsin in June 2021. The face value of the bond was \$10,000 thousand and its effective interest rate was 1.5%.
- (iii) As of December 31, 2022 and 2021, the Group did not provide any of the aforementioned bond as collateral.

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

(c) Notes and accounts receivable (including related parties)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Notes receivable	\$ 31,787	32,052
Accounts receivable	271,896	284,497
Account receivable-related parties	<u>586</u>	<u>745</u>
	304,269	317,294
Less: allowance for doubtful accounts	(992)	(536)
Long-term notes and accounts receivable, net	<u>(2,510)</u>	<u>(3,831)</u>
	<b><u>\$ 300,767</u></b>	<b><u>312,927</u></b>

- (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) A maturity analysis of notes and accounts receivable from the installment sales was expected to be recovered after the reporting date as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Less than a year	\$ 1,354	6,316
One to two years	1,255	1,321
Two to three years	1,255	1,255
Three to four years	<u>-</u>	<u>1,255</u>
	<b><u>\$ 3,864</u></b>	<b><u>10,147</u></b>

The aforementioned receivables were promptly recovered after the reporting date.

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# OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

- (iii) The Group applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivables (including long-term and related parties). 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, including macroeconomic and relevant industry information. The ECL allowance provision analysis was as follows:

	<b>December 31, 2022</b>		
	<b>Carrying amounts of notes and accounts receivable (including long- term and related parties)</b>	<b>Lifetime weighted- average ECL rate</b>	<b>Loss allowance provision of lifetime ECL</b>
Current	\$ 280,666	0%	-
Past due 0 to 60 days	20,549	0.5%~1.5%	111
Past due 61 to 210 days	523	7%~20%	37
Past due 211 to 270 days	2,359	30%	708
Past due 271 to 360 days	59	40%	23
More than 361 days past due	113	100%	113
	<b>\$ 304,269</b>		<b>992</b>
	<b>December 31, 2021</b>		
	<b>Carrying amounts of notes and accounts receivable (including long- term and related parties)</b>	<b>Lifetime weighted- average ECL rate</b>	<b>Loss allowance provision of lifetime ECL</b>
Current	\$ 299,838	0%	-
Past due 0 to 60 days	15,230	0.5%~1.5%	108
Past due 61 to 210 days	1,908	7%~20%	134
Past due 211 to 270 days	-	30%	-
Past due 271 to 360 days	40	40%	16
More than 361 days past due	278	100%	278
	<b>\$ 317,294</b>		<b>536</b>

(Continued)

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

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

	<b>2022</b>	<b>2021</b>
Balance on January 1	\$ 1,569	2,131
Recognition (Reversal) of expected credit loss	349	(344)
Amounts written off	(295)	(219)
Effect of changes in exchange rates	2	1
Balance on December 31	<u><u>\$ 1,625</u></u>	<u><u>1,569</u></u>

(d) Inventories

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Software	\$ 156,285	92,287
Hardware	4,159	1,808
Merchandise	-	531
	<u><u>\$ 160,444</u></u>	<u><u>94,626</u></u>

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

	<b>2022</b>	<b>2021</b>
Losses (Gains) on obsolete inventories and inventory valuation	\$ 1,755	(6,980)
Loss on disposal of inventories	182	4,211
Total	<u><u>\$ 1,937</u></u>	<u><u>(2,769)</u></u>

As of December 31, 2022 and 2021, the Group did not provide any of the aforementioned inventories as collateral.

(e) Prepaid and other current assets

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other receivables	\$ 1,108	1,833
Allowance for doubtful accounts-other receivables	(633)	(1,033)
Other financial assets-current	27,000	27,000
Prepaid expenses and others	3,448	2,539
	<u><u>\$ 30,923</u></u>	<u><u>30,339</u></u>

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

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

(f) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Computers</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Equipment under acceptance</u>	<u>Total</u>
<b>Cost:</b>							
Balance on January 1, 2022	\$ 10,260	8,187	26,643	4,227	2,980	-	52,297
Additions	-	-	3,753	432	1,459	-	5,644
Disposals	-	(2,012)	(2,175)	(84)	-	-	(4,271)
Effect of changes in exchange rates	-	-	41	9	-	-	50
Balance on December 31, 2022	<u>\$ 10,260</u>	<u>6,175</u>	<u>28,262</u>	<u>4,584</u>	<u>4,439</u>	<u>-</u>	<u>53,720</u>
Balance on January 1, 2021	\$ 10,260	8,187	24,592	3,984	-	-	47,023
Additions	-	-	3,948	511	100	2,880	7,439
Disposals	-	-	(1,913)	(271)	-	-	(2,184)
Reclassifications	-	-	-	-	2,880	(2,880)	-
Effect of changes in exchange rates	-	-	16	3	-	-	19
Balance on December 31, 2021	<u>\$ 10,260</u>	<u>8,187</u>	<u>26,643</u>	<u>4,227</u>	<u>2,980</u>	<u>-</u>	<u>52,297</u>
<b>Depreciation:</b>							
Balance on January 1, 2022	\$ -	3,514	17,839	3,273	203	-	24,829
Depreciation	-	271	3,627	417	283	-	4,598
Disposals	-	(1,505)	(1,829)	(58)	-	-	(3,392)
Effect of changes in exchange rates	-	-	34	8	-	-	42
Balance on December 31, 2022	<u>\$ -</u>	<u>2,280</u>	<u>19,671</u>	<u>3,640</u>	<u>486</u>	<u>-</u>	<u>26,077</u>
Balance on January 1, 2021	\$ -	2,740	15,685	3,071	-	-	21,496
Depreciation	-	774	3,740	316	203	-	5,033
Disposals	-	-	(1,599)	(117)	-	-	(1,716)
Effect of changes in exchange rates	-	-	13	3	-	-	16
Balance on December 31, 2021	<u>\$ -</u>	<u>3,514</u>	<u>17,839</u>	<u>3,273</u>	<u>203</u>	<u>-</u>	<u>24,829</u>
<b>Carring amounts:</b>							
Balance on December 31, 2022	<u>\$ 10,260</u>	<u>3,895</u>	<u>8,591</u>	<u>944</u>	<u>3,953</u>	<u>-</u>	<u>27,643</u>
Balance on December 31, 2021	<u>\$ 10,260</u>	<u>4,673</u>	<u>8,804</u>	<u>954</u>	<u>2,777</u>	<u>-</u>	<u>27,468</u>
Balance on January 1, 2021	<u>\$ 10,260</u>	<u>5,447</u>	<u>8,907</u>	<u>913</u>	<u>-</u>	<u>-</u>	<u>25,527</u>

As of December 31, 2022 and 2021, the Group did not provide any of the aforementioned property, plant and equipment as collateral.

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

(g) Right-of-use assets

The Group leases assets including buildings and transportation equipment. Movements of the cost and accumulated depreciation of right-of-use assets were as follows:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:			
Balance on January 1, 2022	\$ 54,008	1,204	55,212
Additions	13,596	-	13,596
Disposals	(9,710)	-	(9,710)
Effect of changes in foreign exchange rates	95	-	95
Balance on December 31, 2022	<u>\$ 57,989</u>	<u>1,204</u>	<u>59,193</u>
Balance on January 1, 2021	\$ 63,772	-	63,772
Additions	4,345	1,204	5,549
Disposals	(12,114)	-	(12,114)
Lease modification	(2,032)	-	(2,032)
Effect of changes in foreign exchange rates	37	-	37
Balance on December 31, 2021	<u>\$ 54,008</u>	<u>1,204</u>	<u>55,212</u>
Accumulated depreciation:			
Balance on January 1, 2022	\$ 36,647	301	36,948
Depreciation	14,203	402	14,605
Disposals	(9,710)	-	(9,710)
Effect of changes in foreign exchange rates	20	-	20
Balance on December 31, 2022	<u>\$ 41,160</u>	<u>703</u>	<u>41,863</u>
Balance on January 1, 2021	\$ 27,795	-	27,795
Depreciation	16,050	301	16,351
Disposals	(7,215)	-	(7,215)
Effect of changes in foreign exchange rates	17	-	17
Balance on December 31, 2021	<u>\$ 36,647</u>	<u>301</u>	<u>36,948</u>
Carrying amount:			
Balance on December 31, 2022	<u>\$ 16,829</u>	<u>501</u>	<u>17,330</u>
Balance on December 31, 2021	<u>\$ 17,361</u>	<u>903</u>	<u>18,264</u>
Balance on January 1, 2021	<u>\$ 35,977</u>	<u>-</u>	<u>35,977</u>

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

(h) Lease liabilities

Lease liabilities of the Group were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	\$ <u>7,390</u>	<u>12,698</u>
Non-current	\$ <u>9,112</u>	<u>5,934</u>

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

The amounts recognized in profit or loss were as follows:

	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	\$ <u>419</u>	<u>604</u>
Expenses relating to short-term leases and leases of low-value assets	\$ <u>4,722</u>	<u>4,351</u>
Gains on lease modification	\$ <u>-</u>	<u>(185)</u>

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

	<b>2022</b>	<b>2021</b>
Rental paid in operating activities	\$ (4,722)	(4,351)
Interest on lease liabilities paid in operating activities	(419)	(604)
Payment made on lease liabilities in financing activities	(15,795)	(16,007)
Total cash outflow for leases	\$ <u>(20,936)</u>	<u>(20,962)</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. The Company leases vehicle for transportation equipment, with lease term that typically runs for a period of 3 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:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Present value of defined benefit obligations	\$ 29,774	31,652
Fair value of plan assets	31,253	26,861
Net defined benefit liability	\$ <u>(1,479)</u>	<u>4,791</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.

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**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 \$31,253 thousand 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:

	<b>2022</b>	<b>2021</b>
Defined benefit obligation on January 1	\$ 31,652	29,885
Current service costs and interest expense	654	627
Remeasurement of net defined liability expense — Actuarial gain (loss) arising from experience adjustments	(2,532)	3,600
Benefits paid	-	(2,460)
Defined benefit obligation on December 31	<u><u>\$ 29,774</u></u>	<u><u>31,652</u></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:

	<b>2022</b>	<b>2021</b>
Fair value of plan assets on January 1	\$ 26,861	26,880
Contributions paid by the employer	2,022	1,972
Interest income	426	423
Remeasurement of net defined asset — Return on plan assets (excluding interest income)	1,944	46
Benefits paid	-	(2,460)
Fair value of plan assets on December 31	<u><u>\$ 31,253</u></u>	<u><u>26,861</u></u>

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**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>2022</u>	<u>2021</u>
Current service costs	\$ 179	179
Net interest of net liability (asset) for defined benefit	49	25
	<u>\$ 228</u>	<u>204</u>
Selling expenses	\$ 186	164
Administrative expenses	35	32
Research and development expenses	7	8
	<u>\$ 228</u>	<u>204</u>

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

As of December 31, 2022 and 2021, the Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income were as follows:

	<u>2022</u>	<u>2021</u>
Cumulated amount on January 1	\$ 4,704	1,150
Recognized during the period	(4,476)	3,554
Cumulated amount on December 31	<u>\$ 228</u>	<u>4,704</u>

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	<u>2022</u>	<u>2021</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 \$2,906 thousand.

The weighted average duration of the defined benefit plans is 5.7 years.

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**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, 2022 and 2021, would have been as follows:

		<b>Influence of defined benefit obligations</b>	
		<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
Discount rate:			
December 31, 2022	\$	<u>(787)</u>	<u>819</u>
December 31, 2021	\$	<u>(913)</u>	<u>953</u>
		<b>Influence of defined benefit obligations</b>	
		<b>Increased 1%</b>	<b>Decreased 1%</b>
Future salary increase rate:			
December 31, 2022	\$	<u>3,104</u>	<u>(2,729)</u>
December 31, 2021	\$	<u>3,645</u>	<u>(3,177)</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 2022 and 2021.

(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 \$9,586 thousand and \$9,161 thousand for the years ended December 31, 2022 and 2021, respectively.

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**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>2022</u>	<u>2021</u>
Current tax expense	\$ 35,504	31,202
Deferred tax expense	1,879	2,927
Income tax expense	<u>\$ 37,383</u>	<u>34,129</u>

(ii) The amount of income taxes does not directly recognize in equity.

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

	<u>2022</u>	<u>2021</u>
Exchange differences on translation of foreign operations financial statements	\$ <u>468</u>	<u>173</u>

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

	<u>2022</u>	<u>2021</u>
Profit before income tax	\$ 219,089	179,248
Income tax using the Company's domestic tax rate	43,818	35,850
Effect of tax rate differential in foreign jurisdictions	424	540
Current-year losses for which no deferred tax asset was recognized	1,731	1,164
Losses on liquidation of investment in domestic subsidiaries	(3,752)	-
Investment tax credits accrued	(4,736)	(4,064)
Changes in provision in prior periods	(1,186)	(1,122)
Additional tax on undistributed earnings	1,271	1,747
Other	(187)	14
	<u>\$ 37,383</u>	<u>34,129</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, 2022</u>	<u>December 31, 2021</u>
Tax losses	\$ <u>474</u>	<u>2,698</u>

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.

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**OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES**  
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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, 2022, 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>
Unilink		
2020(examined)	\$ 955	2030
2021(estimated)	1,413	2031
	<u>\$ 2,368</u>	

Changes in the amount of deferred tax assets and liabilities were as follows:

	Investment income of subsidiaries recognized under the equity method	Defined benefit obligations	Other	Total	
Deferred tax liabilities:					
Balance on January 1, 2022	\$ 6,468	2,139	-		8,607
Recognized in profit or loss	1,639	359	173		2,171
Balance on December 31, 2022	<u>\$ 8,107</u>	<u>2,498</u>	<u>173</u>		<u>10,778</u>
Balance on January 1, 2021	\$ 4,358	1,785	-		6,143
Recognized in profit or loss	2,110	354	-		2,464
Balance on December 31, 2021	<u>\$ 6,468</u>	<u>2,139</u>	<u>-</u>		<u>8,607</u>
	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, 2022	\$ (2,781)	(434)	(202)	(62)	(3,479)
Recognized in profit or loss	-	(351)	3	56	(292)
Recognized in other comprehensive income	468	-	-	-	468
Foreign currency translation differences for foreign operations	-	-	-	(1)	(1)
Balance on December 31, 2022	<u>\$ (2,313)</u>	<u>(785)</u>	<u>(199)</u>	<u>(7)</u>	<u>(3,304)</u>
Balance on January 1, 2021	\$ (2,954)	(870)	(205)	(87)	(4,116)
Recognized in profit or loss	-	436	3	24	463
Recognized in other comprehensive income	173	-	-	-	173
Foreign currency translation differences for foreign operations	-	-	-	1	1
Balance on December 31, 2021	<u>\$ (2,781)</u>	<u>(434)</u>	<u>(202)</u>	<u>(62)</u>	<u>(3,479)</u>

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

- (vi) The tax returns of the Corporation and R.O.C subsidiaries have been examined by the R.O.C. income tax authorities through the following years:

	<u>Year</u>
The Company	2020
To Gather	2022
Unilink	2020

- (k) Capital and other equity

- (i) Capital

As of December 31, 2022 and 2021, 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 thousand. 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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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.

- (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.

(Continued)

## **OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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 the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. An equivalent amount of special reserve shall be allocated from the after tax net profit in the period, plus items other than the after-tax net profit in the period, that are included in the undistributed current period earnings and the undistributed prior period earnings. A portion of undistributed prior period earnings shall be reclassified to special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to the net reduction of 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 2021 on March 22, 2022 and the distribution of earnings for 2020 on March 22, 2021, respectively. As well as the stockholders' meeting resolved the distribution of earnings for 2021 on June 21, 2022 and the distribution of earnings for 2020 on August 11, 2021, respectively. The distribution was \$6.0 (dollars) and \$5.2 (dollars) per share, which amounted to \$102,582 thousand and \$88,904 thousand, respectively.

(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:

	<u>2022</u>	<u>2021</u>
Profit attributable to ordinary shareholders of the Company	\$ <u>182,145</u>	<u>145,395</u>
Weighted average number of ordinary shares(thousand shares)	<u>17,097</u>	<u>17,097</u>
Basic earnings per share	\$ <u>10.65</u>	<u>8.50</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:

	<u>2022</u>	<u>2021</u>
Profit attributable to ordinary shareholders of the Company	\$ <u>182,145</u>	<u>145,395</u>
Weighted average number of ordinary shares (diluted) (thousand shares)	<u>17,256</u>	<u>17,242</u>
Diluted earnings per share	\$ <u>10.56</u>	<u>8.43</u>

	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares (basic) (thousand shares)	17,097	17,097
Effect of employee remuneration (thousand shares)	<u>159</u>	<u>145</u>
Weighted average number of ordinary shares (diluted) (thousand shares)	<u>17,256</u>	<u>17,242</u>

(Continued)

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

(m) Revenue from contracts with customers

(i) Disaggregation of revenue

		<b>2022</b>			
		<b>Business unit 1</b>	<b>Business unit 2</b>	<b>Business unit 3</b>	<b>Total</b>
Primary geographical markets:					
Taiwan	\$	1,422,291	-	-	1,422,291
China		-	59,430	74,308	133,738
	<b>\$</b>	<b>1,422,291</b>	<b>59,430</b>	<b>74,308</b>	<b>1,556,029</b>
Major products:					
Software	\$	1,313,446	57,329	72,346	1,443,121
Service		81,785	2,101	1,954	85,840
Catering service		840	-	-	840
Other		26,220	-	8	26,228
	<b>\$</b>	<b>1,422,291</b>	<b>59,430</b>	<b>74,308</b>	<b>1,556,029</b>
		<b>2021</b>			
		<b>Business unit 1</b>	<b>Business unit 2</b>	<b>Business unit 3</b>	<b>Total</b>
Primary geographical markets:					
Taiwan	\$	1,184,393	-	-	1,184,393
China		-	58,330	57,803	116,133
	<b>\$</b>	<b>1,184,393</b>	<b>58,330</b>	<b>57,803</b>	<b>1,300,526</b>
Major products:					
Software	\$	1,082,010	55,937	55,102	1,193,049
Service		71,823	2,393	2,701	76,917
Catering service		5,745	-	-	5,745
Other		24,815	-	-	24,815
	<b>\$</b>	<b>1,184,393</b>	<b>58,330</b>	<b>57,803</b>	<b>1,300,526</b>

(Continued)

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

(ii) Contract balances

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Notes and accounts receivable (including long-term and related parties)	\$ 304,269	317,294	207,323
Less: allowance for impairment	(992)	(536)	(698)
<b>Total</b>	<b>\$ <u>303,277</u></b>	<b><u>316,758</u></b>	<b><u>206,625</u></b>
Contract liabilities	<b>\$ <u>14,732</u></b>	<b><u>11,287</u></b>	<b><u>7,799</u></b>

(i) For details on notes and accounts receivable (including long-term and related parties) and allowance for impairment, please refer to note 6(c).

(ii) The contract liabilities primarily relate to the advance consideration received from customers for the product sales contracts, for which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2022 and 2021, that was included in the contract liability balance at the beginning of the period was \$9,072 thousand and \$6,681 thousand, respectively.

(n) Employee compensation and directors' 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' remuneration through the board's resolution, wherein the amount should not exceed 3% of annual profit. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficits.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$11,725 thousand and \$9,586 thousand, and directors' remuneration amounting to \$3,518 thousand and \$2,876 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors of each period, multiplied by the percentage of remuneration to employees, directors 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 2022 and 2021. Information can be accessed on the Market Observation Post System website.

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

(o) Other gains and losses

The details of other gains and losses were as follows:

	<u>2022</u>	<u>2021</u>
Foreign exchange gains (losses)	\$ 1,328	(453)
Gains on financial assets at fair value through profit or loss		
net	-	844
Impairment loss on other non-current assets	(5,685)	-
Others	<u>(168)</u>	<u>579</u>
	<u>\$ (4,525)</u>	<u>970</u>

Due to changes in operational plan, the Group recognized an impairment loss incurred from trademark right amounting to \$5,685 thousand for the year ended December 31, 2022. The recoverable amount of the trademark right was based on fair value less costs of disposal.

(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, 2022 and 2021, the maximum amount to credit risk amounted to \$902,085 thousand and \$853,867 thousand, 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 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 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.

(Continued)

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

(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>
<b>December 31, 2022</b>					
Accounts payable (including\$ related parties)	128,588	128,588	128,588	-	-
Salaries payable	60,646	60,646	60,646	-	-
Accrued expenses and other payables	30,758	30,758	30,758	-	-
Lease liabilities	<u>16,502</u>	<u>17,030</u>	<u>7,644</u>	<u>4,042</u>	<u>5,344</u>
	<u><b>\$ 236,494</b></u>	<u><b>237,022</b></u>	<u><b>227,636</b></u>	<u><b>4,042</b></u>	<u><b>5,344</b></u>
<b>December 31, 2021</b>					
Accounts payable (including\$ related parties)	101,446	101,446	101,446	-	-
Salaries payable	63,056	63,056	63,056	-	-
Accrued expenses and other payables	28,111	28,111	28,111	-	-
Lease liabilities	<u>18,632</u>	<u>18,943</u>	<u>12,952</u>	<u>5,239</u>	<u>752</u>
	<u><b>\$ 211,245</b></u>	<u><b>211,556</b></u>	<u><b>205,565</b></u>	<u><b>5,239</b></u>	<u><b>752</b></u>

The Group 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 Group's significant exposure to foreign currency risk was as follows:

	December 31, 2022			December 31, 2021			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets							
Monetary items-USD	\$	321	30.720	9,848	621	27.685	17,188
Monetary items-JP		7,599	0.2331	1,772	5,203	0.2404	1,251
Financial liabilities							
Monetary items-USD		106	30.720	3,262	73	27.685	2,019
Monetary items-JP		1,173	0.2331	273	4,751	0.2404	1,142

(Continued)

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

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 foreign currency as of December 31, 2022 and 2021, would have increased or decreased the profit before tax by \$404 thousand and \$764 thousand for the years ended December 31, 2022 and 2021, 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	2022		2021	
	Foreign exchange gain or loss	Average exchange rate	Foreign exchange gain or loss	Average exchange rate
TWD	\$ 1,002	1	(452)	1
CNY	326	4.423	(1)	4.332
	<u>\$ 1,328</u>		<u>(453)</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 :

		December 31, 2022				
		Carrying amounts	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost:</b>						
Financial bond	\$	30,000				
Cash and cash equivalents		523,870				
Notes and accounts receivable (including long-term and related parties)		303,277				
Other receivables		475				
Other financial assets — current		27,000				
Refundable deposits		16,963				
Restricted deposit		500				
Total	\$	<u>902,085</u>				
<b>Financial liabilities measured at amortized cost:</b>						
Accounts payable (including related parties)	\$	128,588				
Salaries payable		60,646				
Accrued expenses payable and other payables		30,758				
Lease liabilities		16,502				
Total	\$	<u>236,494</u>				

(Continued)

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

	December 31, 2021				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost:</b>					
Financial bond	\$	30,000			
Cash and cash equivalents		459,608			
Notes and accounts receivable (including long-term and related parties)		316,758			
Other receivables		800			
Other financial assets-current		27,000			
Refundable deposits		19,201			
Restricted deposit		<u>500</u>			
Total	\$	<u><u>853,867</u></u>			
<b>Financial liabilities measured at amortized cost:</b>					
Accounts payable (including related parties)	\$	101,446			
Salaries payable		63,056			
Accrued expenses payable and other payables		28,111			
Lease liabilities		<u>18,632</u>			
Total	\$	<u><u>211,245</u></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.

(Continued)

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

(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.

(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.

(Continued)

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

1) Currency risk

The Group is exposed to currency risk on bank desposites that are denominated in a currency other than the respective functional currencies of the Group's entities. The bank desposites are denominated in USD and JP. 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.

(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, 2022 and 2021, the debt ratios were 25%. There were no changes in the Group's approach to capital management as of December 31, 2022.

(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, 2022 and 2021, were as follows:

(i) For acquisition of right-of-use asset from lease, please refer to notes 6(g) and (h).

(ii) Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2022	Acquisition	Cash flows	Non-cash changes	December 31, 2022
Lease liabilities (total liabilities from financing activities )	\$ <u>18,632</u>	<u>13,596</u>	<u>(15,795)</u>	<u>69</u>	<u>16,502</u>
	January 1, 2021	Acquisition	Cash flows	Non-cash changes	December 31, 2021
Lease liabilities (total liabilities from financing activities )	\$ <u>36,220</u>	<u>5,549</u>	<u>(16,007)</u>	<u>(7,130)</u>	<u>18,632</u>

(Continued)

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

**(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
Clean Brothers Inc. (Clean Bros.)	Director of To Gather Corp.
Noah Information Technology Corp. (Noah Information)	The entity's chairman is one of the Company's directors.
Fortune Construction Co., Ltd. (Fortune Construction)	Substantial related party

**(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>2022</u>	<u>2021</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other related parties	\$ <u>7,626</u>	<u>5,144</u>	<u>586</u>	<u>745</u>

The selling price for aforementioned related parties was based on cost-plus. The credit terms with related parties were 30 to 60 days, whereas the terms with other customers were 30 to 90 days and 30 to 120 days, for the years ended December 31, 2022 and 2021, respectively.

**(ii) Purchases**

The amounts of purchases by the Group from related parties and the outstanding balances were as follows:

	<u>Purchases</u>		<u>Accounts payable</u>	
	<u>2022</u>	<u>2021</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other related parties	\$ <u>168</u>	<u>664</u>	<u>-</u>	<u>52</u>

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms with related parties were 30 days, whereas the terms with other vendors were 30 days to 60 days, for the years ended December 31, 2022 and 2021.

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>2022</b>	<b>2021</b>
Short term employee benefits	\$ 28,044	25,008
Termination benefits	248	248
Post employment benefits	-	-
Other long term benefits	-	-
Share based payments	-	-
	<u><u>\$ 28,292</u></u>	<u><u>25,256</u></u>

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

<b>Pledged assets</b>	<b>Pledged to secure</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other non-current assets — restricted deposit	line of corporate credit card	<u><u>\$ 500</u></u>	<u><u>500</u></u>

(9) Commitments and contingencies:

Guarantee notes provided as part of agreements and line of forward exchange were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Guaranteed notes	<u><u>\$ -</u></u>	<u><u>247</u></u>

(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	<b>2022</b>			<b>2021</b>		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		-	212,277	212,277	-	215,460	215,460
Labor and health insurance		-	14,487	14,487	-	14,281	14,281
Pension		-	9,814	9,814	-	9,365	9,365
Others		-	9,462	9,462	-	8,412	8,412
Depreciation		-	19,203	19,203	-	21,384	21,384
Amortization		-	4,141	4,141	-	4,853	4,853

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

**(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:None
- (ii) Guarantees and endorsements for other parties:None
- (iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Company holding securities	Category and name of security	Relationship with company	Account name	Ending balance				Highest		Note
				Shares/Units (thousand)	Carrying value	Percentage of ownership (%)	Fair value	Shares / Units (thousand)	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	-	- %	
"	FY2021 1st subordinated bond of Bank of Panhsin	None	Financial assets measured at amortized cost-non-current	-	10,000	- %	10,000	-	- %	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (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. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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	1,929	Cost-plus	0.12%
0	"	"	"	Accounts receivable	1,786	Credit for 30 days	0.16%
1	Otsuka OITC Information Technology (Shanghai) Ltd.	Otsuka Software Trading (Dongguan) Ltd.	Subsidiary to subsidiary	Sales	20,868	Cost-plus	1.34%
1	"	"	"	Accounts receivable	1,295	Credit for 30 days	0.12%
2	Otsuka Software Trading (Dongguan) Ltd.	Otsuka OITC Information Technology (Shanghai) Ltd.	"	Sales	4,870	Cost-plus	0.31%

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, 2022 (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, 2022			Net income (losses) of investee	Share of profits/losses of investee	Highest balance during the year		Note
				December 31, 2022	December 31, 2021	Shares (thousand)	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 %	161,455	8,197	8,197	32,760	100.00 %	Subsidiary (note 1)
"	To Gather Corp.	Taiwan	Restaurant	-	28,500	-	- %	-	(8,789)	(8,350)	2,850	95.00 %	Notes 1 & 2
"	Unilink Innovation Information Technology Corp.	Taiwan	Software merchandising	30,000	30,000	3,000	100.00 %	27,632	136	136	3,000	100.00 %	Note 1

Note 1: Related transactions have been eliminated during the preparation of the consolidated financial statements.

Note 2: The Board of Directors of To Gather resolved to liquidate the company on March 28, 2022. The liquidation process was completed on December 2, 2022.

(Continued)



**OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to 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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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	49,152 (US\$1,600 thousand)	Note 3	49,152 (US\$1,600 thousand)	-	-	49,152 (US\$1,600 thousand)	4,486	100.00%	4,486	85,932	-	100 %	-
Otsuka Information Technology (Shanghai) Ltd.	Software merchandising	79,872 (US\$2,600 thousand)	"	79,872 (US\$2,600 thousand)	-	-	79,872 (US\$2,600 thousand)	3,711	100.00%	3,711	75,515	-	100 %	-

Note 1: The limited companies did not issue the shares.

Note 2: The above investments have been eliminated during the preparation of the consolidated financial statements.

Note 3: Investee was invested in China through the company incorporated in the third country (Otsuka Information Technology Ltd).

(ii) Limitation on investment in China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
129,024 (USD4,200 thousand)	129,024 (USD4,200 thousand)	505,632

Note: The TWD amount was measured on December 31, 2022 with the spot exchange rate of 30.720.

The above investment income (losses) were based on the financial statements audited by the Company's auditors.

(iii) Significant transactions: None

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Otsuka Corp.		6,465,900	37.81 %
Tu, Shui-Cheng		1,687,000	9.86 %
The Otsuka Information Technology Corp. Employee Welfare Trust account handled by Bank SinoPac		989,017	5.78 %

(Continued)

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

**(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.

(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:

	2022				
	Business Unit 1	Business Unit 2	Business Unit 3	Reconciliation and write-off	Total
External revenues	\$ 1,422,291	59,430	74,308	-	1,556,029
Intra-group revenue	2,253	12,313	13,425	(27,991)	-
<b>Total segment revenue</b>	<b>\$ 1,424,544</b>	<b>71,743</b>	<b>87,733</b>	<b>(27,991)</b>	<b>1,556,029</b>
<b>Reportable segment profit and loss</b>	<b>\$ 214,363</b>	<b>1,640</b>	<b>5,049</b>	<b>-</b>	<b>221,052</b>
	2021				
	Business Unit 1	Business Unit 2	Business Unit 3	Reconciliation and write-off	Total
External revenues	\$ 1,184,393	58,330	57,803	-	1,300,526
Intra-group revenue	8,253	9,498	6,942	(24,693)	-
<b>Total segment revenue</b>	<b>\$ 1,192,646</b>	<b>67,828</b>	<b>64,745</b>	<b>(24,693)</b>	<b>1,300,526</b>
<b>Reportable segment profit and loss</b>	<b>\$ 167,665</b>	<b>6,494</b>	<b>3,095</b>	<b>-</b>	<b>177,254</b>

(Continued)

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

(c) Products and services information

The Group's revenue from external customers was as follows:

<b><u>Products and services</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Software	\$ 1,443,121	1,193,049
Service	85,840	76,917
Catering service	840	5,745
Other	<u>26,228</u>	<u>24,815</u>
Total	<b><u>\$ 1,556,029</u></b>	<b><u>1,300,526</u></b>

(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:

<b><u>Geographic Information</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
External revenues:		
Taiwan	\$ 1,422,291	1,184,393
China	<u>133,738</u>	<u>116,133</u>
Total	<b><u>\$ 1,556,029</u></b>	<b><u>1,300,526</u></b>
Non-current assets		
Taiwan	\$ 51,180	50,816
China	<u>2,758</u>	<u>4,963</u>
Total	<b><u>\$ 53,938</u></b>	<b><u>55,779</u></b>

(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, 2022 and 2021, so the Group does not disclose any information on major customers.



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## 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, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years ended December 31, 2022 and 2021 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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, 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) for the accounting policy for "Inventories", Note 5(b) for "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(d) for the details and related expenses for "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) for the accounting policy for "Financial Instruments", Note 5(a) for "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(c) for the movements of allowance for "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 24% of the assets as of December 31, 2022. 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 Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 20, 2023

#### **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.

**Balance Sheets**  
**December 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

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 Comprehensive Income**

**For the years ended December 31, 2022 and 2021**

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

		<b>2022</b>		<b>2021</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue</b> (notes 6(n) and 7)	\$ 1,423,360	100	1,182,602	100
5000	<b>Operating costs</b> (notes 6(d) and 7)	<u>931,308</u>	<u>65</u>	<u>737,369</u>	<u>62</u>
	<b>Gross profit</b>	<u>492,052</u>	<u>35</u>	<u>445,233</u>	<u>38</u>
	<b>Operating expenses: (notes 6(c), (i), (j), (o), 7 and 12)</b>				
6100	Selling expenses	227,825	16	224,546	19
6200	Administrative expenses	40,918	3	39,922	3
6300	Research and development expenses	7,478	1	8,161	1
6450	Expected credit loss (reversal of expected credit loss)	<u>406</u>	<u>-</u>	<u>(368)</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>276,627</u>	<u>20</u>	<u>272,261</u>	<u>23</u>
	<b>Net operating income</b>	<u>215,425</u>	<u>15</u>	<u>172,972</u>	<u>15</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income (note 7)	1,511	-	1,182	-
7020	Other gains and losses (notes 6(i), (p) and 7)	2,697	-	689	-
7070	Share of profit of subsidiaries accounted for using equity method	(17)	-	4,889	-
7510	Interest expense (note 6(i))	<u>(355)</u>	<u>-</u>	<u>(467)</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>3,836</u>	<u>-</u>	<u>6,293</u>	<u>-</u>
	<b>Profit before tax</b>	219,261	15	179,265	15
7950	<b>Less: Income tax expenses</b> (note 6(k))	<u>37,116</u>	<u>2</u>	<u>33,870</u>	<u>3</u>
	<b>Profit</b>	<u>182,145</u>	<u>13</u>	<u>145,395</u>	<u>12</u>
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Items that will not be reclassified to profit or loss</b>				
8311	Remeasurements of defined benefit plans (note 6(j))	4,476	-	(3,554)	-
8349	Income tax related to items that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>4,476</u>	<u>-</u>	<u>(3,554)</u>	<u>-</u>
8360	<b>Items that may be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	2,340	-	867	-
8399	Income tax related to items that may be reclassified to profit or loss (note 6(k))	<u>(468)</u>	<u>-</u>	<u>(173)</u>	<u>-</u>
		<u>1,872</u>	<u>-</u>	<u>694</u>	<u>-</u>
8300	<b>Other comprehensive income</b>	<u>6,348</u>	<u>-</u>	<u>(2,860)</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>\$ 188,493</u>	<u>13</u>	<u>142,535</u>	<u>12</u>
	<b>Earnings per share (NT dollars) (note 6(m))</b>				
	Basic earnings per share	<u>\$ 10.65</u>		<u>8.50</u>	
	Diluted earnings per share	<u>\$ 10.56</u>		<u>8.43</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, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings				Exchange differences on translation of foreign financial statements	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	
<b>Balance on January 1, 2021</b>	\$ 170,970	68,813	94,783	10,930	369,011	(10,956) 703,551
Profit	-	-	-	-	145,395	- 145,395
Other comprehensive income	-	-	-	-	(3,554)	694 (2,860)
Total comprehensive income	-	-	-	-	141,841	694 142,535
Appropriation and distribution of retained earnings:						
Legal reserve	-	-	13,680	-	(13,680)	- -
Special reserve	-	-	-	26	(26)	- -
Cash dividends of ordinary share	-	-	-	-	(88,904)	- (88,904)
Changes in equity of subsidiaries accounted for using the equity method	-	-	-	-	(373)	- (373)
Balance on December 31, 2021	170,970	68,813	108,463	10,956	407,869	(10,262) 756,809
Profit	-	-	-	-	182,145	- 182,145
Other comprehensive income	-	-	-	-	4,476	1,872 6,348
Total comprehensive income	-	-	-	-	186,621	1,872 188,493
Appropriation and distribution of retained earnings:						
Legal reserve	-	-	14,540	-	(14,540)	- -
Special reserve	-	-	-	(694)	694	- -
Cash dividends of ordinary share	-	-	-	-	(102,582)	- (102,582)
<b>Balance on December 31, 2022</b>	<u>\$ 170,970</u>	<u>68,813</u>	<u>123,003</u>	<u>10,262</u>	<u>478,062</u>	<u>(8,390) 842,720</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 Cash Flows**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2022</u>	<u>2021</u>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 219,261	179,265
Adjustments:		
Adjustments to reconcile profit:		
Depreciation and amortization	20,059	19,028
Losses on inventory valuation and obsolete inventories	1,872	2,016
Expected credit loss (reversal of expected credit loss)	406	(368)
Interest expense	355	467
Interest income	(1,511)	(1,182)
Share of loss (profit) of subsidiaries accounted for using the equity method	17	(4,889)
Loss on disposal and retirement of property, plant and equipment	144	85
Gains on disposal of right-of-use assets	-	(142)
Losses on termination of right-of-use assets	-	174
<b>Total adjustments to reconcile profit</b>	<u>21,342</u>	<u>15,189</u>
<b>Changes in operating assets and liabilities:</b>		
Notes and accounts receivable, including related parties	23,014	(104,640)
Other receivables, including related parties	813	4,027
Inventories	(61,739)	(15,617)
Prepaid expenses and other current assets	(1,125)	(687)
Accounts payable	30,171	24,555
Salaries payable	(2,302)	14,042
Accrued expenses and other payables	3,154	4,195
Other current liabilities	4,898	2,367
Others	(1,794)	(1,768)
<b>Total adjustments</b>	<u>16,432</u>	<u>(58,337)</u>
Cash inflow generated from operations	235,693	120,928
Interest received	1,484	1,110
Interest paid	(355)	(467)
Income taxes paid	(32,054)	(28,010)
<b>Net cash flows from operating activities</b>	<u>204,768</u>	<u>93,561</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at amortized cost	-	(10,000)
Acquisition of investments accounted for using equity method	-	(15,000)
Proceeds from liquidation of investments accounted for using the equity method	9,740	-
Acquisition of property, plant and equipment	(5,386)	(7,263)
Proceeds from disposal of property, plant and equipment	30	3
Decrease (increase) in refundable deposits	715	(1,469)
Acquisition of unamortized assets	(8,743)	(1,919)
Cash received from sub-leasing of right-of-use assets	-	701
<b>Net cash flows used in investing activities</b>	<u>(3,644)</u>	<u>(34,947)</u>
<b>Cash flows from (used in) financing activities:</b>		
Cash dividends	(102,582)	(88,904)
Payment of lease liabilities	(13,368)	(12,274)
<b>Net cash flows used in financing activities</b>	<u>(115,950)</u>	<u>(101,178)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	85,174	(42,564)
<b>Cash and cash equivalents at beginning of year</b>	<u>314,468</u>	<u>357,032</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 399,642</u></u>	<u><u>314,468</u></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, 2022 and 2021**

**(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 20, 2023.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission (“FSC”), R.O.C. 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, 2022:

- 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”

- (b) The impact of IFRSs 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, 2023, would not have a significant impact on its parent company only financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

## OTSUKA INFORMATION TECHNOLOGY CORP.

### Notes to the Financial Statements

- (c) The impact of IFRSs issued by the International Accounting Standards Board (“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 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>Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.</p> <p>The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.</p>	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its 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 1 “Non-current Liabilities with Covenants”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

#### (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.

##### (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”).

(Continued)

## **OTSUKA INFORMATION TECHNOLOGY CORP.**

### **Notes to the Financial Statements**

(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.

(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.

(Continued)

## OTSUKA INFORMATION TECHNOLOGY CORP.

### Notes to the Financial Statements

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.

(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.

(Continued)

## OTSUKA INFORMATION TECHNOLOGY CORP.

### Notes to the Financial Statements

#### (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 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. 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.

##### 2) 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.).

(Continued)



## **OTSUKA INFORMATION TECHNOLOGY CORP.**

### **Notes to the Financial Statements**

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.

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;

(Continued)

## **OTSUKA INFORMATION TECHNOLOGY CORP.**

### **Notes to the Financial Statements**

- 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.

#### **3) 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.

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.

(Continued)

## **OTSUKA INFORMATION TECHNOLOGY CORP.**

### **Notes to the Financial Statements**

#### **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.

#### **(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.

(Continued)

## **OTSUKA INFORMATION TECHNOLOGY CORP.**

### **Notes to the Financial Statements**

(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
- 4) Transportation equipment: 10 years

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

(j) 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.

(Continued)

## OTSUKA INFORMATION TECHNOLOGY CORP.

### Notes to the Financial Statements

(i) 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.

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.

(Continued)

## **OTSUKA INFORMATION TECHNOLOGY CORP.**

### **Notes to the Financial Statements**

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.

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.

(ii) 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.

(Continued)

## OTSUKA INFORMATION TECHNOLOGY CORP.

### Notes to the Financial Statements

#### (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:

Computer Software    3~10 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) 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 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.

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.

(p) 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.

(q) Operating segments

Please refer to the Company's consolidated financial statements for the years ended December 31, 2022 and 2021, for further details.

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

The preparation of the parent company only financial statements 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.

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# 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 to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash	\$ 217	228
Demand deposits	304,425	190,740
Time deposits	95,000	123,500
	<b>\$ 399,642</b>	<b>314,468</b>

As of December 31, 2022 and 2021, the Company had provided time deposits amounted to \$500 thousand as collateral and the deposits have been reclassified to other non-current assets.

(b) Financial assets measured at amortized cost—non current

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Financial bond	<b>\$ 30,000</b>	<b>30,000</b>

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 seven-year bonds of Bank of Panhsin in June 2019. The face value of the bond was \$20,000 thousand and its effective interest rate was 2.25%.
- (ii) The Company purchased the seven-year bonds of Bank of Panhsin in June 2021. The face value of the bond was \$10,000 thousand and its effective interest rate was 1.5%.
- (iii) As of December 31, 2022 and 2021, the Company did not provide any of the aforementioned bond as collateral.
- (c) Notes and accounts receivable (including related parties)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Notes receivable	\$ 29,890	32,052
Accounts receivable	239,124	262,222
Accounts receivable—related parties	<u>1,951</u>	<u>-</u>
	270,965	294,274
Less: allowance for doubtful accounts	(868)	(357)
Long-term notes and accounts receivable, net	<u>(2,510)</u>	<u>(3,831)</u>
	<b><u>\$ 267,587</u></b>	<b><u>290,086</u></b>

- (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) A maturity analysis of notes and accounts receivable from the installment sales was expected to be recovered after the reporting date as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Less than a year	\$ 1,354	6,316
One to two years	1,255	1,321
Two to three years	1,255	1,255
Three to four years	<u>-</u>	<u>1,255</u>
	<b><u>\$ 3,864</u></b>	<b><u>10,147</u></b>

The aforementioned receivables were promptly recovered after the reporting date.

(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 and related parties). 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, including macroeconomic and relevant industry information. The ECL allowance provision analysis was as follows:

	<b>December 31, 2022</b>		
	<b>Carrying amounts of notes and accounts receivable (including long- term and related parties)</b>	<b>Lifetime weighted- average ECL rate</b>	<b>Loss allowance provision of lifetime ECL</b>
Current	\$ 249,698	0%	-
Past due 0 to 60 days	18,326	0.5%~1.5%	100
Past due 61 to 210 days	523	7%~20%	37
Past due 211 to 270 days	2,359	30%	708
Past due 271 to 360 days	59	40%	23
More than 361 days past due	-	100%	-
	<b>\$ 270,965</b>		<b>868</b>
	<b>December 31, 2021</b>		
	<b>Carrying amounts of notes and accounts receivable (including long- term and related parties)</b>	<b>Lifetime weighted- average ECL rate</b>	<b>Loss allowance provision of lifetime ECL</b>
Current	\$ 284,161	0%	-
Past due 0 to 60 days	7,999	0.5%~1.5%	41
Past due 61 to 210 days	1,908	7%~20%	134
Past due 211 to 270 days	-	30%	-
Past due 271 to 360 days	40	40%	16
More than 361 days past due	166	100%	166
	<b>\$ 294,274</b>		<b>357</b>

(Continued)

# OTSUKA INFORMATION TECHNOLOGY CORP.

## Notes to the Financial Statements

The movements in the allowance for notes, accounts receivable and other receivables were as follows:

	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 1,390	1,977
Recognition (Reversal) of expected credit loss	406	(368)
Amounts written off	(295)	(219)
Balance at December 31	<b>\$ 1,501</b>	<b>1,390</b>

(d) Inventories

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Software	\$ 146,945	89,429
Hardware	4,159	1,808
	<b>\$ 151,104</b>	<b>91,237</b>

- (i) Except for the cost of inventories that have been sold, the Company recognized the following items as cost of goods sold:

	<b>2022</b>	<b>2021</b>
Losses (Gains) on obsolete inventories and inventory valuation	\$ 1,755	(2,181)
Loss on disposal of inventories	117	4,197
Total	<b>\$ 1,872</b>	<b>2,016</b>

- (ii) As of December 31, 2022 and 2021, the Company did not provide any of the aforementioned inventories as collateral.

(e) Prepaid expense and other current assets

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other receivables	\$ 1,097	1,823
Other receivables — related parties	-	60
Prepaid expense	2,742	1,617
Less: allowance for doubtful accounts — other receivables	(633)	(1,033)
	<b>\$ 3,206</b>	<b>2,467</b>

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

(Continued)

**OTSUKA INFORMATION TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

(f) Investments accounted for using equity method

The Company's investments accounted for using the equity method at the reporting dates comprise:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Subsidiaries	<b>\$ 189,087</b>	<b>196,504</b>

(i) Please refer to the Company's consolidated financial statements for the year ended December 31, 2022, for details of subsidiaries.

(ii) As of December 31, 2022 and 2021, the Company did not provide any of the aforementioned investments as collateral.

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company were as follows:

	<b>Land</b>	<b>Buildings</b>	<b>Computers</b>	<b>Office equipment</b>	<b>Transportation equipment</b>	<b>Total</b>
<b>Cost:</b>						
Balance on January 1, 2022	\$ 10,260	6,175	23,632	3,602	2,980	46,649
Additions	-	-	3,495	432	1,459	5,386
Disposals	-	-	(1,638)	(32)	-	(1,670)
Balance on December 31, 2022	<b>\$ 10,260</b>	<b>6,175</b>	<b>25,489</b>	<b>4,002</b>	<b>4,439</b>	<b>50,365</b>
Balance on January 1, 2021	\$ 10,260	6,175	21,274	3,188	-	40,897
Additions	-	-	3,772	511	2,980	7,263
Disposals	-	-	(1,414)	(97)	-	(1,511)
Balance on December 31, 2021	<b>\$ 10,260</b>	<b>6,175</b>	<b>23,632</b>	<b>3,602</b>	<b>2,980</b>	<b>46,649</b>
<b>Accumulated Depreciation:</b>						
Balance on January 1, 2022	\$ -	2,177	15,493	2,763	203	20,636
Depreciation	-	103	3,423	398	283	4,207
Disposals	-	-	(1,469)	(27)	-	(1,496)
Balance on December 31, 2022	<b>\$ -</b>	<b>2,280</b>	<b>17,447</b>	<b>3,134</b>	<b>486</b>	<b>23,347</b>
Balance on January 1, 2021	\$ -	2,074	13,407	2,586	-	18,067
Depreciation	-	103	3,440	246	203	3,992
Disposals	-	-	(1,354)	(69)	-	(1,423)
Balance on December 31, 2021	<b>\$ -</b>	<b>2,177</b>	<b>15,493</b>	<b>2,763</b>	<b>203</b>	<b>20,636</b>
<b>Carring amounts:</b>						
Balance on December 31, 2022	<b>\$ 10,260</b>	<b>3,895</b>	<b>8,042</b>	<b>868</b>	<b>3,953</b>	<b>27,018</b>
Balance on December 31, 2021	<b>\$ 10,260</b>	<b>3,998</b>	<b>8,139</b>	<b>839</b>	<b>2,777</b>	<b>26,013</b>
Balance on January 1, 2021	<b>\$ 10,260</b>	<b>4,101</b>	<b>7,867</b>	<b>602</b>	<b>-</b>	<b>22,830</b>

As of December 31, 2022 and 2021, the Company did not provide any of the aforementioned property, plant and equipment as collateral.

(Continued)

**OTSUKA INFORMATION TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

(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>	<u>Transportation equipment</u>	<u>Total</u>
<b>Cost:</b>			
Balance on January 1, 2022	\$ 44,008	1,204	45,212
Additions	13,596	-	13,596
Disposals	(5,789)	-	(5,789)
Balance on December 31, 2022	<u>\$ 51,815</u>	<u>1,204</u>	<u>53,019</u>
Balance on January 1, 2021	\$ 51,548	-	51,548
Additions	29	1,204	1,233
Disposals	(7,569)	-	(7,569)
Balance on December 31, 2021	<u>\$ 44,008</u>	<u>1,204</u>	<u>45,212</u>
<b>Accumulated Depreciation:</b>			
Balance on January 1, 2022	\$ 31,000	301	31,301
Depreciation	11,872	402	12,274
Disposals	(5,789)	-	(5,789)
Balance on December 31, 2022	<u>\$ 37,083</u>	<u>703</u>	<u>37,786</u>
Balance on January 1, 2021	\$ 21,905	-	21,905
Depreciation	11,272	301	11,573
Disposals	(2,177)	-	(2,177)
Balance on December 31, 2021	<u>\$ 31,000</u>	<u>301</u>	<u>31,301</u>
<b>Carrying amount:</b>			
Balance on December 31, 2022	<u>\$ 14,732</u>	<u>501</u>	<u>15,233</u>
Balance on December 31, 2021	<u>\$ 13,008</u>	<u>903</u>	<u>13,911</u>
Balance on January 1, 2021	<u>\$ 29,643</u>	<u>-</u>	<u>29,643</u>

The Company subleased partial of its right-of-use assets to subsidiaries under finance leases for the year ended December 31, 2021, please refer to note 7 for information about the lease.

(Continued)



# OTSUKA INFORMATION TECHNOLOGY CORP.

## Notes to the Financial Statements

(i) Lease liabilities

Lease liabilities of the Company were as follows:

	December 31, 2022	December 31, 2021
Current	\$ <u>5,707</u>	<u>10,311</u>
Non-current	\$ <u>8,952</u>	<u>4,120</u>

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

The amount recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	\$ <u>355</u>	<u>467</u>
Income from sub-leasing right-of-use assets	\$ <u>-</u>	<u>175</u>
Expenses relating to short-term leases and leases of low-value assets	\$ <u>4,163</u>	<u>3,781</u>

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

	2022	2021
Rental paid in operating activities	\$ (4,163)	(3,781)
Interest on lease liabilities paid in operating activities	(355)	(467)
Interest from sub-leasing of right-of-use assets received in operating activities	-	33
Income from sub-leasing of right-of-use assets received in investing activities	-	701
Payment made on lease liabilities in financing activities	(13,368)	(12,274)
Total cash outflow for leases	\$ <u>(17,886)</u>	<u>(15,788)</u>

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. The Company leases vehicle for transportation equipment, with lease term that typically runs for a period of 3 years.

(j) 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, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 29,774	31,652
Fair value of plan assets	31,253	26,861
Net defined benefit liability (asset)	\$ <u>(1,479)</u>	<u>4,791</u>

(Continued)

# OTSUKA INFORMATION TECHNOLOGY CORP.

## Notes to the Financial Statements

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 \$31,253 thousand 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 Company were as follows:

	<b>2022</b>	<b>2021</b>
Defined benefit obligation on January 1	\$ 31,652	29,885
Current service costs and interest expense	654	627
Remeasurement of net defined liability expense — Actuarial gain (loss) arising from experience adjustments	(2,532)	3,600
Benefits paid	-	(2,460)
Defined benefit obligation on December 31	<u><u>\$ 29,774</u></u>	<u><u>31,652</u></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:

	<b>2022</b>	<b>2021</b>
Fair value of plan assets on January 1	\$ 26,861	26,880
Contributions paid by the employer	2,022	1,972
Interest income	426	423
Remeasurement of net defined asset — Return on plan assets (excluding interest income)	1,944	46
Benefits paid	-	(2,460)
Fair value of plan assets on December 31	<u><u>\$ 31,253</u></u>	<u><u>26,861</u></u>

(Continued)

# OTSUKA INFORMATION TECHNOLOGY CORP.

## Notes to the Financial Statements

### 4) Expenses recognized in profit or loss

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

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 179	179
Net interest of net liabilities (asset) for defined benefit	<u>49</u>	<u>25</u>
	<u>\$ 228</u>	<u>204</u>
Selling expenses	\$ 186	164
Administrative expenses	35	32
Research and development expenses	<u>7</u>	<u>8</u>
	<u>\$ 228</u>	<u>204</u>

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

As of December 31, 2022 and 2021, the Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income were as follows:

	<u>2022</u>	<u>2021</u>
Cumulated amount on January 1	\$ 4,704	1,150
Recognized during the period	<u>(4,476)</u>	<u>3,554</u>
Cumulated amount on December 31	<u>\$ 228</u>	<u>4,704</u>

### 6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	<u>2022</u>	<u>2021</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 \$2,906 thousand.

The weighted average duration of the defined benefit plans is 5.7 years.

(Continued)

# **OTSUKA INFORMATION TECHNOLOGY CORP.**

## **Notes to the 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, 2022 and 2021, would have been as follows:

		<b>Influence of defined benefit obligations</b>	
		<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
Discount rate:			
December 31, 2022	\$	<u>(787)</u>	<u>819</u>
December 31, 2021	\$	<u>(913)</u>	<u>953</u>
		<b>Influence of defined benefit obligations</b>	
		<b>Increased 1%</b>	<b>Decreased 1%</b>
Future salary increase rate:			
December 31, 2022	\$	<u>3,104</u>	<u>(2,729)</u>
December 31, 2021	\$	<u>3,645</u>	<u>(3,177)</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 2022 and 2021.

### (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 \$6,994 thousand and \$6,805 thousand for the years ended December 31, 2022 and 2021, respectively.

(Continued)

**OTSUKA INFORMATION TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

(k) Income taxes

(i) Income tax expense

The components of income tax expenses were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense	\$ 35,285	30,910
Deferred tax expense	1,831	2,960
Income tax expense	<u>\$ 37,116</u>	<u>33,870</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>2022</u>	<u>2021</u>
Exchange differences on translation of foreign operations' financial statements	\$ <u>468</u>	<u>173</u>

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

	<u>2022</u>	<u>2021</u>
Profit before income tax	\$ 219,261	179,265
Income tax using the Company's domestic tax rate	43,852	35,853
Loss on liquidation of investment in domestic subsidiaries	(3,752)	-
Change in provision in prior periods	(1,186)	(1,094)
Surtax unappropriated earnings	1,271	1,747
Investment tax credits accrued	(4,736)	(4,064)
Others	1,667	1,428
	<u>\$ 37,116</u>	<u>33,870</u>

(Continued)

# OTSUKA INFORMATION TECHNOLOGY CORP.

## Notes to the Financial Statements

(v) Deferred tax assets and liabilities

There are no unrecognized deferred tax assets and liabilities. Changes in the amount of deferred tax assets and liabilities were as follows:

	Investment income of subsidiaries recognized under the equity method	Defined benefit obligations	Other	Total	
<b>Deferred tax liabilities:</b>					
Balance on January 1, 2022	\$ 6,468	2,139	-	8,607	
Recognized in profit or loss	1,639	359	173	2,171	
Balance on December 31, 2022	<u>\$ 8,107</u>	<u>2,498</u>	<u>173</u>	<u>10,778</u>	
Balance on January 1, 2021	\$ 4,358	1,785	-	6,143	
Recognized in profit or loss	2,110	354	-	2,464	
Balance on December 31, 2021	<u>\$ 6,468</u>	<u>2,139</u>	<u>-</u>	<u>8,607</u>	
	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
<b>Deferred tax assets:</b>					
Balance on January 1, 2022	\$ (2,781)	(434)	(193)	(11)	(3,419)
Recognized in profit or loss	-	(351)	-	11	(340)
Recognized in other comprehensive income	468	-	-	-	468
Balance on December 31, 2022	<u>\$ (2,313)</u>	<u>(785)</u>	<u>(193)</u>	<u>-</u>	<u>(3,291)</u>
Balance on January 1, 2021	\$ (2,954)	(870)	(197)	(67)	(4,088)
Recognized in profit or loss	-	436	4	56	496
Recognized in other comprehensive income	173	-	-	-	173
Balance on December 31, 2021	<u>\$ (2,781)</u>	<u>(434)</u>	<u>(193)</u>	<u>(11)</u>	<u>(3,419)</u>

(vi) The Company's income tax returns have been examined by the tax authority through the years up to 2020.

(l) Capital and other equity

(i) Capital

As of December 31, 2022 and 2021, 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 thousand. As of the dates, 17,097 thousand shares of ordinary shares were issued and all issued ordinary shares were paid up upon issuance.

(Continued)

## OTSUKA INFORMATION TECHNOLOGY CORP.

### Notes to the Financial Statements

#### (ii) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Additional paid-in capital	\$ 68,176	68,176
Employee stock options	637	637
	<b><u>\$ 68,813</u></b>	<b><u>68,813</u></b>

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.

##### 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.

(Continued)

# OTSUKA INFORMATION TECHNOLOGY CORP.

## Notes to the Financial Statements

### 2) Special reserve

In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than the after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. A portion of undistributed prior-period earnings shall be reclassified to special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to the net reduction of 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 2021 on March 22, 2022 and the distribution of earnings for 2020 on March 22, 2021, respectively. As well as the stockholders' meeting resolved the distribution of earnings for 2021 on June 21, 2022 and the distribution of earnings for 2020 on August 11, 2021, respectively. The distribution was \$6.0 (dollars) and \$5.2 (dollars) per share, which amounted to \$102,582 thousand and \$88,904 thousand, respectively.

### (m) 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:

	2022	2021
Profit attributable to ordinary shareholders of the Company	\$ <u>182,145</u>	<u>145,395</u>
Weighted average number of ordinary shares (thousand shares)	<u>17,097</u>	<u>17,097</u>
Basic earnings per share	\$ <u>10.65</u>	<u>8.50</u>

#### (ii) Diluted earnings per share

The calculation of diluted earnings per share based on the profit and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

	2022	2021
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>182,145</u>	<u>145,395</u>
Weighted average number of ordinary shares (diluted) (thousand shares)	<u>17,256</u>	<u>17,242</u>
Diluted earnings per share	\$ <u>10.56</u>	<u>8.43</u>

(Continued)



# OTSUKA INFORMATION TECHNOLOGY CORP.

## Notes to the Financial Statements

	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares (basic) (thousand shares)	17,097	17,097
Effect of employee remuneration	159	145
Weighted average number of ordinary shares (diluted) (thousand shares)	<u><b>17,256</b></u>	<u><b>17,242</b></u>

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>2022</b>	<b>2021</b>
Primary geographical markets:		
Taiwan	<u><b>\$ 1,423,360</b></u>	<u><b>1,182,602</b></u>
Major products:		
Software	\$ 1,315,364	1,086,144
Service	81,776	71,665
Other	26,220	24,793
	<u><b>\$ 1,423,360</b></u>	<u><b>1,182,602</b></u>

(ii) Contract balances

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Notes and accounts receivable (including long-term)	\$ 269,014	294,274	188,536
Accounts receivable — related parties	1,951	-	1,317
Less: allowance for impairment	(868)	(357)	(544)
Total	<u><b>\$ 270,097</b></u>	<u><b>293,917</b></u>	<u><b>189,309</b></u>
Contract liabilities	<u><b>\$ 14,431</b></u>	<u><b>9,779</b></u>	<u><b>7,253</b></u>

(i) For details on notes and accounts receivable (including long-term and related parties) and allowance for impairment, please refer to note 6(c).

(ii) The contract liabilities primarily relate to the advance consideration received from customers for the product sales contracts, for which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were \$7,591 thousand and \$6,135 thousand, respectively.

(Continued)

## OTSUKA INFORMATION TECHNOLOGY CORP.

### Notes to the Financial Statements

(o) Employee compensation and directors' 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' remuneration through the board's resolution, wherein the amount should not exceed 3% of annual profit. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficits.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$11,725 thousand and \$9,586 thousand, and directors' remuneration amounting to \$3,518 thousand and \$2,876 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors 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 2022 and 2021. Information can be accessed on the Market Observation Post System website.

(p) Other gains and losses

The details of other gains and losses were as follows:

	2022	2021
Foreign exchange gains (losses)	\$ 1,134	(214)
Others	1,563	903
	<u>\$ 2,697</u>	<u>689</u>

(q) 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, 2022 and 2021, the maximum amount exposed to credit risk amounted to \$712,798 thousand and \$652,545 thousand, 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.

3) For credit risk exposure of notes and accounts receivable (including long-term), please refer to note 6(c).

(Continued)

# OTSUKA INFORMATION TECHNOLOGY CORP.

## Notes to the Financial Statements

- 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:

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years
<b>December 31, 2022</b>					
Accounts payable	\$ 121,375	121,375	121,375	-	-
Salaries payable	58,373	58,373	58,373	-	-
Accrued expenses and other payables	29,594	29,594	29,594	-	-
Lease liabilities	14,659	15,168	5,942	3,881	5,345
	<b>\$ 224,001</b>	<b>224,510</b>	<b>215,284</b>	<b>3,881</b>	<b>5,345</b>
<b>December 31, 2021</b>					
Accounts payable	\$ 91,204	91,204	91,204	-	-
Salaries payable	60,675	60,675	60,675	-	-
Accrued expenses and other payables	26,440	26,440	26,440	-	-
Lease liabilities	14,431	14,659	10,501	3,563	595
	<b>\$ 192,750</b>	<b>192,978</b>	<b>188,820</b>	<b>3,563</b>	<b>595</b>

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:

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
Monetary items-USD	\$ 204	30.720	6,253	504	27.685	13,950
Monetary items-JP	7,599	0.2331	1,772	3,308	0.2404	795
<u>Financial liabilities</u>						
Monetary items-USD	48	30.720	1,467	73	27.685	2,019
Monetary items-JP	1,173	0.2331	273	4,536	0.2404	1,091

(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, 2022 and 2021, would have increased or decreased the profit before tax by \$314 thousand and \$582 thousand for the years ended December 31, 2022 and 2021, 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	2022		2021	
	Foreign exchange gain or loss	Average exchange rate	Foreign exchange gain or loss	Average exchange rate
TWD	\$ <u>1,134</u>	1	<u>(214)</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, 2022				
		Carrying amounts	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost:</b>						
Financial bond	\$	30,000				
Cash and cash equivalents		399,642				
Notes and accounts receivable (including long-term and related parties)		270,097				
Other receivables (including related parties)		464				
Refundable deposits		12,095				
Restricted deposit		<u>500</u>				
Total	\$	<u><u>712,798</u></u>				
<b>Financial liabilities measured at amortized cost:</b>						
Accounts payable	\$	121,375				
Salaries payable		58,373				
Accrued expenses and other payables		29,594				
Lease liabilities		<u>14,659</u>				
Total	\$	<u><u>224,001</u></u>				
		December 31, 2021				
		Carrying amounts	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost:</b>						
Financial bond	\$	30,000				
Cash and cash equivalents		314,468				
Notes and accounts receivable (including long-term and related parties)		293,917				
Other receivables (including related parties)		850				
Refundable deposits		12,810				
Restricted deposit		<u>500</u>				
Total	\$	<u><u>652,545</u></u>				

(Continued)

**OTSUKA INFORMATION TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

		December 31, 2021				
		Carrying amounts	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost:						
Accounts payable	\$	91,204				
Salaries payable		60,675				
Aaccrued expenses and other payables		26,440				
Lease liabilities		14,431				
Total	\$	192,750				

(r) 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 and JP. 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.

#### **(s) 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, 2022 and 2021, the debt ratios were 24% and 23%, respectively. There were no changes in the Company's approach to capital management as of December 31, 2022.

(Continued)

**OTSUKA INFORMATION TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

- (t) 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, 2022 and 2021, 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 was as follows:

	January 1, 2022	Acquisition	Cash flows	Non-cash change	December 31, 2022
Lease liabilities (Amount of total liabilities from financing activities )	\$ <u>14,431</u>	<u>13,596</u>	<u>(13,368)</u>	<u>-</u>	<u>14,659</u>
	January 1, 2021	Acquisition	Cash flows	Non-cash change	December 31, 2021
Lease liabilities (Amount of total liabilities from financing activities )	\$ <u>30,338</u>	<u>1,233</u>	<u>(12,274)</u>	<u>(4,866)</u>	<u>14,431</u>

**(7) Related-party transactions:**

- (a) Names and relationship of the related parties

The followings are related parties that have had transactions with the Company during the periods covered in the parent company only financial statements.

Name	Relationship
Otsuka Information Technology Ltd. (Otsuka Information)	A subsidiary
To Gather Corp. (To Gather) (note 1)	A subsidiary
Unilink Innovation Information Technology Corp. (Unilink) (note 2)	A subsidiary
Otsuka Software Trading (Dongguan) Ltd. (Otsuka Dongguan)	A subsidiary
Otsuka OITC Information Technology (Shanghai) Ltd. (OITC)	A subsidiary
Noah Information Technology Corp. (Noah Information)	The entity's chairman is one of the Company's directors
Fortune Construction Co., Ltd. (Fortune Construction)	Substantial related party

Note 1: The Board of Directors of To Gather resolved to liquidate the company on March 28, 2022. The liquidation process was completed on December 2, 2022.

Note 2: Due to operational consideration, Unilink has applied for temporary suspension of its business in 2022 and 2021. The temporary suspension periods were from December 1, 2022 to November 30, 2023, and from December 1, 2021 to November 30, 2022, respectively.

(Continued)



**OTSUKA INFORMATION TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

(b) Significant transactions with related parties

(i) Sales

The amounts of sales by the Company to related parties and outstanding balances were as follows:

	<b>Sales</b>		<b>Accounts receivable</b>	
	<b>2022</b>	<b>2021</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Subsidiaries	\$ 1,929	7,289	1,786	-
Other related-parties	2,714	113	165	-
	<u><b>\$ 4,643</b></u>	<u><b>7,402</b></u>	<u><b>1,951</b></u>	<u><b>-</b></u>

The selling price offered to related parties was determined based on the cost plus profit margin. For the years ended December 31, 2022 and 2021, the trading terms of related parties were 30 to 60 days, and trading terms of other customers were 30 to 90 days and 30 to 120 days, respectively.

(ii) Purchases

The amounts of purchases by the Company from related parties and the outstanding balances were as follows:

	<b>Purchases</b>		<b>Accounts payable</b>	
	<b>2022</b>	<b>2021</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Subsidiaries	\$ -	2,629	-	-
Other related-parties	8	-	-	-
	<u><b>\$ 8</b></u>	<u><b>2,629</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

There were no significant differences in the purchasing price and other trading terms between related parties and other vendors. For the years ended December 31, 2022 and 2021, the payment terms of related parties and other vendors were 30 days and 30 to 60 days, respectively.

(iii) Property transaction

The Company leased part of the right-to-use assets to its subsidiary, Unilink, in January 2021. The sublease contracts are classified as finance leases since the period covered the whole remaining term of the master lease. The carrying value of the right-to-use assets was reduced by \$2,537 thousand, and the lease receivable of \$3,163 thousand and unrealized gain of \$626 thousand were recognized. The Company recognized interest income of \$33 thousand and realized gain of \$142 thousand due to sublease (under other gains and losses). In July 2021, Unilink early terminated the lease due to business changes, and the Company recognized gain on sublease termination amounted to \$559 thousand under other gains and losses.

(Continued)

**OTSUKA INFORMATION TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

In 2021, the Company purchased office and computer equipment as well as other assets from Unilink with purchasing price amounting to \$801 thousand. As of December 31, 2021, the transaction has been completed and there is no outstanding balance.

(iv) Loans to related parties

The balances of selling price loans to related parties were as follows:

For the years ended December 31, 2021						
	Highest balance	Ending balance	Actual usage amount	Agreed interest rate	interest income	Other receivables
To Gather	\$ <u>10,000</u>	<u>-</u>	<u>-</u>	1.8%	<u>23</u>	<u>-</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:

	Operating expenses		Other payables	
	2022	2021	December 31, 2022	December 31, 2021
To Gather	\$ <u>323</u>	<u>964</u>	<u>-</u>	<u>-</u>

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.

The revenue and outstanding balances were as follows:

	Revenues		Other receivables	
	2022	2021	December 31, 2022	December 31, 2021
Service revenue				
To Gather	\$ 48	114	-	60
Unilink	-	229	-	-
	<u>\$ 48</u>	<u>343</u>	<u>-</u>	<u>60</u>

(Continued)

**OTSUKA INFORMATION TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2022</u>	<u>2021</u>
Short term employee benefits	\$ 28,044	25,008
Termination benefits	248	248
Post employment benefits	-	-
Other long term benefits	-	-
Share based payments	-	-
	<u>\$ 28,292</u>	<u>25,256</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>2022</u>	<u>December 31,</u> <u>2021</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>2022</u>	<u>December 31,</u> <u>2021</u>
Guaranteed notes	<u>\$ -</u>	<u>247</u>

**(10) Losses Due to Major Disasters:None**

**(11) Subsequent Events:None**

(Continued)

**OTSUKA INFORMATION TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

**(12) Other:**

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	2022			2021		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		-	192,329	192,329	-	194,278	194,278
Labor and health insurance		-	14,463	14,463	-	13,828	13,828
Pension		-	7,222	7,222	-	7,009	7,009
Remuneration of directors		-	6,458	6,458	-	5,641	5,641
Others		-	8,067	8,067	-	6,873	6,873
Depreciation		-	16,481	16,481	-	15,565	15,565
Amortization		-	3,578	3,578	-	3,463	3,463

The following were the additional information on the Company's employees and employee benefits for the years ended December 31, 2022 and 2021:

	2022	2021
Average numbers of employees	<u>172</u>	<u>167</u>
Numbers of directors, but not employees concurrently	<u>6</u>	<u>6</u>
The average employee benefit	<u>\$ 1,338</u>	<u>1,379</u>
The average salaries and wages	<u>\$ 1,159</u>	<u>1,207</u>
The average adjustment of salaries and wages	<u>(3.98)%</u>	
Remuneration of supervisors	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy (including directors, managers and employee) was as follows:

The reward of directors 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 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.

(Continued)

# OTSUKA INFORMATION TECHNOLOGY CORP.

## Notes to the Financial Statements

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:None
- (ii) Guarantees and endorsements for other parties:None
- (iii) Securities held as of December 31, 2022 (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	
The Company	FY2021 1st subordinated bond of Bank of Panhsin	None	Financial assets measured at amortized cost-non-current	-	10,000	- %	10,000	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (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, 2022 (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, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	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 %	161,455	8,197	8,197	
"	To Gather Corp.	Taiwan	Restaurant	-	28,500	-	- %	-	(8,789)	(8,350)	note 1
"	Unilink Innovation Technology Corp.	Taiwan	Software merchandising	30,000	30,000	3,000	100.00 %	27,632	136	136	

Note 1: The Board of Directors of To Gather resolved to liquidate the company on March 28, 2022. The liquidation process was completed on December 2, 2022.

### (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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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	49,152 (US\$1,600 thousand)	Investing in China through the company incorporated in the third country	49,152 (US\$1,600 thousand)	-	-	49,152 (US\$1,600 thousand)	4,486	100.00%	4,486	85,932	-
Otsuka Information Technology (Shanghai) Ltd.	Software merchandising	79,872 (US\$2,600 thousand)	"	79,872 (US\$2,600 thousand)	-	-	79,872 (US\$2,600 thousand)	3,711	100.00%	3,711	75,515	-

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, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
129,024 (USD4,200 thousand)	129,024 (USD4,200 thousand)	505,632

Note: The TWD amount was measured on December 31, 2022 with the spot exchange rate of 30.720.

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 subsidiary in China are disclosed in "Information on significant transactions".

(Continued)

**OTSUKA INFORMATION TECHNOLOGY CORP.****Notes to the Financial Statements**

(d) Major shareholders:

<b>Shareholder's Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
Otsuka Corp.		6,465,900	37.81 %
Tu, Shui-Cheng		1,687,000	9.86 %
The Otsuka Information Technology Corp. Employee Welfare Trust Account handled by Bank SinoPac		989,017	5.78 %

**(14) Segment information:**

Please refer to the Company's consolidated financial statements for the year ended December 31, 2022, for details.

**OTSUKA INFORMATION TECHNOLOGY CORP.**

**Statement of cash and cash equivalents**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash on hand	Petty cash and working capital	\$ 217
Demand deposits — NTD		296,400
Demand deposits — foreign currency	USD204 thousand ; Exchange rate30.720	6,253
	JPY7,599 thousand ; Exchange rate0.2331	1,772
		<u>304,425</u>
Time deposits — NTD	Term:2022.10.16~2023.3.16; Interest rate 0.66%~0.9%	95,000
Total		<u><u>\$ 399,642</u></u>

**Statement of notes and accounts receivable**

<b>Customers</b>	<b>Description</b>	<b>Amount</b>
Notes receivable:		
Others (note)	Sales to non-related parties	\$ 29,890
Accounts receivable:		
Others (note)	"	239,124
Accounts receivable — related parties:		
Others (note)		1,951
Subtotal		<u>241,075</u>
Less: allowance for doubtful accounts		<u>(868)</u>
Long-term notes and accounts receivable, net		<u>(2,510)</u>
Total		<u><u>\$ 267,587</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 inventories**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Cost</b>	<b>Net realizable value</b>
Software	\$ 149,539	150,834
Provision for software	(2,594)	
	146,945	
Hardware	5,486	5,587
Provision for hardware	(1,327)	
	4,159	
Net amount	<u>\$ 151,104</u>	<u>\$ 156,421</u>

**OTSUKA INFORMATION TECHNOLOGY CORP.**

**Statement of changes in investments accounted for using the equity method**

**From January 1 to December 31, 2022**

**(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	\$ 150,918	-	-	-	-	-	10,537	32,760	100.00 %	161,455	161,455	None
To Gather Corp.	2,850	18,090	-	-	-	-	(2,850)	(18,090)	-	- %	-	-	-
Unilink Innovation Information Technology Corp.	3,000	27,496	-	-	-	-	-	136	3,000	100.00 %	27,632	27,632	None
Total		<u>\$ 196,504</u>		<u>-</u>		<u>-</u>		<u>(7,417)</u>			<u>189,087</u>	<u>189,087</u>	

Note : Other adjustments include the loss from investments using the equity method amounted to \$(17) thousand, the cumulative translation adjustments amounted to \$2,340 thousand, and proceed from liquidation of subsidiaries amounted to \$(9,740) thousand.

**OTSUKA INFORMATION TECHNOLOGY CORP.**

**Statement of changes in property, plant and equipment**

**From January 1 to December 31, 2022**

**(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**

Please refer to note 6(h) for right-of-use assets.

**Statement of other non-current assets**

**December 31, 2022**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Refundable deposits	Deposits of lease and performance bond, etc.	\$ 12,095
Long-term prepaid expense	Software, etc.	8,929
Deferred tax assets		3,291
Long-term notes and accounts receivable		2,510
Prepaid pension		1,479
Restricted deposit	Pledge for line of corporate credit card	500
Total		<u>\$ 28,804</u>

**OTSUKA INFORMATION TECHNOLOGY CORP.**

**Statement of accounts payables**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Vendor</b>	<b>Description</b>	<b>Amount</b>
SYNNEX TECHNOLOGY INTERNATIONAL CORPORATION	Purchase from non-related-parties	\$ 78,731
SIEMENS INDUSTRY SOFTWARE (TW) CO., LTD.	"	18,451
WEBLINK INTERNATIONAL INC.	"	9,298
PARAMETRIC TECHNOLOGY CORPORATION	"	6,717
Others (note)	"	8,178
Total		<u>\$ 121,375</u>

Note: The amounts of the individual items which below 5% of the account are not listed separately.

**Accrued expenses and other payables**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Tax payable	Corporation income tax payable	\$ 19,223
Employee and director remuneration payable	Employees' and directors' remuneration for 2022 in accordance with the Articles	15,243
Sales tax payable		5,348
Others (note)	Payable of labor and health insurance, service fee and pension, etc.	9,003
Total		<u>\$ 48,817</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, 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Sales revenue:	
Software	\$ 1,316,749
Hardware	26,220
Less: Sales returns and discounts	<u>(1,385)</u>
Net sales revenue	1,341,584
Net service revenue	<u>81,776</u>
Total	<u><u>\$ 1,423,360</u></u>

**Statement of operating costs**

<u>Item</u>	<u>Amount</u>
Inventories on January 1, 2022	\$ 93,403
Add: Purchases	978,823
Losses on inventory valuation and obsolete inventories	1,755
Less: Inventories on December 31, 2022	(155,025)
Self-use and transferred to expense	<u>(342)</u>
Cost of goods sold	918,614
Service costs	<u>12,694</u>
Operating costs	<u><u>\$ 931,308</u></u>

**Otsuka Information Technology Corp.**

**Statement of selling, administrative, research and development expenses**

**From January 1 to December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Selling expenses</b>	<b>Administrative expenses</b>	<b>Research and development expenses</b>
Salaries	\$ 166,784	27,555	4,448
Depreciation	13,707	1,921	853
Insurance	12,327	2,256	366
Service	37	4,082	-
Amortization	1,865	540	1,173
Others (note)	<u>33,105</u>	<u>4,564</u>	<u>638</u>
Total	<u><u>\$ 227,825</u></u>	<u><u>40,918</u></u>	<u><u>7,478</u></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**

