

Otsuka Information Technology Corp.

2023 ANNUAL REPORT

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

May 31, 2024

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

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

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

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I. Letter to Shareholders

I. 2023 Business Report

(I) Implementation Results of Business Plans

As a leading professional manufacturer in computer graphics software systems, 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 client. For recent years, we never stop expanding new high-level application opportunities and developing agency opportunities for diversified products, meanwhile assisting clients in incorporating all production node information management, integrating data system and introducing mixed reality and mobile data. rapidly increasing client's design and integration competitiveness, providing services related to protection of important information of design, research and development, etc., as well as integration application of information security systems, and 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 2023 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 2023 operating revenue is NTD 1,691,168 Thousand, which increased by NTD 135,139 Thousand, 8.68% from last year; operating margin is NTD 558,317 Thousand, which increased by 36,613 Thousand, 7.02% from last year, and net income is NTD 198,721 Thousand, which increased by 17,015 Thousand, 9.36% from last year.

Otsuka Consolidated Financial Statement

Unit: NTD thousands

Year	2022		2023		Gain/Loss	
	Amount	%	Amount	%	Amount	%
Operating Revenue	1,556,029	100.00	1,691,168	100.00	135,139	8.68
Gross Profit	521,704	33.53	558,317	33.01	36,613	7.02
Operating Expenses	300,652	19.32	321,150	18.99	20,498	6.82
Operating Income	221,052	14.21	237,167	14.02	16,115	7.29
Income before Tax	219,089	14.08	242,647	14.35	23,558	10.75
Net Income	181,706	11.68	198,721	11.75	17,015	9.36

Because the Company had no financial forecast in 2023, there was no disclosure of budget execution.

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

Item			2022	2023	Difference
Financial Structure	Debt to Assets Ratio		25.07%	27.18%	2.11%
	Long-term Funds to Fixed Assets Ratio		3,048.58%	3,186.63%	138.05%
Debt Paying Ability	Current Ratio		387.66%	368.89%	-18.77%
	Quick Ratio		324.97%	304.78%	-20.19%
Profitability	Return on Assets (%)		17.05%	16.78%	-0.27%
	Shareholders’ Return on Equity (%)		22.71%	22.65%	-0.06%
	Profit before Tax to Capital Stock (%)	Operating Profit	129.29%	138.72%	9.43%
		Net Profit Before Tax	128.14%	141.92%	13.78%
	Net Profit Ratio (%)		11.68%	11.75%	0.07%
	Earnings per Share(NTD)		10.65	11.62	0.97

(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	2021	2022	2023
R&D Expense(A)	8,161	7,478	15,649
Net Operating Revenue(B)	1,300,526	1,556,029	1,691,168
(A)/(B)	0.63%	0.48%	0.93%

In 2023, the Corporation's research and development focused on 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. 2024 Business Plan Abstract:

(I) Guideline for management

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

The Corporation is entering its 28th year on the management of Taiwanese computer-aided design software market, being a long-term and reliable cooperation partner of clients. 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, we will make use of business opportunities to incessantly develop new clients this year; besides, since establishment of the EFD team, we have added the simulation analysis and thermal properties measurement products to serve clients. Our technical team not only offers professional service items to our original clients, but also expands new client's business opportunities with an objective to segment our brands from our competitors. We believe that based on an old-client-rooted and new-client-peaked philosophy, 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. In addition, in 2023, our subsidiary also established the thermal properties measurement laboratory, which can measure the electronic components including LED, Logic IC, etc. We expanded our service level in heat dissipation and heat flow analysis of original software on agency. Our clients included those covering industries such as chip and IC design, thermal modules, power suppliers, industrial computers, LED, batteries, 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 2023, the Corporation imported ISO 27001, undertook ERP system upgrading in China, 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 2024, after each system across the Strait is connected in series, better services can be provided to clients, so that the company's operation information process can be smoother with more operation benefits.

(II) Expected sales amount and its accordancy

On basis of the changes to domestic and overseas circumstances and industry development trend, a 5% growth in sales of the Corporation in 2024 is expected.

(III) Important selling and promotion strategies

- 1.Completely build the client's contract information, deliver business opportunities, and actively enhance organizational response and service network efficiency, make use of business opportunities and contract management to grasp new and old clients' demand timing for prompt statements.
- 2.The Market Intelligence & Consulting Institute of the Institute for Information Industry pointed that in 2023, the IT investment structure of businesses, the manufacturing industry and the construction industry in Taiwan represented software and hardware in the same level, and even software surpassing hardware. It suggested that a structural twist had happened to domestic businesses' thinking about investment in traditional hardware-focused IT, especially rise of investment in ESG, cloud, and AI. 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.
- 3.Import ISO 27001 with verification completed, establish confidentiality of information security management systems, and increase the protection mechanism of the company and clients in order to reduce losses from actual information divulgement in the future.
- 4.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.

(IV) Future development strategies

1. Provide integrated business systems via professional service

The manufacturing industry puts emphasis on quick response, flexible and highly-automation. Under the influence of that trend, we must improve manufacturing process efficiency and operation modes, and enhance added value of products for maintaining competitiveness. The Corporation, by cooperating with complete and diverse solutions platforms, will keep abreast with clients to jointly cope with each challenge in technical development, assist clients with innovating product research, development, and product launch efficiency, 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. Utilize business opportunities for grasp of prompt development, expand new product business, assisted with connection of internal data systems, take a complete hold of old clients' demands, develop business opportunities of new clients, and continuously enlarge the sales market.

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. We plan to introduce re-developed management tool, which will be used to collectively manage the re-developed authorized verification information in order to grasp information of business opportunities. In the future, we also propose to extend the application of tool to information of members to function as the platform to provide clients with newest service information and technical information.

(3) In response to change trend of the future operation mode, we will research and apply the APS (Autodesk Platform Services) function, and integrate the services APS offers to develop the system service platform of SaaS mode.

(4) 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 Market Intelligence & Consulting Institute of the Institute for Information Industry pointed that the key of intelligent manufacturing development in Taiwan lies in restrictions of issues of digital stages before Industry 4.0. Namely, there are difficulties in gaining serial connection of data and systems. Therefore, in respect of data collection, the Corporation also introduces the mobile data collection project to provide highly-automation data management service by having the automated AI software service manage important but cumbersome data collection and summarization process, and with that service, clients can enter the data analysis and application stage for businesses to gain profit only by using the

modularized operation interface. On that account, we increase clients' dependence on technical services, and segment market positioning and competition edges from fellow traders.

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 ESG and net-zero carbon emission became stricter, the Corporation will pay constant attention and propose a revision on relevant internal procedures and measurements, promptly discussing with accountants and counselling agencies, when necessary, in order to minimize the potential impacts.

3. Effects of the overall operating environment

According to International Monetary Fund (IMF), the global economic growth rate in January 2024 will increase to 3.1%. 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 Taiwan Institute of Economic Research in January 2024, the domestic economy growth rate in 2024 is 3.15%. The Corporation, as the CAD/CAM leader in the Taiwanese market, adheres to the business spirit of sustainable service, 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 2023. Since founded, Our management team will continue to cultivate technical capability and operation efficiency for making full efforts in improving professional service, and strengthening long-term competitiveness, 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 2023 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: LIN, Chih-Ming

II. Company Profile

I. Date of incorporation:

August 4, 1997

II. Company History:

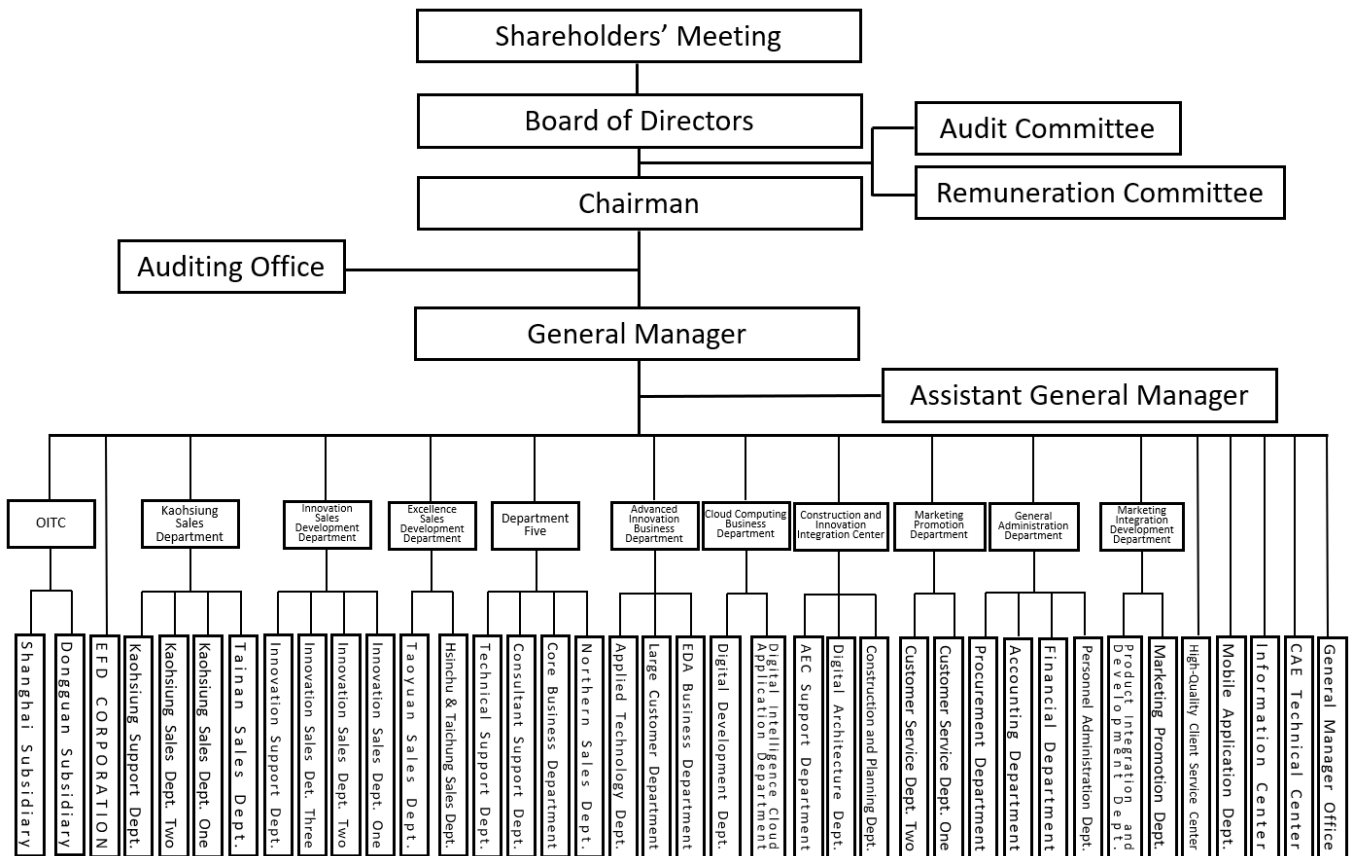
Year	Month	Company History
1997	August	Japan Otsuka Corp. and Taiwan Aurora Group join together and co-founded the joint venture Aurora Otsuka Corp., with a capital of NT\$ 100,000,000 majoring in selling CAD/CAM software and IT system integration.
	October	Signed the right to distribute the products of the AutoCAD series with US-based company Autodesk.
1998	March	Established the ITSI system integration place.
	September	Established the Taichung office, and received acknowledgement from the Ministry of Economic Affairs and the Institute for Information Industry to go to Japan to inspect the result of incorporating the CALS plan in the government, industry, and universities.
	October	Cash capital increases by 60 million.
1999	April	Established the Kaohsiung Office.
	October	Established the Tainan Office.
2000	January	Obtained the distribution rights of the software in the China region and became the only distributor with rights across both shores.
	May	Capital reduced by 77 million and then increased by 33.2 million, resulting in a total capital of 116.2 million.
	December	Established the IPO international Purchasing Department to assist the headquarters in Japan in purchasing information products.
2002	January	Acknowledged by Autodesk as the sole agent of MCAD (a series of products for the manufacturing industry) products in the Taiwan region.
	October	Otsuka Corporation obtained all the shares previously owned by the Aurora Group and became the sole shareholder of the company. Later renamed the company as Otsuka Information Technology Corp.
2003	January	Introduced a brand new corporate identification system called the Otsuka IT.
2004	May	Established the Hsinchu Office.
2005	February	Listed as the sole agent of Autodesk in the Taiwan region to distribute the educational series products in the manufacturing industry, spreading our business into the education market. Established the storage system department and provided information back-up security managed services for our clients.
2006	March	Obtained sole distribution rights for all Autodesk's products, and started a direct selling business in the education market; Obtained the right to sell Autodesk Alias series products.
2007	January	Obtained sole distribution rights of all Autodesk Alias series products and expanded our business into the most important market in the product development process, the industrial design market.
	July	Approved by the Securities and Futures Bureau, FSC, to initiate public offerings.
	September	Approved by the TPEx to be listed as an emerging stock.
	November	Approved by the Investment Commission to invest in the Mainland region. Otsuka Software Trading Corp. in Dongguan obtained its business registration certificate
2008	January	Introduced the self-developed software Hyper PDM (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 Oitc 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, Oitc 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.
2023	August	The subsidiary UnLink Innovation Information Technology Corporation was changed name to EFD CORPORATION.

III. Corporate Governance Report

I. Organizational System:

(I) Corporate Organizational Structure



(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 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.
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

Department		Main Functions
Marketing Integration Development Department		(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. (3) In charge of the Company’s website design, planning and maintenance. (4) In charge of the planning and execution of marketing events of each products, including real-life and online events. (5) In charge of planning and execution under the year’s marketing budget and planning for the Company’s co-selling products. (6) Cooperates with upstream original manufacturer’s marketing plans and proposals. (7) In charge of the planning of internal personnel training, the management of educational materials and publications. (8) Planning and execution of the training courses for clients’ software. (9) In charge of training new employees, ensuring professionally certified abilities. (10) In charge of creating new content on the online learning platform and platform maintenance.
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.
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.
Advanced Innovation Business 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 (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. (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.
Department Five		
Excellence Sales Development Department		
Kaohsiung Sales Department		
Innovation Sales Development Department		Mainly in charge of promoting the integration of PTC’S 3D CAD/CAM drawing software.
EFD Corporation		(1) Promotion and sale of CAE simulation analysis market. (2) Thermal properties measurement service, and sale & market promotion of measurement instrument.
OITC	Dongguan subsidiary	(1) In charge of sales and promotion of products in the China region. (2) In charge of communication and quote inquiry of products sold in the China region. (3) Provides technology support services and resources for products sold in the China region.
	Shanghai Subsidiary	

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

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

1. Board directors and supervisors

April 23, 2024
Unit: shares; %

Title ¹	Nationality or Place of Registration	Name	Gender & Age ²	Date Elected	Term	Dated First Elected ³	Shares held upon election		Current Shares Held		Current Shares Held by the Spouse & Minor Children		Current Shares held in the Name of Others		Experience ⁴ (Education)	Current Position in the Company and Other Companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship ⁵			Remarks
							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%	-	-	-	-	-	-	-	-	-	-
Chairman	Japan	Otsuka Corp. Representative: Hironobu Isurumi	Male 68	June 21, 2022	3	November 20, 2001	-	-	-	-	-	-	-	-	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	Male 47	June 21, 2022	3	November 20, 2001	-	-	-	-	-	-	-	-	Department of Education of Waseda University	1. Special Assistant of President of Otsuka Corp...	-	-	-	-
Director	Japan	Akio Tamehiro	Male 74	June 21, 2022	3	June 22, 2020	610,050	3.57%	610,050	3.57%	-	-	-	-	Dokkyo University, Department of Law	1. Chairman and General Manager of Noah International Taiwan Corp. 2. Chairman of Noah Information Technology Taiwan Corp.	-	-	-	-
Director	R.O.C.	Kuo, Yi-Lung	Male 47	June 21, 2022	3	June 29, 2016	10,000	0.06%	55,320	0.32%	-	-	-	-	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 EFD Corporation	-	-	-	-
Director	R.O.C.	Hsu, Hui-Ju	Female 57	June 21, 2022	3	October 29, 2007	137,000	0.80%	136,000	0.80%	-	-	-	-	Shiga University, Master of Education	1. Assistant General Manager and spokesman of the Company 2. Supervisor at Otsuka Software Trading Corp. in Dongguan 3. Supervisor at Oitc Information Technology Corp. in Shanghai 4. Director of EFD Corporation	-	-	-	-

Title ¹	Nationality or Place of Registration	Name	Gender & Age ²	Date Elected	Term	Dated First Elected ³	Shares held upon election		Current Shares Held		Current Shares Held by the Spouse & Minor Children		Current Shares held in the Name of Others		Experience ⁴ (Education)	Current Position in the Company and Other Companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship			Remarks ⁵
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C.	Yan, Jun-De	Male 56	June 21, 2022	3	October 29, 2016	-	-	-	-	-	-	-	-	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 56	June 21, 2022	3	October 29, 2007	-	-	-	-	-	-	-	-	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 49	June 21, 2022	3	August 11, 2021	-	-	-	-	-	-	-	-	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 50	June 21, 2022	3	June 22, 2020	-	-	-	-	-	-	-	-	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.	-	-	-	-
Director	R.O.C.	Liu Cheng Ho	Male 58	June 21, 2022	3	June 22, 2020	-	-	-	-	-	-	-	-	Department of Computer Science and Information Engineering, Tamkang University	1. Director and assistant general manager of Koel TECMO Co., Ltd.	-	-	-	-

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):

December 31, 2023

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)	10.24
	Custody Bank of Japan, Ltd. (Trust Account)	7.39
	Yuji Otsuka	2.46
	OTSUKA CORPORATION Employee Stock-Sharing Plan	2.32
	Keiko Otsuka	1.83
	JPMorgan Securities Japan Co., Ltd.	1.55
	STATE STREET BANK WEST CLIENT — TREATY 505234	1.29
	SMBC Nikko Securities Inc.	1.15
	Atsushi Otsuka	0.98

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

December 31, 2023

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

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

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

Note 3: A non-corporate shareholder its shareholding ratio as mentioned above should disclose the titles of the sponsor or donor (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, SMBC Nikko 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: Hironobu Tsurumi	1. Director of Otsuka Corp. 2. Managing Director of Otsuka Corp. 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
Otsuka Corp. Representative: Hideyuki Aoki	1. Special Assistant of President of Otsuka Corp. 2. Own the professional licenses such as accountant and security analyst, etc. 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
Akio Tamehiro	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
Kuo, Yi-Lung	1. General Manager 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.	None-independent director	None
Hsu, Hui-Ju	1. Assistant general manager 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.	Non-independent director	None
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.	1. Those persons, including the principal, spouse and relatives within the 2 nd degree of kinship do not serve as the director, supervisor or employee of the company or its subsidiaries. 2. Those persons, including the principal, spouse and relatives within the 2 nd degree of kinship (or in others' names) do not hold the shares of the company. 3. The person does not serve as the director, supervisor or employee of the company which has the specific relations with the company. 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.	1
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
Hsieh, Kun-Feng	1. Managing Director of CrownPro Law. 2. Possess the lawyer'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

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

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 as 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 2nd 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 2nd 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:
- Basic criteria and value: Gender, age, nationality and culture, etc.
 - 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:
- Member Structure: Currently, there are 10 directors in the company, including 3 external independent directors.
 - Gender Structure: There are totally 2 female directors and 8 male directors.
 - Nationality Structure: There are totally 3 Japanese directors and 7 domestic directors.
 - 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 (%)	Diversification of Individual Director's Background
Business Management	5	100%	Hironobu Tsurumi 、Akio Tamehiro 、Kuo, Yi-Lung 、Hsu, Hui-Ju 、Huang, Xiang-Min
Finance and Accounting	3	100%	Hideyuki Aoki 、Yan, Jun-De 、Lin, Hui-Fen
Expertise in Law	1	100%	Hsieh, Kun-Feng
Expertise in Industry (Manufacturing, Construction, Multimedia)	5	100%	Hironobu Tsurumi 、Akio Tamehiro 、Kuo, Yi-Lung 、Yan, Jun-De 、Huang, Xiang-Min 、Liu, Cheng Ho

- (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 2nd 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 23, 2024

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	55,320	0.32%	—	—	—	—	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 EFD Corporation	None	None	None	None
Assistant General Manager	R.O.C.	Sung, Jin-Cheng	Male	Jan. 10, 2019	19,000	0.11%	—	—	—	—	Lunghwa University of Science and Technology, Department of Business Administration	1. Director of EFD Corporation	None	None	None	None
Assistant General Manager	R.O.C.	Hsu, Hui-Ju	Female	Jan. 10, 2019	136,000	0.80%	—	—	—	—	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 EFD Corporation	None	None	None	None
Director of the Kaohsiung Sales Department	R.O.C.	Tsai, Tsung-Chieh	Male	Jan. 1, 2022	23,000	0.13%	—	—	—	—	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	4,000	0.02%	—	—	—	—	M.A. in Economics at Fu-Jen Catholic University Auditing Manager at Timewell Technology (Taiwan) Co., Ltd.) Underwriting Manager at Fuhwa Securities Finance	1. Supervisor of EFD Corporation	None	None	None	None

Note 1: Specify experience and qualifications related to the current position. If during a period specified above, the person has served in a position at a CPA firm that serves as external auditor/attestor, specify the position held and the duties for which the person was responsible.: None.

Note 2: 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, 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 (2023) 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 employees				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)		Remuneration (A+B+C+D) to Net Income (%)	Salary, Bonuses and Allowances (E)	Employee Compensation (G)		Companies in the consolidated financial report		The Company
			The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Cash			Stock				
Chairman	Hironobu Tsurumi	-	-	-	-	-	-	-	-	-	-	-	-	-	
Director Representative	Hideyuki Aoki	-	-	-	-	-	-	-	-	-	-	-	-	-	
Director	Akio Tamehiro	350	-	486	486	-	-	836 0.42%	-	-	-	-	836 0.42%	836 0.42%	
Director	Kuo, Yi-Lung	420	-	486	486	-	-	906 0.46%	12,421	-	720	-	14,047 7.07%	-	
Director	Hsu, Hui-Ju	420	-	486	486	-	-	906 0.46%	3,347	-	480	-	4,733 2.38%	-	
Director	Liu Cheng He	350	-	486	486	-	-	836 0.42%	-	-	-	-	836 0.42%	-	
Director	Huang Xiang Min	350	-	486	486	-	-	836 0.42%	-	-	-	-	836 0.42%	-	
Independent Director	Yan Jun-De	510	-	486	486	-	-	996 0.5%	-	-	-	-	996 0.5%	-	
Independent Director	Lin Hui-Fen	510	-	486	486	-	-	996 0.5%	-	-	-	-	996 0.5%	-	
Independent Director	Hsieh Kun-Feng	510	-	486	486	-	-	996 0.5%	-	-	-	-	996 0.5%	-	
1. The payment policy, system, standard and structure of remuneration for independent directors should be explained, and the connection between the amount of payment and obligation, risk, and devoted time for taking the position should be specified: the remuneration for independent directors is allocated according to the guidelines for allocating remuneration to directors and members of functional committees; the allocated amount is determined by the devotion of each director and independent director for the Company's operation while the general payment standard among domestic companies of the industry is also considered.															
2. Except the sheet disclosed above, the remuneration for all the directors who served for all the companies within the consolidated financial statement (such as 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 2023.

Note 2: The Severance Pay set for directors who are also employees at the Company is set at NT\$ 285 Thousand.

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

2. 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				
							Cash	Stock			Cash	Stock		
General Manager	Kuo, Yi-Lung	2,089	2,089	-	-	10,332	10,332	720	-	720	-	13,141 6.61%	13,141 6.61%	None
Assistant General Manager	Sung, Jin-Cheng	1,336	1,336	-	-	3,951	3,951	330	-	330	-	5,617 2.83%	5,617 2.83%	None
Assistant General Manager	Hsu, Hui-lu	1,336	1,336	-	-	2,011	2,011	480	-	480	-	3,827 1.93%	3,827 1.93%	None

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

3. Remuneration of the top five highest-paid executives of listed and OTC companies

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				
							Cash	Stock			Cash	Stock		
General Manager	Kuo, Yi-Lung	2,089	2,089	-	-	10,332	10,332	720	-	720	-	13,141 6.61%	13,141 6.61%	None
Assistant General Manager	Sung, Jin-Cheng	1,336	1,336	-	-	3,951	3,951	330	-	330	-	5,617 2.83%	5,617 2.83%	None
Director	Tsai, Tsung-Chieh	1,105	1,105	-	-	3,163	3,163	230	-	230	-	4,498 2.26%	4,498 2.26%	None
Assistant General Manager	Hsu, Hui-Ju	1,336	1,336	-	-	2,011	2,011	480	-	480	-	3,827 1.93%	3,827 1.93%	None
Director	Chen, Chi-Shou	1,157	1,157	-	-	2,396	2,396	210	-	210	-	3,763 1.89%	3,763 1.89%	None

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

4. Employees Profit Sharing Granted to The Management Team

December 31, 2023 Unit: NT\$1000

	Title	Name	Stock	Cash	Total	Rate of total amount to pure profits after tax (%)
Manager	General Manager	Kuo, Yi-Lung	—	2,290	2,290	1.15%
	Assistant General Manager	Sung, Jin-Cheng				
	Assistant General Manager	Hsu, Hui-Ju				
	Director of Kaohsiung Sales Department	Tsai, Tsung-Chieh				
	Director of Marketing Integration Development Department	Kao, Yueh-Yun				
	Director of Construction and Innovation Integration Center	Chen, Chi-Shou				
	Director of Marketing Promotion Department	Tsai, Chun-Chu				
	Director of General Administration Division	Lin, Chih-Ming				
	Manager of the Accounting Department (Note)	Fu, Kai-Li				

(Note): The manager of the accounting department resigned on February 29, 2024.

(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 2023				Year 2022			
	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	24,278	24,278	12.2%	12.2%	22,208	22,208	12.2%	12.2%
General Manager	22,585	22,585	11.37%	11.37%	21,813	21,813	11.98%	11.98%

The remuneration for the Corporation's directors, general manager and assistant general manager slightly increased in 2023; however, due to rising operation performance in 2023, 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. Subject to the weight ratio system, adopted in the remuneration distribution of Directors, stipulated in the "Regulations for Payment of Remuneration of Directors and Functional Committee Members", different weights will be given according to duties and attendance rate for calculation of the distributable number, and establishment of the compensation of Directors refers to the standards in the same industry.

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. To conclude the preceding evaluation items, the remuneration of Directors increases by 9.32% compared with last year, mainly due to growth of the company's annual pre-tax net profit and better performance of operation.

- (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 "Regulations for Distribution of Employees' Compensation" is based on employee's years of service, annual period of employment, assessment scores, and annual performance growth factors, from which the base number will be calculated; then the proportion of total base number will be approved as a reference benchmark for distribution.

- (4) Procedure for establishment of remuneration:

The remuneration of the Company's Directors and employees is established in compliance with the employee's performance, the "Regulations for Payment of Remuneration of Directors and Functional Committee Members", and the "Regulations for Distribution of Employees' Compensation", in combination with the company's operation performance; it shall be submitted to the Board of Directors meeting for approval. The relevant performance assessment and remuneration reasonableness of the Company's Directors and managers are both regularly evaluated and assessed by the Remuneration Committee and the Board of Directors each year. In addition to personal performance achievement and contribution to the company, the Company will take into consideration the company's overall operation performance, future industry risks, and development trends; besides, aiming at the company's sustainable management and risk control, the Company will review the remuneration system at all times, depending on actual operation conditions and related acts and regulations, in order to give reasonable compensation. The actually-distributed amount of remuneration of Directors and managers in 2022 has been discussed by the Remuneration Committee and then determined by the Board of Directors meeting.

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

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

7 (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 6, 2024); 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: Hironobu Tsurumi	7	0	100.00%	
Juridical Person Director	Otsuka Corp. Representative Hideyuki Aoki	7	0	100.00%	
Director	Akio Tamehiro	7	0	100.00%	
Director	Kuo, Yi-Lung	7	0	100.00%	
Director	Hsu, Hui-Ju	7	0	100.00%	
Director	Huang Xian-Min	7	0	100.00%	
Director	Liu, Cheng Ho	7	0	100.00%	
Independent Director	Yen Jun De	7	0	100.00%	
Independent Director	Lin Hue Fen	7	0	100.00%	
Independent Director	Hsieh, Kun-Feng	7	0	100.00%	

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 5 of 10 th Board March 20, 2023	1. Review the plan for allocation of remuneration for the Company's employees 2. Review the plan for allocation and distribution of remuneration for the Company's directors. 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. 4. Adopt the Company's 2022 business report, individual financial report, and consolidated financial report. 5. Distribute earnings of the 2022. 6. Due to the internal organization adjustment of accounting firm in the first quarter of 2023, the Company replaced its CPAs accordingly. 7. Regular evaluation on independence of the Company's certified accountants 8. Establish the Company's "General Principles of the Pre-approval of Non-assurance Services Policy". 9. Establish "Statements about internal control system" based on the internal control self-inspection in 2022. 10. Expand the Company's "Guidelines for management". 11. Plan relevant affairs of convening the Company's 2023 Regular Meeting of Shareholders.	The related proposals are all approved by all independent Directors.
Meeting 6 of 10 th Board May 8, 2023	1. Adopt the Company's consolidated financial report and auditors' review report on quarter 1 of 2023. 2. Revise the earnings distribution in 2022. 3. Appointment of corporate governance officer. 4. Reset the convening venue of the regular shareholders meeting of the Company in 2023	
Meeting 7 of 10 th Board August 7, 2023	1. Review the 2023 summer assessments on managers 2. Review the plan for distribution of 2023 mid-term performance bonuses. 3. Review the plan to distribute remunerations for the Company's employees in 2022. 4. Establish the Corporation's "Rules Governing Reemployment Fund of Retired Employees and Directors", and the "Articles of Association of the "Committee of Reemployment Fund of Retired Employees and Directors" 5. Adopt the Company's consolidated financial report of 2023 Q2 and the draft of the CPA's review report. 6. Handle business restoration of the subsidiary, UnLink Innovation Information Technology Corporation (hereinafter referred to as UnLink Innovation). 7. Acquisition of the assets of the subsidiary, UnLink Innovation Information Technology Corporation (hereinafter referred to as UnLink Innovation). 8. Propose to offer the fund loan limit of the subsidiary, UnLink Innovation Information Technology Corporation (hereinafter referred to as UnLink Innovation), in response to its needs for operational fund.	
Meeting 8 of 10 th Board November 6, 2023	1. Adopt the Company's consolidated financial report of 2023 Q3 and the draft of the CPA's review report. 2. Approve execution of the lease contract (right of use assets) between the Corporation and the subsidiary, EFD Corporation.	
Meeting 9 of 10 th Board December 15, 2023	1. Plan to review on the policy, system, standard and structure of remunerations for the Company's directors. 2. Review the items of remunerations for the Company's managers to be launched in 2024. 3. Review the 2023 annual assessment on managers. 4. Review the distribution of the 2023 year-end bonus for managers. 5. The Company's 2024 annual budget for operation 6. The Company's 2023 annual audit fee for certification of accountants. 7. The Company's Audit Plan in 2024. 8. Expand the Company's "Guidelines for distribution of responsibilities".	
Meeting 10 of 10 th Board March 11, 2024	1. Review the plan for allocation of remuneration for the Company's employees. 2. Review the plan for allocation and distribution of remuneration for the Company's directors. 3. Change of accounting director. 4. Adopt the Company's 2023 business report, individual financial report, and consolidated financial report. 5. Distribute earnings of the 2023. 6. Regular evaluation on independence of the Company's certified accountants. 7. Establish "Statements about internal control system" based on the internal control self-inspection in 2023. 8. Expand the Company's "The internal control system" and "Guidelines for management". 9. Establish the Company's "Procedures for Ethical Management and Guidelines for Conduct". 10. Plan relevant affairs of convening the Company's 2024 Regular Meeting of Shareholders.	
Meeting 11 of 10 th Board May 6, 2024	1. Revise the Corporation's "Rules Governing Distribution of Employee Compensation". 2. Adopt the Company's consolidated financial report and auditors' review report on quarter 1 of 2024. 3. Expand the Company's "The internal control system". 4. Revise the earnings distribution in 2023.	

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

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

(1) Meeting 7 of 10th Board August 7, 2023:

During the review of the 2023 summer evaluation of managers, the 2023 employee compensation plan, the 2023 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 9 of 10th Board December 15, 2023:

The 2023 annual assessment on managers and the distribution of the 2023 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, 2023 to December 31, 2023	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: 97.4 Weighted score of performance evaluation of members of the Board of Directors: 95.4	
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	

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 page 36 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 pages 23-25 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, 2023 to December 31, 2023	Individual members of the Audit Committee	Adopt the self-evaluation of the committee members	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.
			Weighted score of performance evaluation of members of the Board of Directors: 98.33	
Once every year	January 1, 2023 to December 31, 2023	Individual members of the Remuneration Committee	Adopt the self-evaluation of the committee members	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.
			Weighted score of performance evaluation of members of the Board of Directors: 98.33	

(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 on 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 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.	Relevant proposals have been accepted by all attending committeemen with consensus	Not applicable
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. Amend the Company's management regulations.		
Meeting 6 of the 2nd Audit Committee 2023.08.04	1. Adopt the Company's consolidated financial report and the draft of the accountant's review report on quarter 2 of 2023. 2. Handle business restoration of the subsidiary, UnLink Innovation Information Technology Corporation (hereinafter referred to as UnLink Innovation). 3. Acquisition of the assets of the subsidiary, UnLink Innovation Information Technology Corporation (hereinafter referred to as UnLink Innovation). 4. Propose to offer the fund loan limit of the subsidiary, UnLink Innovation Information Technology Corporation (hereinafter referred to as UnLink Innovation), in response to its needs for operational fund.		
Meeting 7 of the 2nd Audit Committee 2023.11.03	1. Adopt the Company's consolidated financial report of 2023 Q3 and the draft of the CPA's review report. 2. Approve execution of the lease contract (right of use assets) between the Corporation and the subsidiary, EFD Corporation.		
Meeting 8 of the 2nd Audit Committee 2023.12.14	1. The Company's 2023 annual audit fee for certification of accountants. 2. The Company's Audit Plan in 2024. 3. Expand the Company's "Guidelines for distribution of responsibilities".		
Meeting 9 of the 2nd Audit Committee 2024.03.08	1. Change of accounting director. 2. Adopt the Company's 2023 business report, individual financial report, and consolidated financial report. 3. Distribute earnings of the 2023. 4. Regular evaluation on independence of the Company's certified accountants. 5. Establish "Statements about internal control system" based on the internal control self-inspection in 2023. 6. Expand the Company's "The internal control system" and "Guidelines for management". 7. Establish the Company's "Procedures for Ethical Management and Guidelines for Conduct".		
Meeting 10 of the 2nd Audit Committee 2024.05.03	1. Adopt the Company's consolidated financial report of 2024 Q1 and the draft of the CPA's review report. 2. Expand the Company's "The internal control system".		

(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.	Follows the "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
(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.	Follows the "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
(4) Does the company establish	V		(4) The company has established "Procedures for Handling	Follows the "the Corporate

Items	Implementation Status			Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Its Reasons
	Yes	No	Description	
internal rules against insides trading with undisclosed information?			Material Inside Information” and “Codes of Ethical Conduct” to avoid insider trading from happening.	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 operational method and requirements for future development	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	
			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. Hironobu Tsurumi, 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- Zone of the corporate governance.
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V	(2) The Company has established the Remuneration Committee and Audit Committee according to relevant laws to strengthen the corporate governance system.	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	(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	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										
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? (4) Does the company regularly evaluate the independence of CPAs?	V		according to the regulations. The 2023 performance assessment has been reported to the Board of Directors on March, 11, 2024, with no major incidents recorded on the report as a result. (4) In accordance with the “Audit Quality Indicators (AQIs) Disclosure Framework”, released by the Financial Supervisory Commission”, the Company’s Board of Directors evaluate the independence and suitability of the CPA. 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 and and explanations on the Audit Quality Indicators (AQIs). Both evaluation results for the past two years have passed the Board of Directors’ review separately on March 20, 2023 and March 11, 2024. <table><tr><th>Evaluation Items</th><th>Result</th><th>Independence</th></tr><tr><td>Does the CPA conduct certification for over 7 years?</td><td>NO</td><td>YES</td></tr><tr><td>Does the CPA have the kinship with the Company’s directors, managers or persons</td><td>NO</td><td>YES</td></tr></table>	Evaluation Items	Result	Independence	Does the CPA conduct certification for over 7 years?	NO	YES	Does the CPA have the kinship with the Company’s directors, managers or persons	NO	YES	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”
Evaluation Items	Result	Independence											
Does the CPA conduct certification for over 7 years?	NO	YES											
Does the CPA have the kinship with the Company’s directors, managers or persons	NO	YES											

Items	Implementation Status				Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Its Reasons
	Yes	No	Description		
			who have a significant impact on the audit cases?		
			Does the CPA in the last two years have held positions of directors, managers or any positions which make significant influence on the audit work in the Company?	NO	YES
			Is the insider trading act prohibited in the investment declaration of the CPA and his/her audit team members?	YES	YES
4. As a TWSE/TPEX listed company, does the Company appoint appropriate number of staff and designate a director for corporate governance (concurrent) the concerned affairs (including but not limited to offering necessary 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)?	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 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.		
			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	
5. Does the Company establish communication channels and dedicate a section for stakeholders (including but not limited to the shareholders, employees, clients and suppliers) on its website to respond to important issues of corporate social responsibility concerns?	V		The Company had disclosed the spokesperson and acting spokesperson's contact information and emails for the investors, supervisors, employees on the Company's website. In addition to that, the Company also established a communication channel for stakeholders to discuss related matters, in order maintain a healthy communication with our stakeholders.	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company authorized SinoPac Securities as our shareholder services agent to conduct shareholder affairs.	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
7. Disclosure of Information (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (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)?	V V		(1) The Company has set up a website to disclose the business and financial information along with information on corporate governance. (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.	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” 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	
(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?		V	(3) The Company reveals relevant financial information following the schedule specified in relevant laws and makes no plan for disclosure in advance.	The plan for disclosure in advance depends on the company policy in the future
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, investor relations, wellness, investor relations, stakeholder, directors and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		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. 2. Relationship with the Investors: The Company values our social responsibility in the society. Not only do we aim to maintain the operations of the company, at the same time maximize the profits of our shareholders, we would also pay attention the rights and interests of our investors, as well as our social responsibility as a company, the environment of our community, and the balance of the securities exchange market order. 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.	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
			Description	
	Yes	No		
			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. 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 pages 49-50 of this report regarding to the status for their furthered education. 6.Implementation of risk management policy and risk measurement standards: The Company has established a “Risk Management Policy” as set according to the governance of the Company. Internal audit officers will plan and execute the year’s auditing plans according to the results of the risk evaluation, in order to ensure the implementation of the supervising policy and risk management. 7.Implementation of customer policies: The Company has appointed a specific person to deal with customer complaints. 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	

Items	Implementation Status		Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Its Reasons
	Yes	No	
			the execution of business for our directors in order to protect the interests of our investors.
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): (1) Improvement: The Company has updated on its official Website such information as the “Diversification of Individual Director’s Background”, and the “Evaluation of CPAs’ Independence and Suitability in Accordance with the “Audit Quality Indicators (AQIs) Disclosure Framework”; disclosed on this annual report the “Diversification of Individual Director’s Background” (refer to Page 15 of this Annual Report.), the “Evaluation of CPAs’ Independence and Suitability in Accordance with the “Audit Quality Indicators (AQIs) Disclosure Framework” (refer to Pages 29 - 30 of this Annual Report.), the “Concrete Management Programs of Human Rights Protection” (refer to Pages 38 - 40 of this Annual Report, and the “Implementation Status of Ethical Management Policy” (refer to Pages 45 - 47 of this Annual Report.), etc. (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”.			

(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

Status Type (Note 1)	Criteria	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
	Name			
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 Pages 13 - 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 2nd 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 2nd 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 5 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	5	0	100.00%	
Committee Member	Lin, Hui-Fen	5	0	100.00%	
Committee Member	Hsieh, Kun-Feng	5	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 3 of the 5 th 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.	Relevant proposals gave been accepted by all independent directors with consensus	Not applicable
Meeting 4 of the 5 th 2023.08.04	1. Review the 2023 summer assessment on managers. 2. Review the 2023 mid-term performance bonus plan. 3. Review the plan for distribution of 2022 remuneration for employees. 4. Establish the Corporation's "Rules Governing Reemployment Fund of Retired Employees and Directors", and the "Articles of Association of the "Committee of Reemployment Fund of Retired Employees and Directors"		
Meeting 5 of the 5 th 2023.12.14	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 2024. 3. Review the 2023 annual assessment on management. 4. Review the plan of distribution of 2023 annual bonus. 5. Discuss the work plan of the Company's Remuneration Committee in 2024.		
Meeting 6 of the 5 th 2024.03.08	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.		
Meeting 7 of the 5 th 2024.05.03	1. Revise the Corporation's "Rules Governing Distribution of Employee Compensation".		

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; those companies which meet specific requirements shall disclose climate-related information:

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.

Items	Implementation State (Note 1)			Deviation from the “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
3. Issues of Sustainable Development Environment (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 and use the recycled materials which make the low impact on the load of environment? (3) Does the Company evaluate the potential risks and opportunity that climate change may bring on the corporate while taking responsive measures to relevant issues? (4) Does the company estimate the greenhouse emission, water consumption, and the aggregate weight of waste materials over the past two years as well as establish company strategies for energy conservations, carbon reduction, and management policies for reducing other waste materials?	V V V	V	(1) As a corporate of information software industry, the Company does not produce any waste that is hazardous for human body. (2) The Company implements classification of waste, promotes measures for conserving electricity and water, and encourages employees to carry their own reusable utensils so as to improve the efficiency of applying various resources. (3) The Company encourages our employees to take mass transportation systems when going out on business runs, as well as saving energy by setting a reasonable temperature for the air conditioning system and shutting off the lights and computers during lunch break and after work. (4) 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.	Follows the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies Follows the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies Follows the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies The Company belongs to the software service sector. To be eco-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...
4. Social responsibility issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(1) The Company established our human resources policies by providing an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force. In order to enforce corporate social responsibility, the basic human rights of all our employees and	Follows 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							
			stakeholders, we follow the policies of “The Universal Declaration of Human Rights”, “The UN Business & Human Rights Guiding Principles”, “The UN Global Compact” and the guidelines of the International Labor Organization, and actively enforces works to protect human rights. The Company also forbids any form of sexual harassments, discriminations, threats of violence. The Company ensures there is no inequality in our hiring policy, no child laborer, and includes minorities and physically/mentally challenged employees. We establish a fair and reasonable remuneration policy. The Company also encourages our employees to form and join clubs. We offer a safe and healthy working environment that ensures the human rights of our employees, and follows the local labor regulations at where we operate our business. Summary of specific management plans: <table><tr><td>Human Rights Management Policy</td><td>Concrete Program</td></tr><tr><td>Provide the safe and healthy working environment, and assist employees in maintenance of physical and mental health, and balance between work and living.</td><td>Regularly conduct fire equipment tests in keeping with the office building, and assign personnel to attend fire safety related educational training; reduce dangerous factors of the working environment in order to prevent employees from occurrence of occupational disasters; One hour of break at noon will be given to colleagues for them to have sufficient lunch break. For details, please see related explanations in “Labor Relations – Working Environment and Safe Protection Measures” on page 79.</td></tr><tr><td>Provide the friendly workplace</td><td>1. Establish the “Regulations for Establishing Measures on Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace “ in order to maintain gender equality in employment, and to provide employees and subjects served with a working and service</td></tr></table>	Human Rights Management Policy	Concrete Program	Provide the safe and healthy working environment, and assist employees in maintenance of physical and mental health, and balance between work and living.	Regularly conduct fire equipment tests in keeping with the office building, and assign personnel to attend fire safety related educational training; reduce dangerous factors of the working environment in order to prevent employees from occurrence of occupational disasters; One hour of break at noon will be given to colleagues for them to have sufficient lunch break. For details, please see related explanations in “Labor Relations – Working Environment and Safe Protection Measures” on page 79.	Provide the friendly workplace	1. Establish the “Regulations for Establishing Measures on Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace “ in order to maintain gender equality in employment, and to provide employees and subjects served with a working and service	
Human Rights Management Policy	Concrete Program									
Provide the safe and healthy working environment, and assist employees in maintenance of physical and mental health, and balance between work and living.	Regularly conduct fire equipment tests in keeping with the office building, and assign personnel to attend fire safety related educational training; reduce dangerous factors of the working environment in order to prevent employees from occurrence of occupational disasters; One hour of break at noon will be given to colleagues for them to have sufficient lunch break. For details, please see related explanations in “Labor Relations – Working Environment and Safe Protection Measures” on page 79.									
Provide the friendly workplace	1. Establish the “Regulations for Establishing Measures on Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace “ in order to maintain gender equality in employment, and to provide employees and subjects served with a working and service									

Items	Implementation State (Note 1)			Deviation from the “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
			environment free from sexual harassment. 2. Tolerate and respect each employee's different background, such as nationality, race, religious belief, gender, age and culture, etc.; create a multiple and fair workplace. Prohibit to hire child labor It is expressly stipulated in the Corporation's “Personnel Management Rules” that those who are under 16 shall not be employed; as of March 2024, the total number of employees in the Group was 195, in which no child labor was involved.	
(2) Does the Company establish and implement reasonable employee compensation policy (including remuneration, leave policy, and other welfare) and adjust remuneration in accordance with the operational performance or result?	V		(2) The Company has established “Guidelines for Human Resource Management” and “Principles for distributing bonuses.” The performance review is conducted periodically, and employee remuneration would be adjusted according to the operational performance and outcome.	Follows the Development 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 and fire	Follows the Development 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	
(4) Does the company provide its employees with career development and training sessions?	V		incident this year. (4) Through the orientation training courses, the new employees are able to understand the Company's positioning in the industry and the general future development of the company. The Company also offers professional internal training courses from time to time for our employees to learn some new professional skills, and improve their sales or development abilities. Furthermore, all training courses will be arranged accordingly to better fit the requirements of each department. Not only did the Company set up a center that is dedicated specifically for employee training courses, we also have an 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 knowledges. The need, in order to expand their professional knowledges. 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.	Follows the Development Principles for TWSE/TPEX Listed Companies
(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?	V		(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.	Follows the Development Principles for TWSE/TPEX Listed Companies
(6) Does the Company establish proper supplier management policies and require that suppliers should observe regulations concerning issues of environmental protection, workplace safety and hygiene, or laborers' rights, and monitor the implementation?		V	(6) The Company has not placed specific requirements in the agreement signed with the suppliers.	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.

Items	Implementation State (Note 1)			Deviation from the “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
5. 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 will compile the sustainability report in 2024 in accordance with the Regulations Governing Preparation and Reporting of Sustainability Report for TPEX Listed Companies.	The Company may consider whether to compile ESG report depending on the needs of business operation.
6. 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.				
7. 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. As follows is the information on the social welfare activities, hosted or co-organized by the Company for the latest year and as of the printing date of the Annual Report:				
	Name of Activity	Date of Activity	Objective of Activity	Remarks
Basketball Game of Pin Mao Primary School	April 25, 2023 May 4, 2023	Otsuka provided fund to the Girls’ Basketball Team of Pin Mao Primary School for a long term, hoping to assist children of remote areas with realizing their dreams.	Unit Funded: Girls’ Basketball Team of Pin Mao Primary School	
Passing Love with Joint Benefits Non-toxic Cultivation Program	June 17, 2023 August 2, 2023	In the 26 th -anniversary social welfare activities, Otsuka teamed up with Home-awating Baby to host a series of social welfare activities to help the children of orphanages. We adopted land to participate in the rice-growing process from transplanting seedlings, fertilization, to harvest, from which we experienced in person farmers’ hard work, and we provided children of orphanages with food ingredients without poison during cultivation. All harvested rice was donated to the orphanages in order for them to enjoy fresh and healthful food.	Partner: Home-awating Baby	
Passing Love with Joint Benefits Full Felicity and Step30	July 14, 2023	A lot of children in south of the Sahara Desert, Africa cannot live beyond the age of five, and over million school children do not have shoes to wear; they go to school by walk for average 60 – 90 minutes every day. Children without shoes almost develop the	Partner: Step30	

Items	Implementation State (Note 1)		Deviation from the “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
		disease of “sand fleas”; the little sand fleas corrode their feet, and also isolate their dreams. To gather the second-hand resources that everybody offers can become the protective umbrella of African children in their road of growth.	
Otsuka & Kingsteel Joint Name x Social Welfare Educational Program	January 26, 2024	In order to help the underprivileged people keep abreast of, and familiarize themselves with the new-generation technology devices and techniques, Kingsteel and Otsuka collaborated to host the “Joint Name x Social Welfare Educational Program” to bring in person the technology reality experience opportunities to each orphanage for the children to experience and learn as possible as they could, and to have an in-depth exploration of unlimited possibility of the future technology.	Partner: KINGSTEEL Machinery Co., Ltd.

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.

1. Those companies which meet specific requirements shall disclose climate-related information: Climate-related Information of TWSE/TPEX Listed Companies:

Implementation Status of Climate-related Information	
Item	Implementation Status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	The Corporation has not completed establishment of the risks-related oversight and governance mechanism; we will evaluate establishment of the sustainable development team in order to identify and respond to climate-related risks and opportunities.
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	As of the printing date of the Annual Report, the Corporation has not completed identification of climate-related risks and opportunities; the related contents will be disclosed on the Corporation's official website upon completion.
3. Describe the financial impact of extreme weather events and transformative actions.	As of the printing date of the Annual Report, the Corporation has not completed evaluation of the financial impact of extreme weather events and transformative actions, which will be disclosed on the Corporation's official website upon completion in the future.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	As of the printing date of the Annual Report, the Corporation has not completed climate risk identification, assessment, and management processes, which will be disclosed on the Corporation's official website upon completion in the future.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	As of the printing date of the Annual Report, the Corporation has not used scenario analysis to assess resilience to climate change risks, so it is not applicable.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	As of the printing date of the Annual Report, the Corporation has not completed a transition plan for managing climate-related risks, which will be disclosed on the Corporation's official website upon completion in the future.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	As of the printing date of the Annual Report, the Corporation has not used internal carbon pricing as a planning tool, so it is not applicable.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	As of the printing date of the Annual Report, the Corporation has not used internal carbon pricing as a planning tool, so it is not applicable.
9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan (separately fill out in points 1-1 and 1-2 below).	As of the printing date of the Annual Report, the Corporation has not used internal carbon pricing as a planning tool, so it is not applicable.

(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	
1. Establishment of ethical corporate management policies and programs (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?	V		Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(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?	V		Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(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?	V		Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
2. Fulfill operations integrity policy (1) Does the company evaluate business partners’ ethical records and include ethics-related clause in business contracts?	V		Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(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?	V		Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”

Items	Implementation Status			Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
			Description	
	Yes	No		
			basis, the statement of compliance of the ethical management policy; at the end of 2023, nine persons signed the statement, accounting for 26% among the employees of the managerial ranking or higher. The implementation conditions of the latest ethical management-related task had been reported to the Board meeting on March 11, 2024. 1. Related implementation status of the Company’s fulfillment of the ethical corporate management policy in 2023 was as follows: (1) Compliance and publicity of laws and regulations: The legal personnel would publicize, on an irregular basis, the regulations of ethical corporate management policy. (2) The article of integrity commitment was stipulated in the suppliers’ and sale contracts. (3) Whistleblowing system and whistleblower’s Protection: In the corporate governance best-practice principles, the ethical corporate management principles, and the grievance procedure, the concrete whistleblowing system was stipulated in order to actively prevent unethical behaviors, and the personnel and administration department was appointed to be the dedicated unit in charge of accepting whistleblowing cases. Our official website has set up the stakeholder service window to provide employees, shareholders, and outsiders with an effective communication channel, and the whistleblower’s protection system was also established. In 2023, there were no whistleblowing cases accepted.	Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”.

Items	Implementation Status		Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
(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		Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies”.
	V		Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies”.
	V		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		Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies”
	V		Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies”
	V		Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies”
4. Strengthening information disclosure: Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	V		Follows the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies”

Items	Implementation Status		Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
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.			
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 2023:

Title	Name	Date	Organizing Unit	Course Title	Hours Spent on the Course
Director	Hironobu Tsurumi	June 19, 2023	Taiwan Corporate Governance Association	Legal Due Diligence Investigation of Business Merger and Introduction to Business Contracts	3
		August 07, 2023	Taiwan Corporate Governance Association	Competition of Management Rights and Case Analysis	3
Director	Hideyuki Aoki	June 19, 2023	Taiwan Corporate Governance Association	Legal Due Diligence Investigation of Business Merger and Introduction to Business Contracts	3
		August 07, 2023	Taiwan Corporate Governance Association	Competition of Management Rights and Case Analysis	3
Director	Akio Tamehiro	June 19, 2023	Taiwan Corporate Governance Association	Legal Due Diligence Investigation of Business Merger and Introduction to Business Contracts	3
		August 07, 2023	Taiwan Corporate Governance Association	Competition of Management Rights and Case Analysis	3
Director	Kuo, Yi-Lung	June 19, 2023	Taiwan Corporate Governance Association	Corporate Governance and Corporate Social Responsibility Development Trend and Best Practices	3
		August 07, 2023	Taiwan Corporate Governance Association	Legal Due Diligence Investigation of Business Merger and Introduction to Business Contracts	3
Director	Hsu, Hui-Ju	June 19, 2023	Taiwan Corporate Governance Association	Corporate Governance and Corporate Social Responsibility Development Trend and Best Practices	3
		August 07, 2023	Taiwan Corporate Governance Association	Legal Due Diligence Investigation of Business Merger and Introduction to Business Contracts	3
Independent Directors	Yan, Jun-De	June 19, 2023	Taiwan Corporate Governance Association	Corporate Governance and Corporate Social Responsibility Development Trend and Best Practices	3
		August 07, 2023	Taiwan Corporate Governance Association	Legal Due Diligence Investigation of Business Merger and Introduction to Business Contracts	3

Title	Name	Date	Organizing Unit	Course Title	Hours Spent on the Course
Independent Directors	Lin, Hui-Fen	June 19, 2023	Taiwan Corporate Governance Association	Corporate Governance and Corporate Social Responsibility Development Trend and Best Practices	3
		August 07, 2023	Taiwan Corporate Governance Association	Legal Due Diligence Investigation of Business Merger and Introduction to Business Contracts	3
Independent Directors	Hsieh, Kun-Feng	March 10, 2023	Taiwan Corporate Governance Association	The strange global economic situation in 2023	1
		June 19, 2023	Taiwan Corporate Governance Association	Corporate Governance and Corporate Social Responsibility Development Trend and Best Practices	3
		August 07, 2023	Taiwan Corporate Governance Association	Legal Due Diligence Investigation of Business Merger and Introduction to Business Contracts	3
		June 19, 2023	Taiwan Corporate Governance Association	Corporate Governance and Corporate Social Responsibility Development Trend and Best Practices	3
Director	Liu, Cheng Ho	August 07, 2023	Taiwan Corporate Governance Association	Corporate Governance and Corporate Social Responsibility Development Trend and Best Practices	3
		June 19, 2023	Taiwan Corporate Governance Association	Corporate Governance and Corporate Social Responsibility Development Trend and Best Practices	3
Director	Huang, Xiang-Min	August 07, 2023	Taiwan Corporate Governance Association	Legal Due Diligence Investigation of Business Merger and Introduction to Business Contracts	3
		June 19, 2023	Taiwan Corporate Governance Association	Corporate Governance and Corporate Social Responsibility Development Trend and Best Practices	3

2. Status of Managers in continuing their education in 2023:

Title	Name	Date	Organizing Unit	Couse Title	Hours Spent on the Course
Division Director	Lin, Chih-Ming	April 19, 2023	Accounting Research and Development Foundation	Latest laws of taxes on securities and financing; analysis on professional issues	1
		April 19, 2023	Accounting Research and Development Foundation	Seminar on Latest Annual Profit-seeking Business Tax Return Practices	3
		May 17, 2023	Accounting Research and Development Foundation	Latest laws of taxes on securities and financing; analysis on professional issues	1
		May 17, 2023	Accounting Research and Development Foundation	How to effectively display functions of chief corporate governance officer – Concurrent talk about legal responsibilities of managerial officers	3
		June 14, 2023	Accounting Research and Development Foundation	Latest laws of taxes on securities and financing; analysis on professional issues	1
		June 14, 2023	Accounting Research and Development Foundation	Practices of Business “ESG Sustainability”, and “Risk Management” Related Performance Evaluation	3
		June 19, 2023	Taiwan Corporate Governance Association	Corporate Governance and Corporate Social Responsibility Development Trend and Best Practices	3
		July 13, 2023	TWSE / TPEX	Promotional Meeting of Sustainable Development Action Plan of TWSE/TPEX Listed Companies	3
		August 07, 2023	Taiwan Corporate Governance Association	Legal Due Diligence Investigation of Business Merger and Introduction to Business Contracts	3
		August 16, 2023	Accounting Research and Development Foundation	Latest laws of taxes on securities and financing; analysis on professional issues	1
		August 16, 2023	Accounting Research and Development Foundation	Related Legal Responsibility of Company’s “Management Rights Competition” and Case Analysis	3
		September 13, 2023	Accounting Research and Development Foundation	Latest laws of taxes on securities and financing; analysis on professional issues	1
		September 13, 2023	Accounting Research and Development Foundation	Prevention and Solution of Withholding Disputes, Derived from “Multinational Trade”	3
		October 18, 2023	Accounting Research and Development Foundation	Latest laws of taxes on securities and financing; analysis on professional issues	1
		October 18, 2023	Accounting Research and Development Foundation	Whistleblower’s Legal Responsibility in Economic Crime and Financial Statements Scam Case Analysis	3

(IX) Internal Control System Execution Status

1. Statement of Internal Control System

Otsuka Information Technology Corp.
Statement of INTERNAL Control System

Date: March 11, 2024

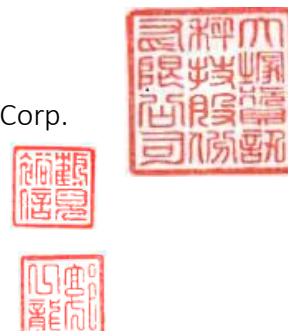
Based on the findings of a self-assessment, Otsuka Information Technology Corp. states the following with regard to its internal control system during the year 2023:

- (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, 2023, 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 11, 2024, and those 10 directors present all agree at the contents of this statement.

Otsuka Information Technology Corp.

Chairman: Hironobu Tsurumi

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 5 of 10 th Board March 20, 2023	1. Review the plan for allocation of remuneration for the Company's employees 2. Review the plan for allocation and distribution of remuneration for the Company's directors. 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. 4. Adopt the Company's 2022 business report, individual financial report, and consolidated financial report. 5. Distribute earnings of the 2022. 6. Due to the internal organization adjustment of accounting firm in the first quarter of 2023, the Company replaced its CPAs accordingly. 7. Regular evaluation on independence of the Company's certified accountants 8. Establish the Company's "General Principles of the Pre-approval of Non-assurance Services Policy". 9. Establish "Statements about internal control system" based on the internal control self-inspection in 2022. 10. Expand the Company's "Guidelines for management". 11. Plan relevant affairs of convening the Company's 2023 Regular Meeting of Shareholders.
Meeting 6 of 10 th Board May 8, 2023	1. Adopt the Company's consolidated financial report and auditors' review report on quarter 1 of 2023. 2. Revise the earnings distribution in 2022. 3. Appointment of corporate governance officer. 4. Reset the convening venue of the regular shareholders meeting of the Company in 2023
Meeting 7 of 10 th Board August 7, 2023	1. Review the 2023 summer assessments on managers 2. Review the plan for distribution of 2023 mid-term performance bonuses. 3. Review the plan to distribute remunerations for the Company's employees in 2022. 4. Establish the Corporation's "Rules Governing Reemployment Fund of Retired Employees and Directors", and the "Articles of Association of the "Committee of Reemployment Fund of Retired Employees and Directors" 5. Adopt the Company's consolidated financial report of 2023 Q2 and the draft of the CPA's review report. 6. Handle business restoration of the subsidiary, UnLink Innovation Information Technology Corporation (hereinafter referred to as UnLink Innovation). 7. Acquisition of the assets of the subsidiary, UnLink Innovation Information Technology Corporation (hereinafter referred to as UnLink Innovation). 8. Propose to offer the fund loan limit of the subsidiary, UnLink Innovation Information Technology Corporation (hereinafter referred to as UnLink Innovation), in response to its needs for operational fund.
Meeting 8 of 10 th Board November 6, 2023	1. Adopt the Company's consolidated financial report of 2023 Q3 and the draft of the CPA's review report. 2. Approve execution of the lease contract (right of use assets) between the Corporation and the subsidiary, EFD Corporation.
Meeting 9 of 10 th Board December 15, 2023	1. Plan to review on the policy, system, standard and structure of remunerations for the Company's directors. 2. Review the items of remunerations for the Company's managers to be launched in 2024. 3. Review the 2023 annual assessment on managers. 4. Review the distribution of the 2023 year-end bonus for managers. 5. The Company's 2024 annual budget for operation 6. The Company's 2023 annual audit fee for certification of accountants. 7. The Company's Audit Plan in 2024. 8. Expand the Company's "Guidelines for distribution of responsibilities".
Meeting 10 of 10 th Board March 11, 2024	1. Review the plan for allocation of remuneration for the Company's employees 2. Review the plan for allocation and distribution of remuneration for the Company's directors. 3. Change of accounting director. 4. Adopt the Company's 2023 business report, individual financial report, and consolidated financial report. 5. Distribute earnings of the 2023. 6. Regular evaluation on independence of the Company's certified accountants 7. Establish "Statements about internal control system" based on the internal control self-inspection in 2023. 8. Expand the Company's "The internal control system" and "Guidelines for management". 9. Establish the Company's "Procedures for Ethical Management and Guidelines for Conduct". 10. Plan relevant affairs of convening the Company's 2024 Regular Meeting of Shareholders.
Meeting 11 of 10 th Board May 6, 2024	1. Revise the Corporation's "Rules Governing Distribution of Employee Compensation". 2. Adopt the Company's consolidated financial report and auditors' review report on quarter 1 of 2024. 3. Expand the Company's "The internal control system". 4. Revise the earnings distribution in 2023.

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

Date	Resolution	Implementation Status
June 19, 2023	1. Business Report and Consolidated Financial Statements of the year 2022.	Financial Statements certified by CPA are disclosed on the Company's website and MOPS.
	2. The statement of surplus allocation for the year of 2022.	Cash dividend has been distributed on July 31, 2023.

(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
Accounting officer	Kai Li, Fu	August 06, 2018	February 29, 2024	Position adjustment

V. Information on CPA Fee

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

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	Effective Q1 of 2023, the CPAs were replaced due to internal adjustment of the accounting firm.
	Fu, Hung-Wen	2022				
	Fu, Hung-Wen	2023	2,715	420	3,135	
	Horng, Shyh-Gang	2023				

Note 1: Please specify the service contents of the non-audit fee (e.g. taxation certification, verification or other financial consultation service): Taxation certification.

Note 2: If the company changed its CPAs or accounting firm during the fiscal year, list the audit periods before and after the change separately, and specify the reason for the change in the "Remarks" column and disclose sequentially the audit and non-audit fees paid. For non-audit fee, additionally specify the content of the services.

(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 Reason	CPA	Appointor
	Decided to terminate the appointment	Not applicable	Not applicable
	Appointment/reappointment 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:

Name of CPA firm	KPMG TW
Name of CPA	CPA Fu, Hung-Wen and CPA Horng, Shyh-Gang
Date of appointment	March 20, 2023
Consultancy and result before appointment concerning the accounting practices or principles for specific transactions and the opinions possibly offered on financial statements	Not applicable
New CPA's written opinion on the matters on which the former CPA had different opinions	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	2023		Current Year to April 23	
		Shareholding Increase/Decrease	Pledged Shares Increase/Decrease	Shareholding Increase/Decrease	Pledges Shares Increase/Decrease
Juridical Person Director	Otsuka Corp.	-	—	—	—
Juridical Person Director Representative/Chairman	Hironobu Tsurumi	-	—	—	—
Juridical Person Director Representative	Hideyuki Aoki	-	—	—	—
Director	Akio Tamehiro	-	—	—	—
Director/General Manager	Kuo, Yi-Lung	35,320	—	—	—
Director/ Assistant General Manager	Hsu, Hui-Ju	6,000	—	(7,000)	—
Independent Director	Yan, Jun-De	—	—	—	—
Independent Director	Lin, Hui-Fen	—	—	—	—
Independent Director	Hsieh, Kun-Feng	—	—	—	—
Director	Huang, Xiang-Min	—	—	—	—
Director	Liu, Cheng-Ho	—	—	—	—
Assistant General Manager	Sung, Jin-Cheng	19,000	—	—	—
Director of Kaohsiung Sales Department	Tsai, Tsung-Chieh	23,000	—	—	—
Director of the Marketing Promotion Department	Kao, Yueh-Yun	17,860	—	(17,860)	—
Director of the Construction and Innovation Integration Center	Chen, Chi-Shou	—	—	—	—
Director of the Marketing Promotion Department	Tsai, Chun-Chu	—	—	—	—
Director of General Administration Division	Lin, Chih-Ming	10,000	—	(6,000)	—
Accounting Department Manager (Note)	Fu, Kai-Li	1,614	—	3,916	—

(Note): The manager of the accounting department resigned on February 29, 2024.

(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 23, 2024 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%	—	—	—	—	None	None	—
Representative of Otsuka Corp.: Otsuka Yuji	—	—	—	—	—	—	None	None	—
Liu, Bo-Wen	1,406,000	8.22%	—	—	—	—	None	None	—
The Otsuka Information Technology Corp. Employee Welfare Trust Account handled by Bank SinoPac	801,051	4.69%	—	—	—	—	None	None	—
Akio Tamehiro	610,050	3.57%	—	—	—	—	None	None	—
Tu, Hsui-Cheng	280,000	1.64%	—	—	—	—	None	None	—
Li, Qiu-Hua	274,000	1.60%	—	—	—	—	None	None	—
Kuo, Pao-Chang	246,000	1.44%	—	—	—	—	None	None	—
HSBC entrusted with Arcadian Emerging Markets Micro Capital Securities	229,000	1.34%	—	—	—	—	None	None	—
Chang, De-Ming	206,000	1.20%	—	—	—	—	None	None	—
Chen, Jia-Ling	146,000	0.85%	—	—	—	—	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, 2024 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%
EFD 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, 2024 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 23, 2024 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	—	—	21	2,205	14	2,240
Shareholding	—	—	1,161,349	9,009,107	6,926,544	17,097,000
Holding Percentage (%)	—	—	6.79%	52.70%	40.51%	100.00%

(III) Diffusion of Ownership

1. Common Stock

April 23, 2024

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

Class of Shareholding	Number of Shareholders	Shareholding	Percentage
1 ~ 999	673	71,240	0.42%
1,000 ~ 5,000	1,313	2,384,211	13.95%
5,001 ~ 10,000	142	1,097,993	6.42%
10,001 ~ 15,000	37	467,369	2.73%
15,001 ~ 20,000	17	307,354	1.80%
20,001 ~ 30,000	21	528,000	3.09%
30,001 ~ 40,000	9	304,648	1.78%
40,001 ~ 50,000	2	93,000	0.54%
50,001 ~ 100,000	14	903,184	5.28%
100,001 ~ 200,000	3	422,000	2.47%
200,001 ~ 400,000	5	1,235,000	7.22%
400,001 ~ 600,000	0	0	0.00%
600,001 ~ 800,000	1	610,050	3.57%
800,001 ~ 1,000,000	1	801,051	4.69%
Over 1,000,001	2	7,871,900	46.04%
Total	2,240	17,097,000	100.00%

2. Preferred Share: None

(IV) Major Shareholders

April 23, 2024 Unit: Share

SHARES	SHARES HELD	PERCENTAGE (%)
NAME OF MAJOR SHAREHOLDERS		
Otsuka Corp.	6,465,900	37.82%
Liu, Bo-Wen	1,406,000	8.22%
The Otsuka Information Technology Corp. Employee Welfare Trust Account handled by Bank SinoPac	801,051	4.69%
Akio Tamehiro	610,050	3.57%
Tu, Hsui-Cheng	280,000	1.64%
Li, Qiu-Hua	274,000	1.60%
Kuo, Pao-Chang	246,000	1.44%
HSBC entrusted with Arcadian Emerging Markets Micro Capital Securities	229,000	1.34%
Chang, De-Ming	206,000	1.20%
Chen, Jia-Ling	146,000	0.85%

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

Unit:NT\$

Item		Year	2022	2023	2024 (As of March 31 st)
Market Price Per Share (Note 1)	Highest		93.10	172.00	175.50
	Lowest		77.00	87.00	146.50
	Average		85.70	140.20	160.66
Net Worth Per Share (Note 2)	Before Distribution		49.29	53.33	—
	After Distribution		41.79	45.33	—
Earnings Per Share	Weighted average shares		17,097	17,097	17,097
	Earnings per share (Note 3)		10.65	11.62	3.06
Dividend Per Share	Cash Dividend		7.5	8.0	—
	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)		8.07	11.17	—
	Price-Dividend Ratio (Note 6)		11.47	16.22	—
	Cash Dividend Yield (Note 7)		8.72	6.16	—

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 2023 Distribution of Stock Dividends

2023 Surplus Earnings Distribution

Unit: NT\$

Item	Amount	
	Subtotal	Total
Beginning Undistributed Surplus Earnings	333,494,023	
+: Change after re-evaluating the Benefit Plans	1,029,244	
Undistributed Surplus Earning in the End of the Period after the Adjustment.		334,523,267
+: 2023 Net Profit After Tax	198,720,581	
Distributable Earnings		533,243,848
-: Legal Reserve	19,974,983	
-: Special Reserve	2,390,426	
Assign Items		
1.Shareholders' Dividend- Stock (NT\$0 Per Share)	0	
2. Shareholders' Dividend- Cash (NT\$8 Per Share)	136,776,000	
Undistributed Surplus Earning in the End of the Period		374,102,439
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:

- 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:
 - 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.
 - No more than 3% as the Directors, and Supervisors' compensation.
- 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.
- Information on the amount of compensation for distribution:
 - The Company has distributed NT\$12,968,209 as the employees' compensation and NT\$3,890,463 as the Directors compensation in the form of cash dividend in 2023. The amount approved by the Board of Directors is the same with the estimated annual fees.
 - 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 19, 2023 Shareholders' Meeting for the 2022 Compensation of the employees and Directors

Unit: NT\$

Distributed Amount	Employee Cash Compensation	11,725,184
	Employee Stock Compensation	0
	Directors' Compensation	3,517,555
	Total	15,242,739

(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	2022		2023		As of March 31, 2024	
	Amount	%	Amount	%	Amount	%
Software	1,443,121	92.74	1,552,136	91.78	436,558	94.61
Labor service	85,840	5.52	109,671	6.48	20,031	4.34
Others	27,068	1.74	29,361	1.74	4,865	1.05
Total	1,556,029	100.00	1,691,168	100.00	461,454	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, digital transformation software consultation, heat flow analysis, and thermal properties measurement service, 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, semiconductor, 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) Application of AR/VR technology:

In order to improve the enterprise's operation efficiency, the application of the AR (Augmented Reality) and VR (Virtual Reality) technology has become an integral development trend. This Company possesses the 3D graphics industry technology and marketing resources for years. Through the integration of such advanced technology 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:

The global development is increasingly concerned about intelligent governance, AI integrated with big data, and green energy sustainability. The cyber security challenges, brought by digital development, are even more prominent. Otsuka provides clients with e-file encryption management and file protection solutions, and offers them higher-level security and work efficiency during data development. In addition, under the premise of ensuring information security and confidentiality, our cloud office can provide highly-efficient information transmission channel; even in remote or off-site offices, documents can be shared online, so it can offer requisite support in decision-making establishment. In terms of mobile forms, we use the tablet devices to fill in forms by photographing images, directly connect data to the system, completely waive tedious work of filling by hands and manual statistics, and further realize paperless, green-energy and sustainable benefits.
 - (3) CAD Value-added Development (Re-development) Product

With experience in CAD customized program development for many years, Otsuka Corp. is dedicated to the development of the CAD toolkit. We apply the SDK (Software Development Kit) and API (Application Programming Interface), provided by CAD, to develop the add-in toolkit which can reinforce the graphic design efficiency. In the meantime, we continuously accept opinions that consultants and customers give feedback on CAD, and keep strengthening functions and effectiveness of programs. The value-added kit is the main product which support the current sales, including AutoCAD, progeCAD, DraftSight, Inventor,

Solid Edge, and Creo. Besides, NX and MoldFlow products in the filed of CAM and CAE are also the focus of value-added development this year.

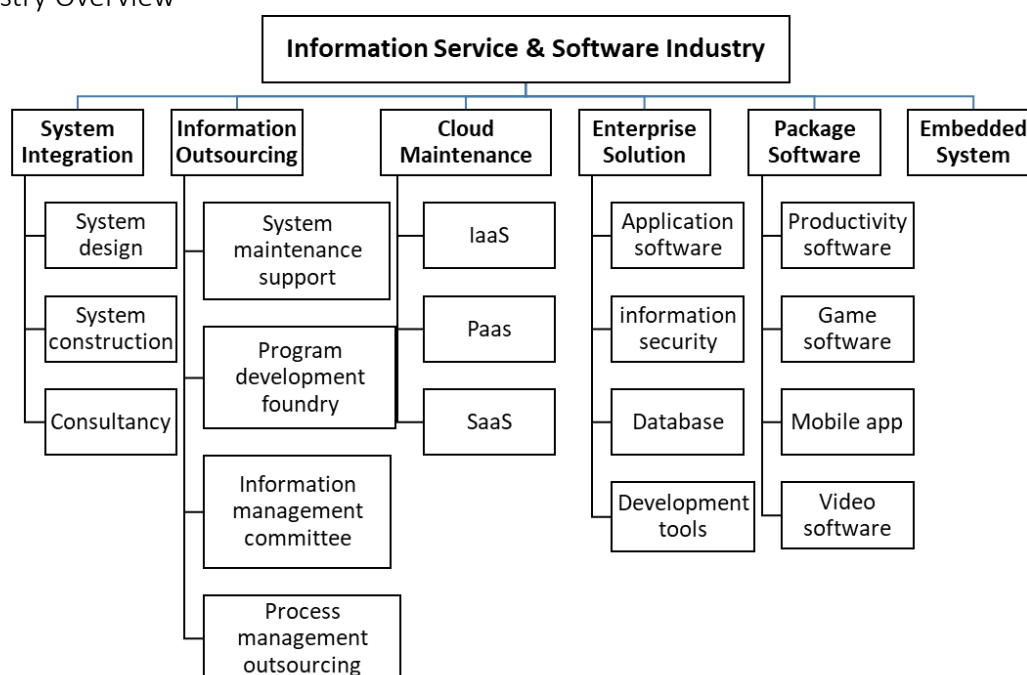
(4) Re-development and authorization management tool

APP subscription has become the major trend of digitalized world. Considering that Otsuka's CAX value-added development products will be fully switched into the subscription model, we must build exclusive authorization management tool in order to collectively manage all re-developed authorization and verification. Moreover, we will integrate our members platform, and provide clients with up-to-date service message and technical information on a regular basis.

(5) Explore the innovative integration by applying APS and Cloud AI

We research and apply the function of APS (Autodesk Platform Services) in order to build initial OITC SaaS service platform. In addition, we will also explore integration, application, and development of Cloud AI, and make use of cloud service and AI to development API, giving innovative capability to cloud application and system integration, improving efficiency of information transformation, and creating specific Cloud AI solutions.

(II) Industry Overview

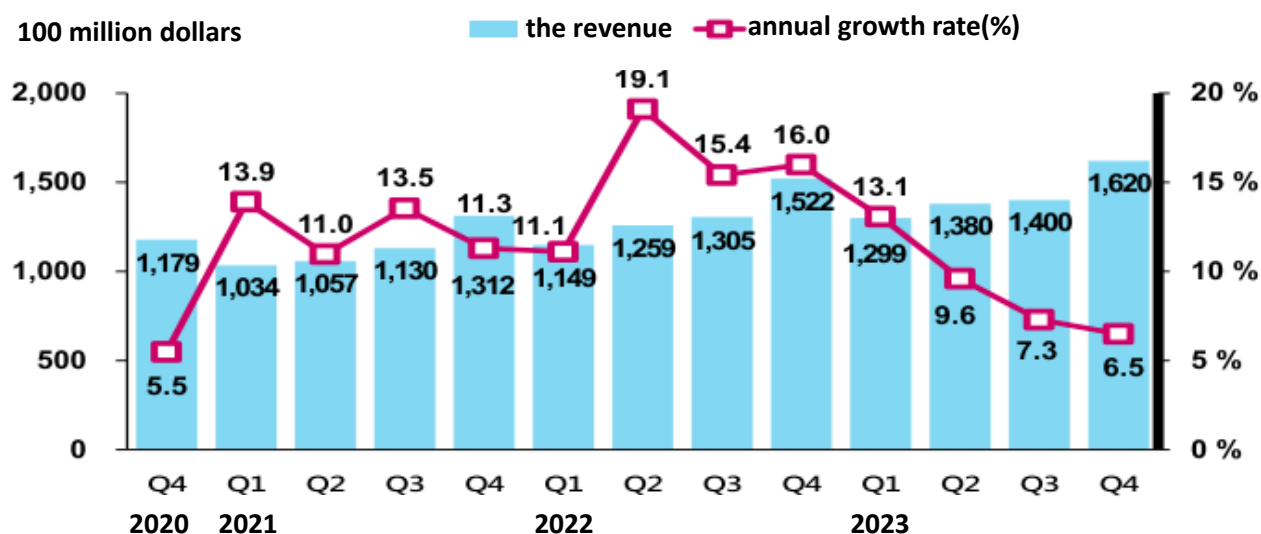


Source: The MIC

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 2023, the revenue of computer and information service industry is NT\$162 billion by an annual growth rate of 6.5%; the revenue for computer system design service industry was NT\$119.5 billion, increase rate of 4.6% for the main reason of increase of demands of services such as network storage, software development and system integration and buildup, etc.; the revenue of information supply service industry was 42.5 billion, increase rate of 11.9% for the main reason of website auction platform management providers' collaboration with different industries to introduce multiple marketing strategies, on top of rise of performance of advertisement benefits of network platforms and cloud computer information safekeeping, etc.

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:

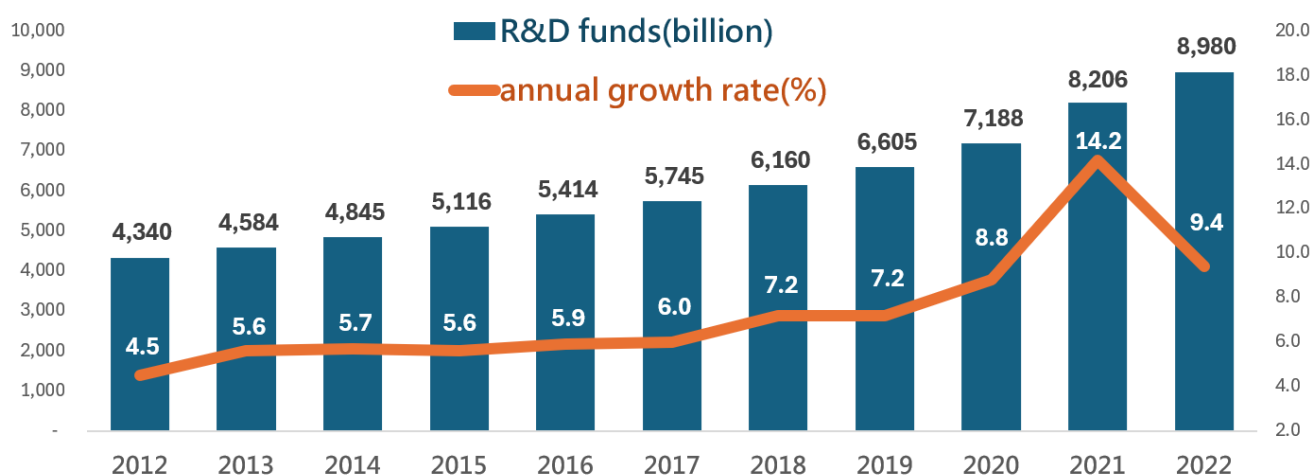
Unit: 100 million dollars

YEAR	TOTAL		Computer Program design sector		Information service sector	
	AMOUNT	Annual increase ratio	AMOUNT	Annual increase ratio	AMOUNT	Annual increase ratio
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
2023	5,700	8.9	4,201	6.6	1,499	15.8

Source: Ministry of Economic affairs, Office of statistics.

3. Developing trend of domestic R&D

Due to our company is agent for drawing software relevant products, most of the users are after R&D; therefore, the situation of R&D investment by business can shows the development trend of software industry as well. Furthermore, according to the statistic report of the Statistics Department of the Ministry of Economic Affairs, our research and development expenditure enjoys an annual growth of 7.0% on an average for recent 10 years. Research and development are the main driving force to maintain competitiveness. For recent years, in response to development of emerging technology, the input of our research and development represents a trend of year-by-year growth.



Source: National Science and Technology Council

4. Industry Outlook

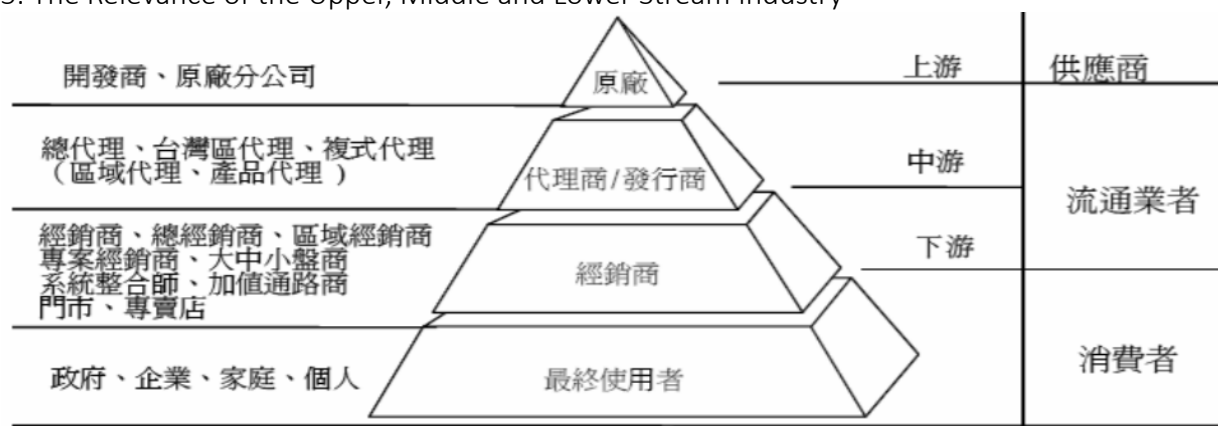
Outlook of noteworthy trends in 2023 information software industry:

- (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.
- (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



台灣資訊服務產業通路概念圖 資料來源：資策會

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

6. Developing Trend of Product

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.

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, Siemens NX product for which our company serves as an agent can offer CAD/CAM/CAE/PLM with most excellent products and solving capability. In 2023, our subsidiary, NFD, even expanded promotion of simulation analysis and MicRed test instrument and equipment, and thermal properties measurement service. Our company realizes our advantages of technique, and seizes the growth opportunity of expanding the business scope. In 2024, 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 180 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 27 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	2023	2024 As of 31 st , March
R&D Cost	15,649	6,411
Operating Revenue	1,691,168	461,454
R&D Cost to revenue ratio	0.93%	1.39%

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) Hyper PDM

- A. Cooperate with OS system and CAD version upgrade, constantly support the stable operation and improve performance of related function integration.
- B. Provide the API and Addin extended functions to assist enterprises with integrating related system by way of project development.

(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. In addition, the electrode wizard Otsuka develops on NX can facilitate users to easily design and operate electrodes, and make discharge processing more efficient, precise and reliable. Mold Flow of CAE is used in flow situation of simulated plastic in molds, and speed & pressure distribution of filling molds, etc. The Bridge kit Otsuka develops on Mold Flow can automatically access CAE analysis results, rapidly generate various tuning parameters, and ensure stability and product quality during the filling process.

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		2022		2023	
		Amount	%	Amount	%
Domestic sales	Taiwan	1,414,065	90.88%	1,596,981	94.43%
	China	133,738	8.59%	90,160	5.33%
Export sales	Asia	6,418	0.41%	2,305	0.14%
	America	1,808	0.12%	1,722	0.10%
total		1,556,029	100.00%	1,691,168	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 570 billion in 2023, 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 so many 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 2021 to 2023 was 112 billion, 129.4 billion, and 149.9 billion NT dollars respectively, and the annual growth rate is 14.1%, 15.5%, and 15.8%.

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

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

2. Manufacturing process: Our company is the import agent of our main products so we do not have manufacturing process; the manufacturing of self-R&D HyperPDM 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

	2022				2023				2024 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 [%]	Relation -ship with issuer
1	Synnex	733,134	67.03	NA	Synnex	758,964	66.43	NA	Synnex	229,637	67.20	NA
2	Siemens	80,611	7.37	NA	Siemens	120,121	10.52	NA	Siemens	45,714	13.38	NA
3	PTC	69,201	6.33	NA	PTC	63,598	5.57	NA	Digital China (Shanghai)	19,324	5.65	NA
4	Others	210,745	19.27	-	Others	199,746	17.48	-	Others	47,045	13.77	-
	Net purchases	1,093,691	100.00	-	Net purchases	1,142,429	100.00	-	Net purchases	341,720	100.00	-

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

Due to clients' needs, the Company purchased drawing software from Synnex Technology International Corp., Siemens, PTC and, Digital China (Shanghai), 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

	2022				2023				2024 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	TSCM	34,608	2.22	NA	Delta Electronics	57,976	3.43	NA	Delta Electronics	24,679	5.35	NA
2	NCSIST	33,250	2.14	NA	NCSIST	48,017	2.84	NA	Yanfeng	14,283	3.09	NA
3	Delta Electronics	28,067	1.80	NA	Hon Hai Precision	25,443	1.50	NA	CTCI	9,459	2.05	NA
4	Others	1,460,104	93.84	-	Others	1,559,732	92.23	-	Others	413,033	89.51	-
	Net sales	1,556,029	100.00	-	Net sales	1,691,168	100.00	-	Net sales	461,454	100.00	-

Among the sales customers of our company over last two years, such as TSMC, NCSIST, Delta Electronics, Hon Hai Precision, Yanfeng and CTCI 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	2022				2023			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Quant-ity	Value	Quant-ity	Value	Quant-ity	Value	Quant-ity	Value
Software		—	1,435,479	—	7,642	—	1,548,735	—	3,401
Labor service		—	85,256	—	584	—	109,045	—	626
Others		—	27,068	—	—	—	29,361	—	—
Total		—	1,547,803	—	8,226	—	1,687,141	—	4,027

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 2024, their average years of service, average ages and education levels:

Year		2022	2023	2024.3.31
Staff number	Supervisor	38	40	41
	General	146	163	154
	Total	184	203	195
Average age		36.6	37.2	37.9
Average seniority		6.14	6.12	6.3
Ratio of educational attainment	PhD	—	—	—
	Master's	10.33%	13.79%	14.36%
	University	85.33%	82.76%	82.05%
	High school	4.34%	3.45%	3.59%
	Less than high school	—	—	—

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 1st 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 11th 2017, which enable employees with 20 or more years of seniority or 15 or more years of seniority and is above 50 years old to actively apply for preferential retirement depends on their career guidance, physical and mental health and family needs.
4. Protocols between labor relations and state of employees' right and interest maintenance:
- (1) The labor relations of our company is harmonious, labor dispute has never happened before. We highly value two-way communication in order to maintain good labor relations; therefore, we do not have any significant labor dispute happened before.
 - (2) Our company has complete regulation of personnel management, which has specify related rights and obligations and welfare measures, and has review the content on a regular basis to protect employees' right.
- (II) Recent years and as of the annual report printing date, suffer losses from labor dispute, and estimated amount and measures for the possibility of happening at present or in the future: NA.

VI. 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 four persons are staffed.
2. Cyber Security Policy:
 - (1) The access and control of information shall be properly authorized in order to ensure the information security.
 - (2) Protect the information files and equipment security.
 - (3) 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.
4. In August 2023, the Company launched the importing task of ISO27001 information security management system, and we schedule to conduct the verification operation of external agencies in June 2024.

(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

Item	Year	Financial information in the last five years					2024 as of first quarter (review by auditor)
		2019	2020	2021	2022	2023	
Current assets		793,534	802,584	897,500	1,016,004	1,067,321	1,074,135
Real estate, plant and equipment		25,216	25,527	27,468	27,643	28,615	33,614
Intangible asset		—	—	—	—	36,034	35,047
Other assets		100,902	95,060	85,322	81,052	120,312	113,215
Gross assets		919,652	923,171	1,010,290	1,124,699	1,252,282	1,256,011
Current liabilities	Before distribution	219,493	189,614	233,196	262,089	289,334	378,757
	After distribution	313,527	278,518	335,778	390,317	426,110	378,757
Non-current liabilities		38,717	29,150	19,332	19,890	51,095	47,543
Total liabilities	Before distribution	258,210	218,764	252,528	281,979	340,429	426,300
	After distribution	352,244	307,668	355,110	410,207	477,205	426,300
Attributed to owner's equity of the Parent Company		660,066	703,551	756,809	842,720	911,853	829,711
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	431,213	474,724	527,288	611,327	682,851	598,351
	After distribution	337,179	385,820	424,706	483,099	546,075	598,351
Other equity		(10,930)	(10,956)	(10,262)	(8,390)	(10,781)	(8,423)
Treasury stock		—	—	—	—	—	—
Non-controlling Interests		1,376	856	953	—	—	—
Total equity	Before distribution	661,442	704,407	757,762	842,720	911,853	829,711
	After distribution	567,408	615,503	655,180	714,492	775,077	829,711

Note1: On March 11, 2024, a resolution has been passed by the Board of Directors' meeting to distribute the earnings of 2023.

(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					2024 as of first quarter (review by auditor)
	2019	2020	2021	2022	2023	
Revenue	1,205,375	1,129,672	1,300,526	1,556,029	1,691,168	461,454
Gross Profit	438,090	437,977	480,722	521,704	558,317	147,297
Operating income Statement	174,178	162,555	177,254	221,052	237,167	63,076
Non-operating Income	2,637	2,036	1,994	(1,963)	5,480	804
Pre-Tax Income	176,815	164,591	179,248	219,089	242,647	63,880
Income from Continuing Operation for this Term	143,002	136,279	145,119	181,706	198,721	52,276
Loss on Discontinuing Operation	—	—	—	—	—	—
Net Income (Loss) for this Term	143,002	136,279	145,119	181,706	198,721	52,276
Other Comprehensive Income for this Term (After-tax Net Amount)	(11,293)	720	(2,860)	6,348	(1,361)	2,358
Total Amount of Comprehensive Income & Loss for this Term	131,709	136,999	142,259	188,054	197,360	54,634
Net income attributed to owner of the parent company	143,126	136,799	145,395	182,145	198,721	52,276
Net income attributed to non-controlling interest	(124)	(520)	(276)	(439)	—	—
Total comprehensive income attributed to owner of the parent company	131,833	137,519	142,535	188,493	197,360	54,634
Total comprehensive income attributed to non-controlling interest	(124)	(520)	(276)	(439)	—	—
Earnings Per Share	8.37	8.00	8.50	10.65	11.62	3.06

Note1: On March 11, 2024, a resolution has been passed by the Board of Directors' meeting to distribute the earnings of 2023.

(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					2024 as of first quarter
		2019	2020	2021	2022	2023	
Current assets		644,735	626,587	698,258	821,539	897,882	No compilation of individual financial quarter report
Real estate, plant and equipment		22,914	22,830	26,013	27,018	24,282	
Investments Accounted for Using Equity Method		146,147	176,121	196,504	189,087	187,416	
Other assets		76,398	73,812	68,235	74,037	118,161	
Gross assets		890,194	899,350	989,010	1,111,681	1,227,741	
Current liabilities	Before distribution	196,037	169,262	214,683	249,231	268,803	
	After distribution	290,071	258,166	317,265	377,459	405,579	
Non-current liabilities		34,091	26,537	17,518	19,730	47,085	
Total liabilities	Before distribution	230,128	195,799	232,201	268,961	315,888	
	After distribution	324,162	284,703	334,783	397,189	452,664	
Attributed to owner's equity of the Parent Company		660,066	703,551	756,809	842,720	911,853	
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	431,213	474,724	527,288	611,327	682,851	
	After distribution	337,179	385,820	424,706	483,099	546,075	
Other equity		(10,930)	(10,956)	(10,262)	(8,390)	(10,781)	
Treasury stock		—	—	—	—	—	
Non-controlling Interests		—	—	—	—	—	
Total equity	Before distribution	660,066	703,551	756,809	842,720	911,853	
	After distribution	566,032	614,647	654,227	714,492	775,077	

Note1: On March 11, 2024, a resolution has been passed by the Board of Directors' meeting to distribute the earnings of 2023.

(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					2024as of first quarter
	2019	2020	2021	2022	2023	
Revenue	1,091,288	1,031,001	1,182,602	1,423,360	1,589,664	No compilation of individual financial quarter report
Gross Profit	408,493	410,305	445,233	492,052	529,416	
Operating income statement	165,897	163,541	172,972	215,425	237,449	
Non-operating Income	10,112	1,210	6,293	3,836	5,057	
Pre-Tax Income	176,009	164,751	179,265	219,261	242,506	
Net Income	143,126	136,799	145,395	182,145	198,721	
Other comprehensive income(Net Income)	(11,293)	720	(2,860)	6,348	(1,361)	
Total comprehensive income	13,833	137,519	142,535	188,493	197,360	
Earnings per share	8.37	8.00	8.50	10.65	11.62	

Note1: On March 11, 2024, a resolution has been passed by the Board of Directors' meeting to distribute the earnings of 2023.

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

Year	Accountancy firms	Name of auditors	Comment
2019	KPMG TW	Wu, Mei-Pin and Chuang, Jun-Wei	Unqualified opinion
2020	KPMG TW	Wu, Mei-Ping and Fu, Hung-Wen	Unqualified opinion
2021	KPMG TW	Wu, Mei-Ping and Fu, Hung-Wen	Unqualified opinion
2022	KPMG TW	Wu, Mei-Ping and Fu, Hung-Wen	Unqualified opinion
2023	KPMG TW	Fu, Hung-Wen and Horng, Shyh-Gang	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					2024 as of first quarter(review by auditor)
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt to total assets	28.08	23.70	25.00	25.07	27.18	33.94
	Long term funding to property, plant and equipment ratio	2623.10	2759.46	2,758.71	3,048.58	3,186.63	2,468.35
Solvency %	Current ratio	361.53	423.27	384.87	387.66	368.89	283.59
	Quick ratio	319.28	375.96	331.28	324.97	304.78	227.55
	Times interest earned ratio	220.65	210.4	297.77	523.89	276.10	237.59
Operating ability	Average collection turnover(times)	4.27	4.66	5.03	5.07	5.79	5.76
	Average collection days	85	78	73	72	63	64
	Inventory turnover(times)	11.02	7.82	9.03	8.11	6.72	6.57
	Average payables turnover(times)	7.53	7.9	9.14	8.99	8.57	10.80
	Average inventory turnover days	33	47	40	45	54	56
	Property, plant and equipment turnover(times)	50.22	44.53	49.08	56.47	60.12	59.32
	Total assets turnover(times)	1.43	1.23	1.35	1.46	1.42	1.47
Profitability	Return on asset (%)	17.07	14.85	15.06	17.05	16.78	16.74
	Return on equity (%)	23.05	19.96	19.85	22.71	22.65	24.01
	Profit before tax to capital stock (%)	103.42	96.27	104.84	128.14	141.92	149.45
	Profit margin (%)	11.86	12.06	11.16	11.68	11.75	11.33
	Earnings per share (dollars)	8.37	8.00	8.5	10.65	11.62	3.06
Cash flow	Cash flow ratio (%)	68.84	111.02	43.66	73.94	80.62	(24.81)
	Cash flow adequacy ratio (%)	131.61	160.76	164.83	153.8	134.95	108.76
	Cash flow reinvestment ratio (%)	14.23	15.85	1.67	10.62	10.91	(10.72)
Leverage	Operating leverage	1.11	1.15	1.15	1.11	1.10	1.11
	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 decrease by 47%, which is caused by increase of interest expense.							
2. Average days in sales increase by 21%, which is caused by increase of ending inventory.							

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					2024 as of first quarter (review by auditor)	
		2019	2020	2021	2022	2023		
Financial structure (%)	Debt to total assets	25.85	21.77	23.48	24.19	25.73	No compilation of individual financial quarter report	
	Long term funding to property, plant and equipment ratio	2,880.62	3,081.70	2,909.35	3,119.11	3,755.26		
Solvency%	Current ratio	328.88	370.19	325.25	329.63	334.03		
	Quick ratio	285.13	321.17	281.60	267.72	266.99		
	Times interest earned ratio	237.25	254.46	384.87	618.64	303.75		
Operating ability	Average collection turnover(times)	4.36	4.72	4.96	5.10	6.00		
	Average collection days	84	77	74	72	61		
	Inventory turnover(times)	10.57	7.67	8.73	7.69	6.76		
	Average payables turnover(times)	7.60	8.31	9.34	8.76	8.61		
	Average inventory turnover days	35	48	42	47	54		
	Property, plant and equipment turnover(times)	48.35	45.08	48.42	53.68	61.98		
	Total assets turnover(times)	1.33	1.15	1.25	1.36	1.36		
Profitability	Return on asset (%)	17.53	15.34	15.44	17.37	17.04		
	Return on equity (%)	23.09	20.06	19.91	22.77	22.65		
	Profit before tax to capital stock (%)	102.95	96.36	104.85	128.25	141.84		
	Profit margin (%)	13.12	13.27	12.29	12.8	12.50		
	Earnings per share (dollars)	8.37	8.00	8.5	10.65	11.62		
Cash flow	Cash flow ratio (%)	67.62	113.73	43.58	82.16	83.03		
	Cash flow adequacy ratio (%)	109.25	129.96	117.08	125.38	135.06		
	Cash flow reinvestment ratio (%)	14.88	17.84	0.82	15.33	6.36		
Leverage	Operating leverage	1.10	1.11	1.11	1.09	1.08		
	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. Long term funding to real estate, plant and equipment ratio increase by 20%, which is caused by increase of total equity.								
2. Times interest earned ratio crease by 51%, which is caused by increase of interest expense.								

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 2023 separate financial statement and consolidated financial statement and business report and earnings distribution audited and attested by independent certified public accountants Mr. Fu, Hung-Wen and Mr. Horng, Shyh-Gang 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 2024 Annual Shareholders' Meeting

Audit Committee Convener: Lin, Hui-Fen

March 11, 2024

- IV. Latest Consolidated Combined Financial Statement Report Audited and Certified by CPAs:
2023 consolidated financial statement, please refer to pages 102 - 158 of the annual report.
- V. Latest Consolidated Individual Financial Statement Report Audited and Certified by CPAs:
2023 individual financial statement, please refer to pages 159 - 216 of the annual report.
- VI. Financial Difficulties Faced ant its Effect on the Company's Financial Status If the Company or its affiliated have Experienced Financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of Publication of the Annual Report: None.

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

I. Financial status

(I) Comparative analysis chart of financial status

Unit: Expressed in thousands of NTD

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	1,067,321	1,016,004	51,317	5.05%
Fixed assets	28,615	27,643	972	3.52%
Other assets	156,346	81,052	75,294	92.90%
Total assets	1,252,282	1,124,699	127,583	11.34%
Current liabilities	289,334	262,089	27,245	10.40%
Other liabilities	51,095	19,890	31,205	156.89%
Total liabilities	340,429	281,979	58,450	20.73%
Share capital	170,970	170,970	—	—
Capital surplus	68,813	68,813	—	—
Retained earnings	682,851	611,327	71,524	11.70%
Cumulative translation adjustment	(10,781)	(8,390)	(2,391)	28.50%
Non-control equity	—	—	—	—
Total stockholders' equity	911,853	842,720	69,133	8.20%

(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:

1. Other assets increased by NT\$75,294 thousand, an increase of 92.90% compared with the previous period, which was mainly caused by increase of right of use assets, resulting from business restoration and office lease of the subsidiary, EFD, in August 2023, as well as increase of intangible assets resulting from assets acquisition of the subsidiary, EFD. It was a change caused by needs of operation planning scope and business expansion. In the future, accompanied with rental payment, the right of use assets will reduce as well.
2. Other liabilities increased by NT\$31,205 thousand, an increase of 156.89% compared with the previous period, which was mainly caused by business restoration and office lease of the subsidiary, EFD, in August 2023, as well as expiration and renewal of the Corporation's lease contracts, resulting in increase of rental liabilities – non-current. It was a change caused by needs of operation planning scope and business expansion. In the future, accompanied with rental payment, the right of use assets will reduce as well.

II. Financial performance

(I) Comparative analysis chart of financial performance

Unit: Expressed in thousands of NTD

Item \ Year	2023	2022	Increase(decrease) amount	Increase and decrease ratio%
Net operating revenue	1,691,168	1,556,029	135,139	8.68%
Operating cost	1,132,851	1,034,325	98,526	9.53%
Gross profit	558,317	521,704	36,613	7.02%
Operating expenses	321,150	300,652	20,498	6.82%
Operating profit	237,167	221,052	16,115	7.29%
Non-operating revenue and expense	5,480	(1,963)	7,443	(379.16%)
Pre-tax income	242,647	219,089	23,558	10.75%
Tax income (expense)	(43,926)	(37,383)	(6,543)	17.50%
Net income	198,721	181,706	17,015	9.36%

(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 net operating revenue in 2023.
3. The gross profit increased mainly due to the increase in the net operating revenue in 2023.
4. The operating expenses increased mainly due to the increase in expense of promotion, research and development.
5. The operating profit increased mainly due to the increase in the Gross profit.
6. The non-operating revenue and expense increased mainly due to the increase in the Interest income, and due to the decrease in the other losses.
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 2024; 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	
	2023	2022	amount	%
Operating activities	233,286	193,790	39,496	20.38%
Investment activities	(12,896)	(13,144)	(248)	(1.89%)
Financing activities	(143,052)	(118,891)	24,161	20.32%
Exchange influence	(3,189)	2,507	(5,696)	(227.20%)

Variation of increase/decrease proportion statement:

1. Cash inflows from operating activities was NT\$233,286 thousand, which increased in NT\$39,496 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\$12,896 thousand, which decreased in NT\$248 thousand compared to the last period, mainly due to the termination of term deposits.
3. Cash outflows from financing activities was NT\$143,052 thousand, which increased in NT\$24,161 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
598,019	159,737	(145,497)	612,259	—	—

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 2024, so the cash from operating activities will increase in 2024.
- (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:

In 2023, due to operation expansion, the subsidiaries acquired an asset mix in the amount of NT\$24,762 thousand, which was used to improve several business scopes such as CAE, thermal properties measurement, etc. after the management team was integrated and strengthened with positive impact on the company's sales development; the amount of the said expenditure only accounted for 1.98% of the Corporation's total capital as of the end of 2023, so the impact was somewhat not significant.

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

2023.12. 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	1,555	1,555	Third place investment company Taiwan.	Reinforce niche product sales with high added value, continue developing related business.
Otsuka Software Trading (Dong Guan) Limited.	50,329	(1,096)	(1,096)		
OITC Information Technology (Shang Hai) Limited.	79,187	2,651	2,651		
EFD CORPORATION	30,000	287	(238)	The company of domestic investment.	

(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	2023	2024 as of 31st March
Interest income	4,812	970
Interest expense	882	270
Net operating revenue	1,691,168	461,454
(Interest expense- interest income)/Net operating revenue	(0.23%)	(0.15%)

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

Item \ Year	2023	2024 as of 31st March
Net exchange gains or losses	(271)	316
Net operating revenue	1,691,168	461,454
Net exchange gains or losses/ net operating revenue	(0.02%)	0.07%

Policy and solution:

- (1) Our company collect change in exchange rate information at any time 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. In 2024, the estimated R&D cost of manpower and equipment is around 25,644 thousand 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 2023, customer with direct transaction is around 3,000, among which the sales proportion of biggest client is merely 3.43%; 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. In 2023, we began to import ISO27001 information security certification and counseling. 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.

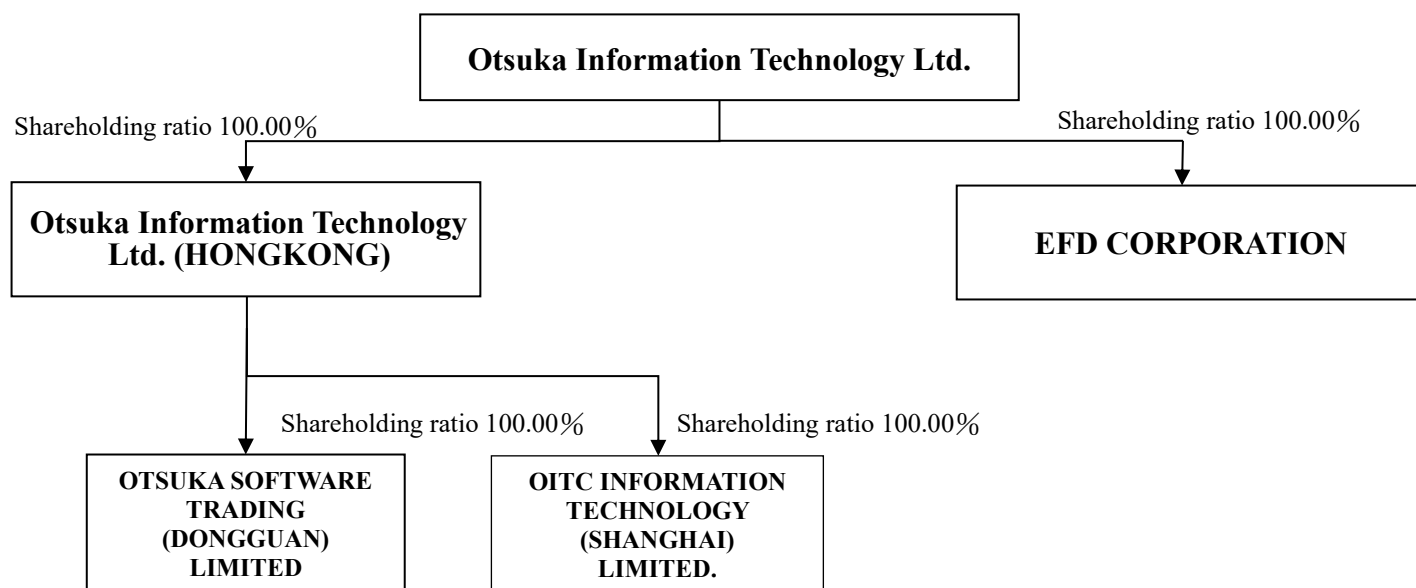
VIII. Special Notes

I. Information about the company's affiliates

(I) Consolidated business report of affiliate companies

1. Affiliates overview

(1) Organization chart of affiliate companies



(2) Basic information of affiliate companies

2023.12.31 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	50,329	Software trading and consultancy
OTSUKA information technology Corp (SUZHOU)LIMITED	2014.01.01	Room 1311, Block B, Far East International, 317 Xianxia Road, Changning District, Shanghai	79,187	
EFD CORPORATION	2020,08,13	19F., No. 285, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 220503, Taiwan (R.O.C.)	30,000	

(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

2023.12.31

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
EFD CORPORATION			3,000,000 shares	100

Note 1: Non shareholding system, expressed in capital.

2. Operation status of affiliate companies

Financial status and operating result of affiliate companies

2023.12.31 ; 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	176,907	16,885	160,022	—	—	1,555	(Note1)
Otsuka Software Trading (Dongguan) Limited.	50,329	88,795	5,521	83,274	45,020	(1,984)	(1,096)	
OITC Information Technology (Shanghai) Limited.	79,187	89,218	12,478	76,740	61,098	1,960	2,651	
EFD CORPORATION	30,000	56,163	28,243	27,920	11,543	(273)	287	0.09

Note 1: Non shareholding system, expressed in capital

(II) Consolidated financial statement of affiliate companies:

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

(III) Rational report:

The company 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: None.

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 3 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, 2023 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 11, 2024



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 sheet as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023 and 2022 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 and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of 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 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.

Other Matter

Otsuka Information Technology Corp. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, 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 Fu, Hung-Wen and Horng, Shyh-Gang.

KPMG

Taipei, Taiwan (Republic of China)
March 11, 2024

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022									
		Amount	%	Amount	%	Amount	%						
Assets													
Current assets:													
11100	Cash and cash equivalents (note 6(a))	\$	598,019	48	523,870	46	2170	Accounts payable	\$	135,708	11	128,588	12
11137	Financial assets at amortized cost — current (note 6(b))	-	-	-	27,000	3	2201	Salaries payable	63,364	5	60,646	5	
11170	Notes and accounts receivable, net (including related-parties) (notes 6(e), (c) and 7)	283,408	22	300,767	27	2200	Other payables	58,908	5	50,200	4		
1300	Inventories (note 6(d))	176,621	14	160,444	14	2280	Current lease liabilities (note 6(i))	14,894	1	7,390	1		
1410	Other current assets (note 6(e))	9,273	1	3,923	-	2130	Current contract liabilities (note 6(o))	15,899	1	14,732	1		
	Total current assets	1,067,321	85	1,016,004	90	2300	Other current liabilities	561	-	533	-		
							Total current liabilities	289,334	23	262,089	23		
Non-current assets:													
1535	Financial assets at amortized cost — non-current (note 6(b))	30,000	3	30,000	3	2570	Deferred tax liabilities (note 6(k))	11,335	1	10,778	1		
1600	Property, plant and equipment (notes 6(f) and (l))	28,615	2	27,643	2	2580	Non-current lease liabilities (note 6(i))	39,760	3	9,112	1		
1755	Right-of-use assets (note 6(g))	54,877	4	17,330	2		Total non-current liabilities	51,095	4	19,890	2		
1780	Intangible assets (notes 6(h) and (l))	36,034	3	8,043	1		Total liabilities	340,429	27	281,979	25		
1990	Other non-current assets (notes 6(a), (c), (j), (k), (o) and 8)	35,435	3	25,679	2		Equity attributable to owners of parent:						
	Total non-current assets	184,961	15	108,695	10	3100	Ordinary shares (note 6(m))	170,970	14	170,970	15		
						3200	Capital surplus (note 6(m))	68,813	5	68,813	6		
						3310	Legal reserve (note 6(m))	141,217	11	123,003	10		
						3320	Special reserve (note 6(m))	8,390	1	10,262	1		
						3350	Unappropriated retained earnings (note 6(m))	533,244	43	478,062	44		
						3410	Exchange differences on translation of foreign financial statements	(10,781)	(1)	(8,390)	(1)		
							Total equity attributable to owners of parent:	911,853	73	842,720	75		
							Total equity	911,853	73	842,720	75		
Total assets		\$	1,252,282	100	1,124,699	100	Total liabilities and equity	\$	1,252,282	100	1,124,699	100	

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, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(o) and 7)	\$ 1,691,168	100	1,556,029	100
5000	Operating costs (notes 6(d) and 7)	<u>1,132,851</u>	<u>67</u>	<u>1,034,325</u>	<u>66</u>
	Gross profit	<u>558,317</u>	<u>33</u>	<u>521,704</u>	<u>34</u>
	Operating expenses: (notes 6(c), (e), (i), (j), (p) and 12)				
6100	Selling expenses	255,465	15	247,014	16
6200	Administrative expenses	50,836	3	45,811	3
6300	Research and development expenses	15,649	1	7,478	1
6450	Expected credit loss (reversal of expected credit loss)	<u>(800)</u>	<u>-</u>	<u>349</u>	<u>-</u>
	Total operating expenses	<u>321,150</u>	<u>19</u>	<u>300,652</u>	<u>20</u>
	Net operating income	<u>237,167</u>	<u>14</u>	<u>221,052</u>	<u>14</u>
	Non-operating income and expenses:				
7100	Interest income	4,812	-	2,981	-
7020	Other gains and losses (notes 6(h) and (q))	1,550	-	(4,525)	-
7510	Interest expense (note 6(i))	<u>(882)</u>	<u>-</u>	<u>(419)</u>	<u>-</u>
	Total non-operating income and expenses	<u>5,480</u>	<u>-</u>	<u>(1,963)</u>	<u>-</u>
	Profit before tax	242,647	14	219,089	14
7950	Less: Income tax expenses (note 6(k))	<u>43,926</u>	<u>2</u>	<u>37,383</u>	<u>2</u>
	Profit	<u>198,721</u>	<u>12</u>	<u>181,706</u>	<u>12</u>
8300	Other comprehensive income:				
8310	Items that will not be reclassified to profit or loss				
8311	Remeasurement of defined benefit plans (note 6(j))	1,030	-	4,476	-
8349	Income tax related to items that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>1,030</u>	<u>-</u>	<u>4,476</u>	<u>-</u>
8360	Items that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(2,988)	-	2,340	-
8399	Income tax related to items that will be reclassified to profit or loss (note 6(k))	<u>597</u>	<u>-</u>	<u>(468)</u>	<u>-</u>
		<u>(2,391)</u>	<u>-</u>	<u>1,872</u>	<u>-</u>
8300	Other comprehensive income	<u>(1,361)</u>	<u>-</u>	<u>6,348</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 197,360</u>	<u>12</u>	<u>188,054</u>	<u>12</u>
	Profit attributable to:				
8610	Owners of parent	\$ 198,721	12	182,145	12
8620	Non-controlling interest	<u>-</u>	<u>-</u>	<u>(439)</u>	<u>-</u>
		<u>\$ 198,721</u>	<u>12</u>	<u>181,706</u>	<u>12</u>
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 197,360	12	188,493	12
8720	Non-controlling interest	<u>-</u>	<u>-</u>	<u>(439)</u>	<u>-</u>
		<u>\$ 197,360</u>	<u>12</u>	<u>188,054</u>	<u>12</u>
	Earnings per share (NT dollars) (note 6(n))				
	Basic earnings per share	<u>\$ 11.62</u>		<u>10.65</u>	
	Diluted earnings per share	<u>\$ 11.55</u>		<u>10.56</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, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements		
Balance on January 1, 2022	\$ 170,970	68,813	108,463	10,956	407,869	(10,262)	953	757,762
Profit	-	-	-	-	182,145	-	(439)	181,706
Other comprehensive income	-	-	-	-	4,476	-	-	6,348
Total comprehensive income	-	-	-	-	-	1,872	-	-
Appropriation and distribution of retained earnings:	-	-	-	-	186,621	1,872	(439)	188,054
Legal reserve	-	-	14,540	-	(14,540)	-	-	-
Special reserve	-	-	-	(694)	694	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(102,582)	-	-	(102,582)
Changes in non-controlling interests	-	-	-	-	-	-	(514)	(514)
Balance on December 31, 2022	170,970	68,813	123,003	10,262	478,062	(8,390)	-	842,720
Profit	-	-	-	-	198,721	-	-	198,721
Other comprehensive income	-	-	-	-	1,030	(2,391)	-	(1,361)
Total comprehensive income	-	-	-	-	-	(2,391)	-	-
Appropriation and distribution of retained earnings:	-	-	-	-	199,751	2,391	-	197,360
Legal reserve	-	-	18,214	-	(18,214)	-	-	-
Special reserve	-	-	-	(1,872)	1,872	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(128,227)	-	-	(128,227)
Balance on December 31, 2023	\$ 170,970	68,813	141,217	8,390	533,244	(10,781)	-	911,853

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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 242,647	219,089
Adjustments:		
Adjustments to reconcile profit:		
Depreciation and amortization	23,296	23,344
Losses related to inventories	939	1,937
Expected credit loss (reversal of expected credit loss)	(800)	349
Interest income	(4,812)	(2,981)
Interest expense	882	419
Losses on disposal and retirement of property, plant and equipment	53	783
Impairment loss on other non-current assets	-	5,685
Others	42	1,091
Total adjustments to reconcile profit	19,600	30,627
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related parties)	17,173	12,730
Inventories	(16,907)	(67,931)
Other current assets	(7,767)	(371)
Accounts payable	7,120	27,142
Salaries payable	2,718	(2,410)
Other payables	3,458	2,647
Other current liabilities	1,195	3,658
Others	(1,989)	(1,794)
Total adjustments	24,601	4,298
Cash inflow generated from operations	267,248	223,387
Interest received	4,629	3,168
Interest paid	(882)	(419)
Income taxes paid	(37,709)	(32,346)
Net cash flows from operating activities	233,286	193,790
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at amortised cost	27,000	-
Acquisition of intangible assets	(8,553)	(7,529)
Acquisition of property, plant and equipment	(3,009)	(5,644)
Proceeds from disposal of property, plant and equipment	2	96
Acquisition of unamortized assets	(2,254)	(1,214)
Decrease (increase) in refundable deposits	(1,320)	1,147
Acquisition of business combination	(24,762)	-
Net cash flows used in investing activities	(12,896)	(13,144)
Cash flows from (used in) financing activities:		
Payment of lease liabilities	(14,825)	(15,795)
Cash dividends	(128,227)	(102,582)
Changes in non-controlling interests	-	(514)
Net cash flows used in financing activities	(143,052)	(118,891)
Effect of exchange rate changes on cash and cash equivalents	(3,189)	2,507
Net increase in cash and cash equivalents	74,149	64,262
Cash and cash equivalents at beginning of year	523,870	459,608
Cash and cash equivalents at end of year	\$ 598,019	523,870

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, 2023 and 2022

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

(1) Company history

OTSUKA INFORMATION TECHNOLOGY CORP. (“the Company”) was incorporated on August 4, 1997 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 ordinary 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 11, 2024.

(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, 2023:

- 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”

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (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, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”

(Continued)

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

- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”
- (c) The impact of IFRSs issued by the International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

The Group does not expect the following 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 IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

The material 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 and issued into effect 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.

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

(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.

(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, 2023	December 31, 2022	
The Company	Otsuka Information Technology Ltd. (Otsuka)	Holding company	100 %	100 %	
The Company	To Gather Corp. (To Gather)	Restaurant	-	-	% (Note 1)
The Company	EFD Corporation. (EFD) (Original name: Unilink Innovation Information Technology Corp.)	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 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 Innovation Information Technology Corp. has temporary suspended its business from December 1, 2021 to August 6, 2023; and on August 7, 2023 and August 22, 2023, it resumed its business and changed its name to EFD Corp., respectively.

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

(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.

(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.

(Continued)

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

(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.

(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.

(Continued)

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

(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.

2) 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 ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

12 month ECL are the portion of ECL 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 ECL 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.

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

ECL 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). ECL 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.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

3) 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.

(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.

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.

(Continued)

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

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.

(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.

(Continued)

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

(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: 3 ~6 years
- 3) Office equipment: 1 ~ 5 years
- 4) Transportation equipment: 10 years
- 5) Machinery equipment: 6 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 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.

(Continued)

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

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

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

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

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

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

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

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

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.

(Continued)

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

(k) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets including, customer relationships, computer software and company name, 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 other than goodwill, from the date that they are available for use.

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

Customer relationships	10 years
Company name	10 years
Computer Software	1~10 years
Trademark	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 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. Goodwill is tested annually for impairment.

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 cash-generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGUs is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGUs.

(Continued)

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

An impairment loss is recognized if the carrying amount of an asset or CGUs exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGUs on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

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.

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

(n) Government grants

Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(o) 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.

(Continued)

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

(p) Income taxes

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date 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 at the time of the transaction affects neither accounting nor taxable profits (losses) and does not give rise to equal taxable and deductible temporary differences;
- (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.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(q) Business combination

The Group acquired a combination of assets that is a business combination in accordance with IFRS 3. The Group applies business combination related accounting policies since 2023.

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Group recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

(r) 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.

(s) 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.

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OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to 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:

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

	December 31, 2023	December 31, 2022
Cash	\$ 389	276
Checking and demand deposits	397,030	366,840
Time deposits	200,600	156,754
	\$ 598,019	523,870

As of December 31, 2023 and 2022, the Group had provided time deposits amounted to \$500 thousand as collateral and the deposit have been reclassified to other non-current assets.

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

	December 31, 2023	December 31, 2022
Time deposits	\$ -	27,000
Financial bond	30,000	30,000
	\$ 30,000	57,000

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) During the year ended December 31, 2022, the Group held domestic time deposits which had a maturity of more than three months from the date of acquisition and were not held for short-term cash commitments. The time deposits' interest rates were 0.925%~1.05%.
- (ii) 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%.

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

- (iii) 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%.
- (iv) As of December 31, 2023 and 2022, the Group did not provide any of the aforementioned bond as collateral.

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

	December 31, 2023	December 31, 2022
Notes receivable	\$ 24,139	31,787
Accounts receivable	262,445	271,896
Accounts receivable-related parties	<u>399</u>	<u>586</u>
	286,983	304,269
Less: allowance for doubtful accounts	(478)	(992)
Long-term notes and accounts receivable, net	<u>(3,097)</u>	<u>(2,510)</u>
	<u>\$ 283,408</u>	<u>300,767</u>

- (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:

	December 31, 2023	December 31, 2022
Less than a year	\$ 3,097	1,354
One to two years	3,097	1,255
Two to three years	<u>-</u>	<u>1,255</u>
	<u>\$ 6,194</u>	<u>3,864</u>

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:

	December 31, 2023		
	Carrying amounts of notes and accounts receivable (including long- term and related parties)	Lifetime weighted- average ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 240,686	0%	-
Past due 1 to 60 days	44,901	0.5%~1.5%	270
Past due 61 to 210 days	1,337	7%~20%	149
Past due 211 to 270 days	-	30%	-
Past due 271 to 360 days	-	40%	-
More than 361 days past due	59	100%	59
	\$ 286,983		478
	December 31, 2022		
	Carrying amounts of notes and accounts receivable (including long- term and related parties)	Lifetime weighted- average ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 280,666	0%	-
Past due 1 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
	\$ 304,269		992

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

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

	<u>2023</u>	<u>2022</u>
Balance on January 1	\$ 992	536
Recognition (Reversal) of expected credit loss	(400)	749
Amounts written off	(113)	(295)
Effect of changes in exchange rates	(1)	2
Balance on December 31	<u><u>\$ 478</u></u>	<u><u>992</u></u>

(d) Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Software	\$ 175,802	156,285
Hardware	819	4,159
	<u><u>\$ 176,621</u></u>	<u><u>160,444</u></u>

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

	<u>2023</u>	<u>2022</u>
Losses (Gains) on obsolete inventories and inventory valuation	\$ (2,195)	1,755
Loss on disposal of inventories	3,134	182
Total	<u><u>\$ 939</u></u>	<u><u>1,937</u></u>

(ii) As of December 31, 2023 and 2022, the Group did not provide any of the aforementioned inventories as collateral.

(e) Prepaid and other current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepaid salaries	\$ 2,797	-
Other receivables	641	1,108
Less: allowance for doubtful accounts	(233)	(633)
Prepaid expenses and others	6,068	3,448
	<u><u>\$ 9,273</u></u>	<u><u>3,923</u></u>

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OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
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The movements in the allowance for other receivables were as follows:

	2023	2022
Balance on January 1	\$ 633	1,033
Reversal of expected credit loss	(400)	(400)
Balance on December 31	<u>\$ 233</u>	<u>633</u>

(f) **Property, plant and equipment**

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

	Land	Buildings	Computers	Office equipment	Transportation equipment	Machinery equipment	Total
Cost:							
Balance on January 1, 2023	\$ 10,260	6,175	28,262	4,584	4,439	-	53,720
Additions	-	-	1,369	358	14	1,268	3,009
Acquisition through business combinations	-	-	266	-	-	1,902	2,168
Disposals	-	-	(860)	(82)	-	-	(942)
Effect of changes in exchange rates	-	-	(53)	(10)	-	-	(63)
Balance on December 31, 2023	<u>\$ 10,260</u>	<u>6,175</u>	<u>28,984</u>	<u>4,850</u>	<u>4,453</u>	<u>3,170</u>	<u>57,892</u>
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>
Depreciation:							
Balance on January 1, 2023	\$ -	2,280	19,671	3,640	486	-	26,077
Depreciation	-	103	3,052	433	418	79	4,085
Disposals	-	-	(753)	(81)	-	-	(834)
Effect of changes in exchange rates	-	-	(42)	(9)	-	-	(51)
Balance on December 31, 2023	<u>\$ -</u>	<u>2,383</u>	<u>21,928</u>	<u>3,983</u>	<u>904</u>	<u>79</u>	<u>29,277</u>
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>
Carring amounts:							
Balance on December 31, 2023	<u>\$ 10,260</u>	<u>3,792</u>	<u>7,056</u>	<u>867</u>	<u>3,549</u>	<u>3,091</u>	<u>28,615</u>
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 January 1, 2022	<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>

As of December 31, 2023 and 2022, 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, 2023	\$ 57,989	1,204	59,193
Additions	53,516	-	53,516
Disposals	(39,757)	-	(39,757)
Effect of changes in exchange rates	(87)	-	(87)
Balance on December 31, 2023	\$ <u>71,661</u>	<u>1,204</u>	<u>72,865</u>
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 exchange rates	95	-	95
Balance on December 31, 2022	\$ <u>57,989</u>	<u>1,204</u>	<u>59,193</u>
Accumulated depreciation:			
Balance on January 1, 2023	\$ 41,160	703	41,863
Depreciation	15,040	401	15,441
Disposals	(39,292)	-	(39,292)
Effect of changes in exchange rates	(24)	-	(24)
Balance on December 31, 2023	\$ <u>16,884</u>	<u>1,104</u>	<u>17,988</u>
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 exchange rates	20	-	20
Balance on December 31, 2022	\$ <u>41,160</u>	<u>703</u>	<u>41,863</u>
Carrying amount:			
Balance on December 31, 2023	\$ <u>54,777</u>	<u>100</u>	<u>54,877</u>
Balance on December 31, 2022	\$ <u>16,829</u>	<u>501</u>	<u>17,330</u>
Balance on January 1, 2022	\$ <u>17,361</u>	<u>903</u>	<u>18,264</u>

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

(h) Intangible assets

The movements of the cost and accumulated depreciation and impairment of intangible assets were as follow:

	<u>Computer software</u>	<u>Company name</u>	<u>Customer relationships</u>	<u>Trademark</u>	<u>Goodwill</u>	<u>Total</u>
Cost:						
Balance on January 1, 2023	\$ 16,228	-	-	-	-	16,228
Additions	8,553	-	-	-	-	8,553
Acquisition through business combinations	184	7,725	14,590	-	95	22,594
Disposals	(5,334)	-	-	-	-	(5,334)
Effect of changes in exchange rates	(17)	-	-	-	-	(17)
Balance on December 31, 2023	<u>\$ 19,614</u>	<u>7,725</u>	<u>14,590</u>	<u>-</u>	<u>95</u>	<u>42,024</u>
Balance on January 1, 2022	\$ 8,870	-	-	7,752	-	16,622
Additions	7,529	-	-	-	-	7,529
Disposals	(185)	-	-	(7,752)	-	(7,937)
Effect of changes in exchange rates	14	-	-	-	-	14
Balance on December 31, 2022	<u>\$ 16,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,228</u>
Accumulated depreciation and impairment:						
Balance on January 1, 2023	\$ 8,185	-	-	-	-	8,185
Amortization	2,599	261	296	-	-	3,156
Disposals	(5,334)	-	-	-	-	(5,334)
Effect of changes in exchange rates	(17)	-	-	-	-	(17)
Balance on December 31, 2023	<u>\$ 5,433</u>	<u>261</u>	<u>296</u>	<u>-</u>	<u>-</u>	<u>5,990</u>
Balance on January 1, 2022	\$ 5,092	-	-	1,873	-	6,965
Amortization	3,265	-	-	194	-	3,459
Disposals	(185)	-	-	(7,752)	-	(7,937)
Impairment loss	-	-	-	5,685	-	5,685
Effect of changes in exchange rates	13	-	-	-	-	13
Balance on December 31, 2022	<u>\$ 8,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,185</u>
Carrying amount:						
Balance on December 31, 2023	<u>\$ 14,181</u>	<u>7,464</u>	<u>14,294</u>	<u>-</u>	<u>95</u>	<u>36,034</u>
Balance on December 31, 2022	<u>\$ 8,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,043</u>
Balance on January 1, 2022	<u>\$ 3,778</u>	<u>-</u>	<u>-</u>	<u>5,879</u>	<u>-</u>	<u>9,657</u>

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

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OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
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(ii) As of December 31, 2023 and 2022, the Group did not provide any of the aforementioned assets as collateral.

(i) Lease liabilities

Lease liabilities of the Group were as follows:

	December 31, 2023	December 31, 2022
Current	\$ <u>14,894</u>	<u>7,390</u>
Non-current	\$ <u>39,760</u>	<u>9,112</u>

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

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	\$ <u>882</u>	<u>419</u>
Expenses relating to short-term leases and leases of low-value assets	\$ <u>4,805</u>	<u>4,722</u>

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

	2023	2022
Rental paid in operating activities	\$ (4,805)	(4,722)
Interest on lease liabilities paid in operating activities	(882)	(419)
Payment made on lease liabilities in financing activities	(14,825)	(15,795)
Total cash outflow for leases	\$ <u>(20,512)</u>	<u>(20,936)</u>

(i) Real estate leases

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 3 years.

(ii) Other leases

The Group leases vehicles and equipment, with lease terms of three years.

(iii) The Group leases some equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

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OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
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(j) Employee benefits

(i) Defined benefit plans

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

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 29,543	29,774
Fair value of plan assets	34,041	31,253
Net defined benefit liability	<u><u>\$ (4,498)</u></u>	<u><u>(1,479)</u></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.

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 \$34,041 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:

	2023	2022
Defined benefit obligation on January 1	\$ 29,774	31,652
Current service costs and interest expense	622	654
Remeasurement of net defined liability expense — Actuarial gain (loss) arising from experience adjustments	<u>(853)</u>	<u>(2,532)</u>
Defined benefit obligation on December 31	<u><u>\$ 29,543</u></u>	<u><u>29,774</u></u>

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OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
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3) Movements in the fair value of plan assets

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

	<u>2023</u>	<u>2022</u>
Fair value of plan assets on January 1	\$ 31,253	26,861
Contributions paid by the employer	2,121	2,022
Interest income	490	426
Remeasurement of net defined asset		
— Return on plan assets (excluding interest income)	<u>177</u>	<u>1,944</u>
Fair value of plan assets on December 31	<u><u>\$ 34,041</u></u>	<u><u>31,253</u></u>

4) Expenses recognized in profit or loss

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

	<u>2023</u>	<u>2022</u>
Current service costs	\$ 176	179
Net interest of net liability (asset) for defined benefit	<u>(44)</u>	<u>49</u>
	<u><u>\$ 132</u></u>	<u><u>228</u></u>
Selling expenses	\$ 102	186
Administrative expenses	20	35
Research and development expenses	<u>10</u>	<u>7</u>
	<u><u>\$ 132</u></u>	<u><u>228</u></u>

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

As of December 31, 2023 and 2022, the Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income were as follows:

	<u>2023</u>	<u>2022</u>
Cumulated amount on January 1	\$ 228	4,704
Recognized during the period	<u>(1,030)</u>	<u>(4,476)</u>
Cumulated amount on December 31	<u><u>\$ (802)</u></u>	<u><u>228</u></u>

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Notes to the Consolidated Financial Statements

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	<u>2023</u>	<u>2022</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 \$3,170 thousand.

The weighted average duration of the defined benefit plans is 5.3 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligations as of December 31, 2023 and 2022, would have been as follows:

	Influence of defined benefit obligations	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
Discount rate:		
December 31, 2023	\$ <u>(699)</u>	<u>727</u>
December 31, 2022	\$ <u>(787)</u>	<u>819</u>

	Influence of defined benefit obligations	
	<u>Increased 1%</u>	<u>Decreased 1%</u>
Future salary increase rate:		
December 31, 2023	\$ <u>2,722</u>	<u>(2,417)</u>
December 31, 2022	\$ <u>3,104</u>	<u>(2,729)</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 2023 and 2022.

(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.

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OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 \$10,476 thousand and \$9,586 thousand for the years ended December 31, 2023 and 2022, respectively.

(k) Income taxes

(i) Income tax expense

The components of income tax expenses were as follows:

	<u>2023</u>	<u>2022</u>
Current tax expense	\$ 42,963	35,504
Deferred tax expense	963	1,879
Income tax expense	<u>\$ 43,926</u>	<u>37,383</u>

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

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

	<u>2023</u>	<u>2022</u>
Exchange differences on translation of foreign operations financial statements	\$ <u>(597)</u>	<u>468</u>

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

	<u>2023</u>	<u>2022</u>
Profit before income tax	\$ 242,647	219,089
Income tax using the Company's domestic tax rate	48,529	43,818
Effect of tax rate differential in foreign jurisdictions	85	424
Current-year losses for which no deferred tax asset was recognized	(57)	1,731
Losses on liquidation of investment in domestic subsidiaries	-	(3,752)
Investment tax credits accrued	(5,045)	(4,736)
Changes in provision in prior periods	(1,880)	(1,186)
Additional tax on undistributed earnings	2,103	1,271
Others	191	(187)
	<u>\$ 43,926</u>	<u>37,383</u>

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

(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:

	December 31, 2023	December 31, 2022
Tax losses	<u><u>\$ 417</u></u>	<u><u>474</u></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.

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, 2023, 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>
EFD		
2020(examined)	\$ 668	2030
2021(examined)	<u>1,413</u>	2031
	<u><u>\$ 2,081</u></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	Others	Total
Deferred tax liabilities:				
Balance on January 1, 2023	\$ 8,107	2,498	173	10,778
Debit / (credit) profit or loss	<u>311</u>	<u>398</u>	<u>(152)</u>	<u>557</u>
Balance on December 31, 2023	<u><u>\$ 8,418</u></u>	<u><u>2,896</u></u>	<u><u>21</u></u>	<u><u>11,335</u></u>
Balance on January 1, 2022	\$ 6,468	2,139	-	8,607
Debit profit or loss	<u>1,639</u>	<u>359</u>	<u>173</u>	<u>2,171</u>
Balance on December 31, 2022	<u><u>\$ 8,107</u></u>	<u><u>2,498</u></u>	<u><u>173</u></u>	<u><u>10,778</u></u>

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

	Share of other comprehensive income of subsidiaries recognized under the equity method	Loss on inventory valuation and obsolete inventories	Bad debt in excess of tax limit	Others	Total
Deferred tax assets:					
Balance on January 1, 2023	\$ (2,313)	(785)	(199)	(7)	(3,304)
Debit / (credit) profit or loss	-	439	5	(38)	406
Credit other comprehensive income	(597)	-	-	-	(597)
Balance on December 31, 2023	<u>\$ (2,910)</u>	<u>(346)</u>	<u>(194)</u>	<u>(45)</u>	<u>(3,495)</u>
Balance on January 1, 2022	\$ (2,781)	(434)	(202)	(62)	(3,479)
Debit / (credit) profit or loss	-	(351)	3	56	(292)
Debit 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>

- (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	2021
To Gather	2022
EFD	2021

(l) **Business combination**

In order to expand its product lines and increase its market share, the Group acquired a combination of original EFD Ltd.'s assets and reorganized original EFD Ltd.'s management team by cash, at the amount of \$24,762 thousand on September 30, 2023.

(i) **Acquisition of identifiable net assets**

The following table summarizes the recognized amounts of assets acquired at the acquisition date.

Property, plant and equipment (note 6(f))	\$ 2,168
Intangible assets (note 6(h))	<u>22,499</u>
Total fair value of identifiable net assets	<u><u>\$ 24,667</u></u>

(ii) **Goodwill**

Consideration transferred—Cash	\$ 24,762
Less: Fair value of identifiable net assets	<u>24,667</u>
Goodwill (note 6(h))	<u><u>\$ 95</u></u>

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

(iii) Intangible assets

Intangible assets consist of computer software, customer relationships and company's name, which were recognized in profit or loss on a straight-line basis over the estimated useful lives.

The goodwill is attributable mainly to the future profitability of EFD and its technical talent of work force, as well as the synergies expected to be achieved from integrating EFD into the Group's existing business.

(m) Capital and other equity

(i) Capital

As of December 31, 2023 and 2022, 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:

	December 31, 2023	December 31, 2022
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.

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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 2022 on March 20, 2023 and the distribution of earnings for 2021 on March 22, 2022, respectively. As well as the stockholders' meeting resolved the distribution of earnings for 2022 on June 19, 2023 and the distribution of earnings for 2021 on June 21, 2022, respectively. The distribution was \$7.5 (dollars) and \$6.0 (dollars) per share, which amounted to \$128,227 thousand and \$102,582 thousand, respectively.

The Board of Directors resolved the distribution of earnings for 2023 on March 11, 2024. The distribution was \$8.0 (dollars) per share, which amounted to \$136,776 thousand.

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

(n) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding was as follows:

	<u>2023</u>	<u>2022</u>
Profit attributable to ordinary shareholders of the Company	\$ <u>198,721</u>	<u>182,145</u>
Weighted average number of ordinary shares(thousand shares)	<u>17,097</u>	<u>17,097</u>
Basic earnings per share	\$ <u>11.62</u>	<u>10.65</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>2023</u>	<u>2022</u>
Profit attributable to ordinary shareholders of the Company	\$ <u>198,721</u>	<u>182,145</u>
Weighted-average number of ordinary shares (diluted) (thousand shares)	<u>17,204</u>	<u>17,256</u>
Diluted earnings per share	\$ <u>11.55</u>	<u>10.56</u>

Weighted-average number of ordinary shares (diluted)

	<u>2023</u>	<u>2022</u>
Weighted-average number of ordinary shares (basic)	17,097	17,097
Effect of employee remuneration	<u>107</u>	<u>159</u>
Weighted-average number of ordinary shares (diluted)	<u>17,204</u>	<u>17,256</u>

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

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

		2023			
		Business unit 1	Business unit 2	Business unit 3	Total
Primary geographical markets:					
Taiwan	\$	1,601,008	-	-	1,601,008
China		-	64,022	26,138	90,160
	\$	<u>1,601,008</u>	<u>64,022</u>	<u>26,138</u>	<u>1,691,168</u>
Major products:					
Software	\$	1,465,545	62,440	24,151	1,552,136
Service		106,102	1,582	1,987	109,671
Others		29,361	-	-	29,361
	\$	<u>1,601,008</u>	<u>64,022</u>	<u>26,138</u>	<u>1,691,168</u>
		2022			
		Business unit 1	Business unit 2	Business unit 3	Total
Primary geographical markets:					
Taiwan	\$	1,422,291	-	-	1,422,291
China		-	59,430	74,308	133,738
	\$	<u>1,422,291</u>	<u>59,430</u>	<u>74,308</u>	<u>1,556,029</u>
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
Others		26,220	-	8	26,228
	\$	<u>1,422,291</u>	<u>59,430</u>	<u>74,308</u>	<u>1,556,029</u>

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

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable (including long-term and related parties)	\$ 286,983	304,269	317,294
Less: allowance for impairment	(478)	(992)	(536)
Total	\$ 286,505	303,277	316,758
Contract liabilities	\$ 15,899	14,732	11,287

- (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, 2023 and 2022, that was included in the contract liability balance at the beginning of the period was \$11,634 thousand and \$9,072 thousand, respectively.

(p) 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, 2023 and 2022, the Company estimated its employee remuneration amounting to \$12,968 thousand and \$11,725 thousand, and directors' remuneration amounting to \$3,890 thousand and \$3,518 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 2023 and 2022. 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

(q) Other gains and losses

The details of other gains and losses were as follows:

	<u>2023</u>	<u>2022</u>
Government grants	\$ 1,818	1,181
Foreign exchange gains (losses)	(271)	1,328
Impairment loss on other non-current assets	-	(5,685)
Others	<u>3</u>	<u>(1,349)</u>
	<u>\$ 1,550</u>	<u>(4,525)</u>

(r) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2023 and 2022, the maximum amount to credit risk amounted to \$933,715 thousand and \$902,085 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.

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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>
December 31, 2023					
Accounts payable	\$ 135,708	135,708	135,708	-	-
Salaries payable	63,364	63,364	63,364	-	-
Other payables	34,216	34,216	34,216	-	-
Lease liabilities	<u>54,654</u>	<u>56,797</u>	<u>15,852</u>	<u>14,911</u>	<u>26,034</u>
	<u>\$ 287,942</u>	<u>290,085</u>	<u>249,140</u>	<u>14,911</u>	<u>26,034</u>
December 31, 2022					
Accounts payable	\$ 128,588	128,588	128,588	-	-
Salaries payable	60,646	60,646	60,646	-	-
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>\$ 236,494</u>	<u>237,022</u>	<u>227,636</u>	<u>4,042</u>	<u>5,344</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, 2023			December 31, 2022			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
<u>Financial assets</u>							
<u>Monetary items-USD</u>	\$	605	30.725	18,587	321	30.720	9,848
<u>Monetary items-JP</u>		7,326	0.2175	1,593	7,599	0.2331	1,772
<u>Financial liabilities</u>							
<u>Monetary items-USD</u>		81	30.725	2,502	106	30.720	3,262
<u>Monetary items-JP</u>		6,206	0.2175	1,350	1,173	0.2331	273

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, 2023 and 2022, would have increased or decreased the profit before tax by \$816 thousand and \$404 thousand for the years ended December 31, 2023 and 2022, respectively. The analysis is performed on the same basis for both periods.

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OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
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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	2023		2022	
	Foreign exchange gain or loss	Average exchange rate	Foreign exchange gain or loss	Average exchange rate
TWD	\$ (377)	1	1,002	1
CNY	106	4.396	326	4.423
	<u>\$ (271)</u>		<u>1,328</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.

(v) Fair value — Kinds of financial instruments and fair value

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

	Carrying amounts	December 31, 2023			
		Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 598,019				
Financial assets measured at amortized cost	30,000				
Notes and accounts receivable (including long-term and related parties)	286,505				
Other receivables	408				
Refundable deposits	18,283				
Restricted deposit	500				
Total	<u>\$ 933,715</u>				

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OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
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		December 31, 2023				
		Carrying amounts	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost:						
Accounts payable	\$	135,708				
Salaries payable		63,364				
Other payables		34,216				
Lease liabilities		54,654				
Total	\$	<u>287,942</u>				
		December 31, 2022				
		Carrying amounts	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:						
Cash and cash equivalents	\$	523,870				
Financial assets measured at amortized cost		57,000				
Notes and accounts receivable (including long-term and related parties)		303,277				
Other receivables		475				
Refundable deposits		16,963				
Restricted deposit		500				
Total	\$	<u>901,585</u>				
Financial liabilities measured at amortized cost:						
Accounts payable (including related parties)	\$	128,588				
Salaries payable		60,646				
Other payables		30,758				
Lease liabilities		16,502				
Total	\$	<u>236,494</u>				

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

(s) Financial risk management

(i) Overview

The Group has exposure to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

(ii) Structure of risk management

The financial management department of the Group provides services for each business, including helping businesses to operate in the domestic and international financial markets, and supervising and managing the financial risks of the Group related to the operation by analyzing the internal risk report in accordance with the degree and extent of risk. Internal auditors continue to review policy compliance and risk limits.

(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.

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OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES
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(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

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

(t) 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, 2023 and 2022, the debt ratios were 27% and 25%, respectively. There were no changes in the Group's approach to capital management as of December 31, 2023.

(u) 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, 2023 and 2022, were as follows:

- (i) For acquisition of right-of-use asset from lease, please refer to notes 6(g) and (i).
- (ii) Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2023	Acquisition	Cash flows	Non-cash changes	December 31, 2023
Lease liabilities (total liabilities from financing activities)	\$ <u>16,502</u>	<u>53,516</u>	<u>(14,825)</u>	<u>(539)</u>	<u>54,654</u>

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

	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>

(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.

Name	Relationship
Otsuka Information System Trading (Shanghai) Limited (Otsuka Shanghai)	The same chairman as the Company
Clean Brothers Inc. (Clean Bros.)	Director of To Gather Corp. (note)
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: To Gather was liquidated on December 2, 2022.

(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:

	Sales		Accounts receivable	
	2023	2022	December 31, 2023	December 31, 2022
Other related parties	\$ 4,799	7,626	399	586

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, for the years ended December 31, 2023 and 2022.

(ii) Purchases

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

	Purchases		Accounts payable	
	2023	2022	December 31, 2023	December 31, 2022
Other related parties	\$ -	168	-	-

(Continued)

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

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, 2023 and 2022.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2023	2022
Short term employee benefits	\$ 24,018	28,044
Termination benefits	262	248
Post employment benefits	-	-
Other long term benefits	-	-
Share based payments	-	-
	<u><u>\$ 24,280</u></u>	<u><u>28,292</u></u>

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2023	December 31, 2022
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:None

(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	2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		-	220,168	220,168	-	212,277	212,277
Labor and health insurance		-	15,754	15,754	-	14,487	14,487
Pension		-	10,608	10,608	-	9,814	9,814
Others		-	10,191	10,191	-	9,462	9,462
Depreciation		-	19,526	19,526	-	19,203	19,203
Amortization		-	3,770	3,770	-	4,141	4,141

(Continued)

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:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (note 1)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	EFD	Other receivables	Y	30,000	30,000	15,000	2.867	Necessary to short-term loans to other parties	-	Operating capital	-	N	-	91,185	182,371

Note1: The ending balance is the amount of loans to other parties were authorized by the Board of Directors.

Note2: The total amount of loans due to necessary to short-term loans to a company shall not exceed 10% of its net worth; and the total amount of loans to all companies shall not exceed 20% of their net worth.

Note3: Related transactions have been eliminated during the preparation of the consolidated financial statements.

(ii) Guarantees and endorsements for other parties:None

(iii) Securities held as of December 31, 2023 (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	EFD Corporation	Parent to subsidiary	Other receivables	15,143	Note 4	1.21%
1	EFD Corporation	The Company	Subsidiary to parent	Lease receivable	5,329	10th of each month	0.43%
2	Otsuka OITC Information Technology (Shanghai) Ltd.	Otsuka Software Trading (Dongguan) Ltd.	Subsidiary to subsidiary	Sales	13,402	Cost-plus	0.79%
3	Otsuka Software Trading (Dongguan) Ltd.	Otsuka Information Technology (Shanghai) Ltd.	Subsidiary to subsidiary	Sales	2,556	Cost-plus	0.15%

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.

Note4: The other receivable arise from intercompany loans.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (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, 2023			Net income (losses) of investee	Share of profits/losses of investee	Highest balance during the year		Note
				December 31, 2023	December 31, 2022	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 %	160,022	1,555	1,555	32,760	100.00 %	Subsidiary (note 1)
"	EFD Corporation	Taiwan	Software merchandising	30,000	30,000	3,000	100.00 %	27,394	287	(238)	3,000	100.00 %	"

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

(c) Information on investment in mainland China:

(i) The names of investees in China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	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	49,160 (US\$1,600 thousand)	Note 3	49,160 (US\$1,600 thousand)	-	-	49,160 (US\$1,600 thousand)	(1,096)	100.00%	(1,096)	83,274	-	100 %	-
Otsuka Information Technology (Shanghai) Ltd.	Software merchandising	79,885 (US\$2,600 thousand)	"	79,885 (US\$2,600 thousand)	-	-	79,885 (US\$2,600 thousand)	2,651	100.00%	2,651	76,740	-	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).

(Continued)

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

(ii) Limitation on investment in China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
129,045 (USD4,200 thousand)	129,045 (USD4,200 thousand)	547,112

Note: The TWD amount was measured on December 31, 2023 with the spot exchange rate of 30.725.

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, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Otsuka Corp.		6,465,900	37.81 %
LIOU,BO-WUN		1,002,000	5.86 %

(14) Segment information:

(a) General information

For the purpose of resource allocation and performance measurement, the Group separates the operating segments according to the customers' geographical locations and conditions. The Group regularly monitors and manages every segment's operating results through operating decision makers. The operating segments of Business Unit 1, Business Unit 2, and Business Unit 3 are the reportable segments, whose revenues mainly come from CAD, designing, valuable and multiple CAD integration, consulting services and catering service.

Since the operating segments supply different kinds of products and services, and the sales units will differ in their product categories and marketing strategies, the operating segments are managed separately.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Reportable segments' profit or loss, segment assets and their measurement and reconciliation

Income tax and extraordinary profits and losses are not allocated to the Group's reportable segments, and the amounts for the reported segments are identical with those in the report used by the chief operating decision maker.

The accounting policies of the operating segments are the same as those described in note 4 and the Group assessed the performance of the segments based on the segments' income before income taxes (excluding extraordinary profit or loss and exchange gains or losses). Sales and transfers between segments are deemed to be transactions with third parties and are measured by using the market price.

The Group's segment financial information was as follows:

	2023				
	Business Unit 1	Business Unit 2	Business Unit 3	Reconciliation and write-off	Total
External revenues	\$ 1,601,008	64,022	26,138	-	1,691,168
Intra-group revenue	200	10,230	5,729	(16,159)	-
Total segment revenue	\$ 1,601,208	74,252	31,867	(16,159)	1,691,168
Reportable segment profit and loss	\$ 237,191	2,727	(2,751)	-	237,167

	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)	-
Total segment revenue	\$ 1,424,544	71,743	87,733	(27,991)	1,556,029
Reportable segment profit and loss	\$ 214,363	1,640	5,049	-	221,052

(c) Products and services information

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

Products and services	2023	2022
Software	\$ 1,552,136	1,443,121
Service	109,671	85,840
Catering service	-	840
Other	29,361	26,228
Total	\$ 1,691,168	1,556,029

(Continued)

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

(d) Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers, and non-current assets are based on the geographical location of the assets. Details were as follows:

<u>Geographic Information</u>	<u>2023</u>	<u>2022</u>
External revenues:		
Taiwan	\$ 1,601,008	1,422,291
China	<u>90,160</u>	<u>133,738</u>
Total	<u>\$ 1,691,168</u>	<u>1,556,029</u>
Non-current assets		
Taiwan	\$ 120,746	51,180
China	<u>4,342</u>	<u>2,758</u>
Total	<u>\$ 125,088</u>	<u>53,938</u>

(e) Major customers

The Group's revenues from a single customer did not exceed 10% of operating revenues in the consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022, so the Group does not disclose any information on major customers.



安侯建業聯合會計師事務所
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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 sheet as of December 31, 2023 and 2022, the parent company only statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material 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, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years ended December 31, 2023 and 2022 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 Financial Statement Audit and Attestation Engagements of 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 of our opinion.

Key Audit Matters

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

Evaluation of inventories

Please refer to Note 4(g) for the accounting policy for "Inventories", Note 5 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.

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 Fu, Hung-Wen and Horng, Shyh-Gang.

KPMG

Taipei, Taiwan (Republic of China)
March 11, 2024

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
OTSUKA INFORMATION TECHNOLOGY CORP.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022			
		Amount	%	Amount	%	Amount	%
Assets							
Current assets:							
11100	Cash and cash equivalents (note 6(a))	\$	455,801	37	399,642	36	2170
11170	Notes and accounts receivable, net (notes 6(c), (n) and 7)		261,864	21	267,587	24	2201
1300	Inventories (note 6(d))		162,698	13	151,104	14	2200
1410	Other current assets (notes 6(e) and 7)		17,519	2	3,206	-	2280
	Total current assets		897,882	73	821,539	74	2130
Non-current assets:							
1535	Financial assets at amortized cost — non-current (note 6(b))		30,000	3	30,000	3	2300
1550	Investments accounted for using equity method, net (note 6(f))		187,416	15	189,087	17	
1600	Property, plant and equipment (note 6(g))		24,282	2	27,018	2	2570
1755	Right-of-use assets (notes 6(h) and 7)		48,292	4	15,233	1	2580
1900	Other non-current assets (notes 6(a), (c), (j), (k), (n) and 8)		39,869	3	28,804	3	
	Total non-current assets		329,859	27	290,142	26	
Equity attributable to owners of parent:							
	Ordinary shares (note 6(l))						3100
	Capital surplus (note 6(l))						3200
	Legal reserve (note 6(l))						3310
	Special reserve (note 6(l))						3320
	Unappropriated retained earnings (note 6(l))						3350
	Exchange differences on translation of foreign financial statements						3410
	Total equity						
	Total liabilities and equity	\$	1,227,741	100	1,111,681	100	
		\$	1,227,741	100	1,111,681	100	

(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, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(n) and 7)	\$ 1,589,664	100	1,423,360	100
5000	Operating costs (notes 6(d) and 7)	<u>1,060,248</u>	<u>67</u>	<u>931,308</u>	<u>65</u>
	Gross profit	<u>529,416</u>	<u>33</u>	<u>492,052</u>	<u>35</u>
	Operating expenses: (notes 6(c), (e), (i), (j), (o), 7 and 12)				
6100	Selling expenses	230,948	14	227,825	16
6200	Administrative expenses	46,249	3	40,918	3
6300	Research and development expenses	15,603	1	7,478	1
6450	Expected credit loss (reversal of expected credit loss)	<u>(833)</u>	<u>-</u>	<u>406</u>	<u>-</u>
	Total operating expenses	<u>291,967</u>	<u>18</u>	<u>276,627</u>	<u>20</u>
	Net operating income	<u>237,449</u>	<u>15</u>	<u>215,425</u>	<u>15</u>
	Non-operating income and expenses:				
7100	Interest income (note 7)	3,260	-	1,511	-
7020	Other gains and losses (notes 6(p) and 7)	1,281	-	2,697	-
7070	Share of profit (loss) of subsidiaries accounted for using equity method	1,317	-	(17)	-
7510	Interest expense (notes 6(i) and 7)	<u>(801)</u>	<u>-</u>	<u>(355)</u>	<u>-</u>
	Total non-operating income and expenses	<u>5,057</u>	<u>-</u>	<u>3,836</u>	<u>-</u>
	Profit before tax	242,506	15	219,261	15
7950	Less: Income tax expenses (note 6(k))	<u>43,785</u>	<u>2</u>	<u>37,116</u>	<u>2</u>
	Profit	<u>198,721</u>	<u>13</u>	<u>182,145</u>	<u>13</u>
8300	Other comprehensive income:				
8310	Items that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans (note 6(j))	1,030	-	4,476	-
8349	Income tax related to items that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>1,030</u>	<u>-</u>	<u>4,476</u>	<u>-</u>
8360	Items that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(2,988)	-	2,340	-
8399	Income tax related to items that will be reclassified to profit or loss (note 6(k))	<u>597</u>	<u>-</u>	<u>(468)</u>	<u>-</u>
		<u>(2,391)</u>	<u>-</u>	<u>1,872</u>	<u>-</u>
8300	Other comprehensive income	<u>(1,361)</u>	<u>-</u>	<u>6,348</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 197,360</u>	<u>13</u>	<u>188,493</u>	<u>13</u>
	Earnings per share (NT dollars) (note 6(m))				
	Basic earnings per share	<u>\$ 11.62</u>		<u>10.65</u>	
	Diluted earnings per share	<u>\$ 11.55</u>		<u>10.56</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, 2023 and 2022
(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	
Balance on January 1, 2022	\$ 170,970	68,813	108,463	10,956	407,869	756,809
Profit	-	-	-	-	182,145	182,145
Other comprehensive income	-	-	-	-	4,476	6,348
Total comprehensive income	-	-	-	-	186,621	188,493
Appropriation and distribution of retained earnings:						
Legal reserve	-	-	14,540	-	(14,540)	-
Special reserve	-	-	-	(694)	694	-
Cash dividends of ordinary shares	-	-	-	-	(102,582)	(102,582)
Balance on December 31, 2022	170,970	68,813	123,003	10,262	478,062	842,720
Profit	-	-	-	-	198,721	198,721
Other comprehensive income	-	-	-	-	1,030	(1,361)
Total comprehensive income	-	-	-	-	199,751	197,360
Appropriation and distribution of retained earnings:						
Legal reserve	-	-	18,214	-	(18,214)	-
Special reserve	-	-	-	(1,872)	1,872	-
Cash dividends of ordinary shares	-	-	-	-	(128,227)	(128,227)
Balance on December 31, 2023	\$ 170,970	68,813	141,217	8,390	533,244	911,853

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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 242,506	219,261
Adjustments:		
Adjustments to reconcile profit:		
Depreciation and amortization	19,469	20,059
Losses on inventory valuation and obsolete inventories	939	1,872
Expected credit loss (reversal of expected credit loss)	(833)	406
Interest expense	801	355
Interest income	(3,260)	(1,511)
Share of loss (profit) of subsidiaries accounted for using the equity method	(1,317)	17
Losses on disposal and retirement of property, plant and equipment	40	144
Others	53	-
Total adjustments to reconcile profit	<u>15,892</u>	<u>21,342</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related parties)	5,569	23,014
Other receivables (including related parties)	482	813
Inventories	(12,533)	(61,739)
Other current assets	774	(1,125)
Accounts payable	3,461	30,171
Salaries payable	1,905	(2,302)
Other payables	1,901	3,154
Other current liabilities	415	4,898
Others	(1,989)	(1,794)
Total adjustments	<u>15,877</u>	<u>16,432</u>
Cash inflow generated from operations	258,383	235,693
Interest received	3,091	1,484
Interest paid	(801)	(355)
Income taxes paid	(37,492)	(32,054)
Net cash flows from operating activities	<u>223,181</u>	<u>204,768</u>
Cash flows from (used in) investing activities:		
Proceeds from liquidation of investments accounted for using the equity method	-	9,740
Acquisition of property, plant and equipment	(1,146)	(5,386)
Proceeds from disposal of property, plant and equipment	2	30
Decrease (increase) in refundable deposits	(1,409)	715
Increase in other receivables—related parties	(15,000)	-
Acquisition of unamortized assets	(8,920)	(8,743)
Net cash flows used in investing activities	<u>(26,473)</u>	<u>(3,644)</u>
Cash flows from (used in) financing activities:		
Cash dividends	(128,227)	(102,582)
Payment of lease liabilities	(12,322)	(13,368)
Net cash flows used in financing activities	<u>(140,549)</u>	<u>(115,950)</u>
Net increase in cash and cash equivalents	56,159	85,174
Cash and cash equivalents at beginning of year	<u>399,642</u>	<u>314,468</u>
Cash and cash equivalents at end of year	<u><u>\$ 455,801</u></u>	<u><u>399,642</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, 2023 and 2022

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

(1) Company history

OTSUKA INFORMATION TECHNOLOGY CORP. (“the Company”) was incorporated on August 4, 1997 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 ordinary 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 11, 2024.

(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, 2023:

- 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”

The Company has initially adopted the new amendment, which do not have a significant impact on its parent company only financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (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, 2024, would not have a significant impact on its parent company only financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”
- (c) The impact of IFRSs issued by the International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

The Company does not expect the following 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 IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

The material 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”).

(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.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

(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.

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.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

(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.

(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.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

(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.).

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

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

12-month ECL are the portion of ECL 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 ECL 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.

ECL 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). ECL are discounted at the effective interest rate of the financial asset.

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

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

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

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

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.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost.

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.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

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.

(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.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

(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: 3~6 years
- 3) Office equipment: 1~5 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.

(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.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

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

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

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

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

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

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

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

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.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

(k) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(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 1~10 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 cash-generating units ("CGUs").

The recoverable amount of an asset or CGUs is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGUs.

An impairment loss is recognized if the carrying amount of an asset or CGUs exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are collocated to reduce the carrying amounts of the other assets in the CGUs on a pro rata basis.

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

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

(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 — Software

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.

(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) Government grants

Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(o) 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.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the 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.

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.

(p) Income taxes

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profits (losses) and does not give rise to equal taxable and deductible temporary difference;

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

- (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.

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.

(q) Earnings per share

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

(r) Operating segments

Please refer to the Company's consolidated financial statements for the years ended December 31, 2023 and 2022, for further details.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

(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.

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:

Valuation of inventory

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash	\$ 295	217
Demand deposits	341,506	304,425
Time deposits	114,000	95,000
	<u>\$ 455,801</u>	<u>399,642</u>

As of December 31, 2023 and 2022, 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

	December 31, 2023	December 31, 2022
Financial bond	\$ <u>30,000</u>	<u>30,000</u>

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

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

- (i) The Company purchased the 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, 2023 and 2022, the Company did not provide any of the aforementioned bond as collateral.

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

	December 31, 2023	December 31, 2022
Notes receivable	\$ 24,139	29,890
Accounts receivable	241,142	239,124
Accounts receivable—related parties	<u>115</u>	<u>1,951</u>
	265,396	270,965
Less: allowance for doubtful accounts	(435)	(868)
Long-term notes and accounts receivable, net	<u>(3,097)</u>	<u>(2,510)</u>
	<u>\$ 261,864</u>	<u>267,587</u>

- (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:

	December 31, 2023	December 31, 2022
Less than a year	\$ 3,097	1,354
One to two years	3,097	1,255
Two to three years	<u>-</u>	<u>1,255</u>
	<u>\$ 6,194</u>	<u>3,864</u>

The aforementioned receivables were promptly recovered after the reporting date.

- (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:

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

	December 31, 2023		
	Carrying amounts of notes and accounts receivable (including long- term and related parties)	Lifetime weighted- average ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 227,853	0%	-
Past due 1 to 60 days	36,147	0.5%~1.5%	227
Past due 61 to 210 days	1,337	7%~20%	149
Past due 211 to 270 days	-	30%	-
Past due 271 to 360 days	-	40%	-
More than 361 days past due	59	100%	59
	\$ 265,396		435

	December 31, 2022		
	Carrying amounts of notes and accounts receivable (including long- term and related parties)	Lifetime weighted- average ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 249,698	0%	-
Past due 1 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%	-
	\$ 270,965		868

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

	2023	2022
Balance on January 1	\$ 868	357
Recognition (Reversal) of expected credit loss	(433)	806
Amounts written off	-	(295)
Balance on December 31	\$ 435	868

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

(d) Inventories

	December 31, 2023	December 31, 2022
Software	\$ 161,879	146,945
Hardware	<u>819</u>	<u>4,159</u>
	<u>\$ 162,698</u>	<u>151,104</u>

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

	2023	2022
Losses (Gains) on obsolete inventories and inventory valuation	\$ (2,195)	1,755
Loss on disposal of inventories	<u>3,134</u>	<u>117</u>
Total	<u>\$ 939</u>	<u>1,872</u>

- (ii) As of December 31, 2023 and 2022, the Company did not provide any of the aforementioned inventories as collateral.

(e) Other current assets

	December 31, 2023	December 31, 2022
Other receivables—related parties	\$ 15,143	-
Other receivables	641	1,097
Less: allowance for doubtful accounts—other receivables	(233)	(633)
Prepaid expense and others	<u>1,968</u>	<u>2,742</u>
	<u>\$ 17,519</u>	<u>3,206</u>

The movements in the allowance for other receivables were as follows:

	2023	2022
Balance on January 1	\$ 633	1,033
Reversal of expected credit loss	<u>(400)</u>	<u>(400)</u>
Balance on December 31	<u>\$ 233</u>	<u>633</u>

(f) Investments accounted for using equity method

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

	December 31, 2023	December 31, 2022
Subsidiaries	<u>\$ 187,416</u>	<u>189,087</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

- (i) Please refer to the Company's consolidated financial statements for the year ended December 31, 2023, for details of subsidiaries.
- (ii) As of December 31, 2023 and 2022, the Company did not provide any of the aforementioned investments as collateral.

(g) Property, plant and equipment

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

	Land	Buildings	Computers	Office equipment	Transportation equipment	Total
Cost:						
Balance on January 1, 2023	\$ 10,260	6,175	25,489	4,002	4,439	50,365
Additions	-	-	775	357	14	1,146
Disposals	-	-	(737)	(77)	-	(814)
Balance on December 31, 2023	<u>\$ 10,260</u>	<u>6,175</u>	<u>25,527</u>	<u>4,282</u>	<u>4,453</u>	<u>50,697</u>
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	<u>\$ 10,260</u>	<u>6,175</u>	<u>25,489</u>	<u>4,002</u>	<u>4,439</u>	<u>50,365</u>
Accumulated Depreciation:						
Balance on January 1, 2023	\$ -	2,280	17,447	3,134	486	23,347
Depreciation	-	103	2,841	425	418	3,787
Disposals	-	-	(643)	(76)	-	(719)
Balance on December 31, 2023	<u>\$ -</u>	<u>2,383</u>	<u>19,645</u>	<u>3,483</u>	<u>904</u>	<u>26,415</u>
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	<u>\$ -</u>	<u>2,280</u>	<u>17,447</u>	<u>3,134</u>	<u>486</u>	<u>23,347</u>
Carring amounts:						
Balance on December 31, 2023	<u>\$ 10,260</u>	<u>3,792</u>	<u>5,882</u>	<u>799</u>	<u>3,549</u>	<u>24,282</u>
Balance on December 31, 2022	<u>\$ 10,260</u>	<u>3,895</u>	<u>8,042</u>	<u>868</u>	<u>3,953</u>	<u>27,018</u>
Balance on January 1, 2022	<u>\$ 10,260</u>	<u>3,998</u>	<u>8,139</u>	<u>839</u>	<u>2,777</u>	<u>26,013</u>

As of December 31, 2023 and 2022, 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 Company leases assets including buildings and transportation equipment. Movements of the cost and accumulated depreciation of right-of-us assets were as follows:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:			
Balance on January 1, 2023	\$ 51,815	1,204	53,019
Additions	45,696	-	45,696
Disposals	(33,604)	-	(33,604)
Balance on December 31, 2023	<u>\$ 63,907</u>	<u>1,204</u>	<u>65,111</u>
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>
Accumulated Depreciation:			
Balance on January 1, 2023	\$ 37,083	703	37,786
Depreciation	12,236	401	12,637
Disposals	(33,604)	-	(33,604)
Balance on December 31, 2023	<u>\$ 15,715</u>	<u>1,104</u>	<u>16,819</u>
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>
Carrying amount:			
Balance on December 31, 2023	<u>\$ 48,192</u>	<u>100</u>	<u>48,292</u>
Balance on December 31, 2022	<u>\$ 14,732</u>	<u>501</u>	<u>15,233</u>
Balance on January 1, 2022	<u>\$ 13,008</u>	<u>903</u>	<u>13,911</u>

(i) Lease liabilities

Lease liabilities of the Company were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	<u>\$ 12,283</u>	<u>5,707</u>
Non-current	<u>\$ 35,750</u>	<u>8,952</u>

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

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

The amount recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	\$ 801	355
Expenses relating to short-term leases and leases of low-value assets	\$ 4,152	4,163

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

	2023	2022
Rental paid in operating activities	\$ (4,152)	(4,163)
Interest on lease liabilities paid in operating activities	(801)	(355)
Payment made on lease liabilities in financing activities	(12,322)	(13,368)
Total cash outflow for leases	\$ (17,275)	(17,886)

(i) Buildings leases

The Company leases buildings for its office space and warehouse. The leases of office space typically run for a period of 3 to 5 years, and of warehouse for 3 years. The Company leases buildings from subsidiaries for its office space for the year ended December, 31, 2023, please refer to note 7.

(ii) Other leases

The Company leases vehicle for transportation equipment, with lease term of 3 years.

(iii) The Company leases some equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(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, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 29,543	29,774
Fair value of plan assets	34,041	31,253
Net defined benefit liability (asset)	\$ (4,498)	(1,479)

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.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

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 \$34,041 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:

	2023	2022
Defined benefit obligation on January 1	\$ 29,774	31,652
Current service costs and interest expense	622	654
Remeasurement of net defined liability expense — Actuarial gain (loss) arising from experience adjustments	(853)	(2,532)
Defined benefit obligation on December 31	<u><u>\$ 29,543</u></u>	<u><u>29,774</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:

	2023	2022
Fair value of plan assets on January 1	\$ 31,253	26,861
Contributions paid by the employer	2,121	2,022
Interest income	490	426
Remeasurement of net defined asset — Return on plan assets (excluding interest income)	177	1,944
Fair value of plan assets on December 31	<u><u>\$ 34,041</u></u>	<u><u>31,253</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>2023</u>	<u>2022</u>
Current service costs	\$ 176	179
Net interest of net liabilities (asset) for defined benefit	(44)	49
	<u>\$ 132</u>	<u>228</u>
Selling expenses	\$ 102	186
Administrative expenses	20	35
Research and development expenses	10	7
	<u>\$ 132</u>	<u>228</u>

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

As of December 31, 2023 and 2022, the Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income were as follows:

	<u>2023</u>	<u>2022</u>
Cumulated amount on January 1	\$ 228	4,704
Recognized during the period	(1,030)	(4,476)
Cumulated amount on December 31	<u>\$ (802)</u>	<u>228</u>

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	<u>2023</u>	<u>2022</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 \$3,170 thousand.

The weighted average duration of the defined benefit plans is 5.3 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, 2023 and 2022, would have been as follows:

		Influence of defined benefit obligations	
		Increased 0.25%	Decreased 0.25%
Discount rate:			
December 31, 2023	\$	<u>(699)</u>	<u>727</u>
December 31, 2022	\$	<u>(787)</u>	<u>819</u>
		Influence of defined benefit obligations	
		Increased 1%	Decreased 1%
Future salary increase rate:			
December 31, 2023	\$	<u>2,722</u>	<u>(2,417)</u>
December 31, 2022	\$	<u>3,104</u>	<u>(2,729)</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 2023 and 2022.

(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 \$7,544 thousand and \$6,994 thousand for the years ended December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Current tax expense	\$ 42,806	35,285
Deferred tax expense	<u>979</u>	<u>1,831</u>
Income tax expense	<u>\$ 43,785</u>	<u>37,116</u>

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

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

	<u>2023</u>	<u>2022</u>
Exchange differences on translation of foreign operations' financial statements	<u>\$ (597)</u>	<u>468</u>

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

	<u>2023</u>	<u>2022</u>
Profit before income tax	\$ 242,506	219,261
Income tax using the Company's domestic tax rate	48,501	43,852
Loss on liquidation of investment in domestic subsidiaries	-	(3,752)
Change in provision in prior periods	(1,880)	(1,186)
Surtax unappropriated earnings	2,103	1,271
Investment tax credits accrued	(5,045)	(4,736)
Others	<u>106</u>	<u>1,667</u>
	<u>\$ 43,785</u>	<u>37,116</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	Others	Total	
Deferred tax liabilities:					
Balance on January 1, 2023	\$ 8,107	2,498	173	10,778	
Debit / (credit) profit or loss	<u>311</u>	<u>398</u>	<u>(152)</u>	<u>557</u>	
Balance on December 31, 2023	<u><u>\$ 8,418</u></u>	<u><u>2,896</u></u>	<u><u>21</u></u>	<u><u>11,335</u></u>	
Balance on January 1, 2022	\$ 6,468	2,139	-	8,607	
Debit profit or loss	<u>1,639</u>	<u>359</u>	<u>173</u>	<u>2,171</u>	
Balance on December 31, 2022	<u><u>\$ 8,107</u></u>	<u><u>2,498</u></u>	<u><u>173</u></u>	<u><u>10,778</u></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, 2023	\$ (2,313)	(785)	(193)	-	(3,291)
Debit / (credit) profit or loss	-	439	-	(17)	422
Credit other comprehensive income	<u>(597)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(597)</u>
Balance on December 31, 2023	<u><u>\$ (2,910)</u></u>	<u><u>(346)</u></u>	<u><u>(193)</u></u>	<u><u>(17)</u></u>	<u><u>(3,466)</u></u>
Balance on January 1, 2022	\$ (2,781)	(434)	(193)	(11)	(3,419)
Debit / (credit) profit or loss	-	(351)	-	11	(340)
Debit other comprehensive income	<u>468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>468</u>
Balance on December 31, 2022	<u><u>\$ (2,313)</u></u>	<u><u>(785)</u></u>	<u><u>(193)</u></u>	<u><u>-</u></u>	<u><u>(3,291)</u></u>

(vi) The Company's income tax returns have been examined by the tax authority through the years up to 2021.

(l) Capital and other equity

(i) Capital

As of December 31, 2023 and 2022, 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:

	December 31, 2023	December 31, 2022
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

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 2022 on March 20, 2023 and the distribution of earnings for 2021 on March 22, 2022, respectively. As well as the stockholders' meeting resolved the distribution of earnings for 2022 on June 19, 2023 and the distribution of earnings for 2021 on June 21, 2022, respectively. The distribution was \$7.5 (dollars) and \$6.0 (dollars) per share, which amounted to \$128,227 thousand and \$102,582 thousand, respectively.

The Board of Directors resolved the distribution of earnings for 2023 on March 11, 2024. The distribution was \$8.0 (dollars) per share, which amounted to \$136,776 thousand.

(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:

	<u>2023</u>	<u>2022</u>
Profit attributable to ordinary shareholders of the Company	\$ <u>198,721</u>	<u>182,145</u>
Weighted average number of ordinary shares (thousand shares)	<u>17,097</u>	<u>17,097</u>
Basic earnings per share	\$ <u>11.62</u>	<u>10.65</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

(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:

	2023	2022
Profit attributable to ordinary shareholders of the Company (diluted)	<u><u>\$ 198,721</u></u>	<u><u>182,145</u></u>
Weighted-average number of ordinary shares (diluted) (thousand shares)	<u><u>17,204</u></u>	<u><u>17,256</u></u>
Diluted earnings per share	<u><u>\$ 11.55</u></u>	<u><u>10.56</u></u>
	2023	2022
Weighted-average number of ordinary shares (basic)	17,097	17,097
Effect of employee remuneration	107	159
Weighted-average number of ordinary shares (diluted)	<u><u>17,204</u></u>	<u><u>17,256</u></u>

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	2023	2022
Primary geographical markets:		
Taiwan	<u><u>\$ 1,589,664</u></u>	<u><u>1,423,360</u></u>
Major products:		
Software	\$ 1,455,119	1,315,364
Service	105,184	81,776
Others	<u>29,361</u>	<u>26,220</u>
	<u><u>\$ 1,589,664</u></u>	<u><u>1,423,360</u></u>

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable (including long-term)	\$ 265,281	269,014	294,274
Accounts receivable—related parties	115	1,951	-
Less: allowance for impairment	<u>(435)</u>	<u>(868)</u>	<u>(357)</u>
Total	<u><u>\$ 264,961</u></u>	<u><u>270,097</u></u>	<u><u>293,917</u></u>
Contract liabilities	<u><u>\$ 14,821</u></u>	<u><u>14,431</u></u>	<u><u>9,779</u></u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

- 1) For details on notes and accounts receivable (including long-term and related parties) and allowance for impairment, please refer to note 6(c).
- 2) 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, 2023 and 2022 that was included in the contract liability balance at the beginning of the period were \$11,333 thousand and \$7,591 thousand, respectively.

(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, 2023 and 2022, the Company estimated its employee remuneration amounting to \$12,968 thousand and \$11,725 thousand, and directors' remuneration amounting to \$3,890 thousand and \$3,518 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 2023 and 2022. 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:

	<u>2023</u>	<u>2022</u>
Government grants	\$ 1,692	1,164
Foreign exchange gains (losses)	(419)	1,134
Others	<u>8</u>	<u>399</u>
	<u>\$ 1,281</u>	<u>2,697</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

(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, 2023 and 2022, the maximum amount exposed to credit risk amounted to \$780,317 thousand and \$712,798 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).

4) The exposure to credit risk for the financial assets at amortized cost are measured and monitored by the Company's finance department. The Company only deals with banks with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
December 31, 2023					
Accounts payable	\$ 124,836	124,836	124,836	-	-
Salaries payable	60,278	60,278	60,278	-	-
Other payables	31,495	31,495	31,495	-	-
Lease liabilities	<u>48,033</u>	<u>49,999</u>	<u>13,135</u>	<u>12,526</u>	<u>24,338</u>
	<u>\$ 264,642</u>	<u>266,608</u>	<u>229,744</u>	<u>12,526</u>	<u>24,338</u>
December 31, 2022					
Accounts payable	\$ 121,375	121,375	121,375	-	-
Salaries payable	58,373	58,373	58,373	-	-
Other payables	29,594	29,594	29,594	-	-
Lease liabilities	<u>14,659</u>	<u>15,168</u>	<u>5,942</u>	<u>3,881</u>	<u>5,345</u>
	<u>\$ 224,001</u>	<u>224,510</u>	<u>215,284</u>	<u>3,881</u>	<u>5,345</u>

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2023			December 31, 2022			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
<u>Financial assets</u>							
<u>Monetary items</u> -USD	\$	488	30.725	14,990	204	30.720	6,253
<u>Monetary items</u> -JP		7,326	0.2175	1,593	7,599	0.2331	1,772
<u>Financial liabilities</u>							
<u>Monetary items</u> -USD		56	30.725	1,717	48	30.720	1,467
Monetary items-JP		1,069	0.2175	232	1,173	0.2331	273

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, 2023 and 2022, would have increased or decreased the profit before tax by \$732 thousand and \$314 thousand for the years ended December 31, 2023 and 2022, 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:

	2023		2022	
	Foreign exchange gain or loss	Average exchange rate	Foreign exchange gain or loss	Average exchange rate
<u>Functional currencies</u>				
TWD	\$ (419)	1	1,134	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.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

(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.

		December 31, 2023				
		Carrying amounts	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:						
Financial bond	\$	30,000				
Cash and cash equivalents		455,801				
Notes and accounts receivable (including long-term and related parties)		264,961				
Other receivables (including related parties)		15,551				
Refundable deposits		13,504				
Restricted deposit		<u>500</u>				
Total	\$	<u><u>780,317</u></u>				
Financial liabilities measured at amortized cost:						
Accounts payable	\$	124,836				
Salaries payable		60,278				
Other payables		31,495				
Lease liabilities		<u>48,033</u>				
Total	\$	<u><u>264,642</u></u>				
		December 31, 2022				
		Carrying amounts	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:						
Financial bond	\$	30,000				
Cash and cash equivalents		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>				

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

	December 31, 2022				
	Carrying amounts	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost:					
Accounts payable	\$ 121,375				
Salaries payable	58,373				
Other payables	29,594				
Lease liabilities	14,659				
Total	<u>\$ 224,001</u>				

(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 desposites that are denominated in a currency other than the respective functional currencies of the Company's entities. The bank desposites 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, 2023 and 2022, the debt ratios were 26% and 24%, respectively. There were no changes in the Company's approach to capital management as of December 31, 2023.

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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, 2023 and 2022, 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, 2023	Acquisition	Cash flows	Non-cash change	December 31, 2023
Lease liabilities (Amount of total liabilities from financing activities)	\$ <u>14,659</u>	<u>45,696</u>	<u>(12,322)</u>	<u>-</u>	<u>48,033</u>
	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>

(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
EFD Corp. (EFD) (Original name: Unilink Innovation Information Technology Corp.) (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 Innovation Information Technology Corp. has temporary suspended its business from December 1, 2021 to August 6, 2023; and on August 7, 2023 and August 22, 2023, it resumed its business and changed its name to EFD Corp. (EFD), 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:

	Sales		Accounts receivable	
	2023	2022	December 31, 2023	December 31, 2022
Subsidiaries	\$ 200	1,929	115	1,786
Other related-parties	520	2,714	-	165
	<u>\$ 720</u>	<u>4,643</u>	<u>115</u>	<u>1,951</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, for the years ended December 31, 2023 and 2022.

(ii) Purchases

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

	Purchases		Accounts payable	
	2023	2022	December 31, 2023	December 31, 2022
Other related-parties	\$ -	8	-	-

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, 2023 and 2022, the payment terms of related parties and other vendors were 30 days and 30 to 60 days, respectively.

(iii) Leases

The Company entered into a 3-year lease agreement with its subsidiary, EFD, in December 2023 for its office building, wherein the right-of-use and lease liabilities both amounted to \$5,472 thousand, resulting in the Company to recognize the interest expense and depreciation expense of \$9 thousand and \$148 thousand for the year ended December 31, 2023, respectively. As of December 31, 2023, the balance of right-of-use assets and lease liabilities amounted to \$5,324 thousand and \$5,329 thousand, respectively.

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OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(iv) Loans to related parties

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

For the years ended December 31, 2023						
	Highest balance	Ending balance	Actual usage amount	Agreed interest rate	interest income	Other receivables
EFD	\$ 30,000	30,000	15,000	2.867%	143	15,143

(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	
	2023	2022	December 31, 2023	December 31, 2022
To Gather	\$ <u>-</u>	<u>323</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	
	2023	2022	December 31, 2023	December 31, 2022
Service revenue				
To Gather	\$ <u>-</u>	<u>48</u>	<u>-</u>	<u>-</u>
	\$ <u>-</u>	<u>48</u>	<u>-</u>	<u>-</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2023	2022
Short term employee benefits	\$ 24,018	28,044
Termination benefits	262	248
Post employment benefits	-	-
Other long term benefits	-	-
Share based payments	-	-
	<u>\$ 24,280</u>	<u>28,292</u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2023	December 31, 2022
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:None

(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	2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		-	198,054	198,054	-	192,329	192,329
Labor and health insurance		-	15,544	15,544	-	14,463	14,463
Pension		-	7,676	7,676	-	7,222	7,222
Remuneration of directors		-	6,830	6,830	-	6,458	6,458
Others		-	8,604	8,604	-	8,067	8,067
Depreciation		-	16,424	16,424	-	16,481	16,481
Amortization		-	3,045	3,045	-	3,578	3,578

The following were the additional information on the Company's employees and employee benefits for the years ended December 31, 2023 and 2022:

	2023	2022
Average numbers of employees	<u><u>181</u></u>	<u><u>172</u></u>
Numbers of directors, but not employees concurrently	<u><u>6</u></u>	<u><u>6</u></u>
The average employee benefit	\$ <u><u>1,314</u></u>	<u><u>1,338</u></u>
The average salaries and wages	\$ <u><u>1,132</u></u>	<u><u>1,159</u></u>
The average adjustment of salaries and wages	<u><u>(2.33)%</u></u>	
Remuneration of supervisors	\$ <u><u>-</u></u>	<u><u>-</u></u>

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

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.

The salary structure includes the basic salary, duty and other allowances and bonus, etc.. The remuneration of managers will be evaluated by the Remuneration Committee being taken into consideration the nature of job, responsibilities charged, along with the education, experiences, seniority and performance, and the result of remuneration will be submitted to the Board of Directors. After the resolution of the Board of Director and stockholders' meeting, the employee compensation will be distributed according to each employee's performance, seniority, job grade and special contribution to the Company.

(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant transactions required to be disclosed by the Regulations for the Company:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (note 1)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	EFD Corp.	Other receivables	Y	30,000	30,000	15,000	2.867%	Necessary to short-term loans to other parties	-	Operating capital	-	N	-	91,185	182,371

Note1: The ending balance is the amount of loans to other parties which was authorized by the Board of Directors.

Note2: The total amount of loans due to necessary to short-term loans to a company shall not exceed 10% of its net worth; and the total amount of loans to all companies shall not exceed 20% of their net worth.

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.

Notes to the Financial Statements

(ii) Guarantees and endorsements for other parties:None

(iii) Securities held as of December 31, 2023 (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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (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, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	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 %	160,022	1,555	1,555	
"	EFD Corp.	Taiwan	Software merchandising	30,000	30,000	3,000	100.00 %	27,394	287	(238)	

(Continued)

OTSUKA INFORMATION TECHNOLOGY CORP.
Notes to the Financial Statements

(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, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	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	49,160 (US\$1,600 thousand)	Investing in China through the company incorporated in the third country	49,160 (US\$1,600 thousand)	-	-	49,160 (US\$1,600 thousand)	(1,096)	100.00%	(1,096)	83,274	-
Otsuka Information Technology (Shanghai) Ltd.	Software merchandising	79,885 (US\$2,600 thousand)	"	79,885 (US\$2,600 thousand)	-	-	79,885 (US\$2,600 thousand)	2,651	100.00%	2,651	76,740	-

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, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
129,045 (USD4,200 thousand)	129,045 (USD4,200 thousand)	547,112

Note: The TWD amount was measured on December 31, 2023 with the spot exchange rate of 30.725.

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".

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Otsuka Corp.		6,465,900	37.81 %
LIU, BO-WUN		1,002,000	5.86 %

(14) Segment information:

Please refer to the Company's consolidated financial statements for the year ended December 31, 2023, for details.

OTSUKA INFORMATION TECHNOLOGY CORP.

Statement of cash and cash equivalents

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand—NTD	Petty cash and working capital	\$ 270
Cash on hand—JPY	Petty cash and working capital; JPY118 thousand ; Exchange rate0.2175	25
		<u>295</u>
Demand deposits—NTD		324,948
Demand deposits—foreign currency	USD488 thousand ; Exchange rate30.725	14,990
	JPY7,208 thousand ; Exchange rate0.2175	1,568
		<u>341,506</u>
Time deposits—NTD	Term:2023.11.16~2024.3.19; Interest rate 1.15%	114,000
Total		<u><u>\$ 455,801</u></u>

Statement of notes and accounts receivable

Customers	Description	Amount
Notes receivable:		
Others (note)	Sales to non-related parties	\$ 24,139
Accounts receivable:		
Others (note)	"	241,142
Accounts receivable—related parties:		
Others (note)		115
Subtotal		<u>241,257</u>
Less: allowance for doubtful accounts		<u>(435)</u>
Long-term notes and accounts receivable, net		<u>(3,097)</u>
Total		<u><u>\$ 261,864</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, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Cost	Net realizable value
Software	\$ 162,192	162,371
Provision for software	(313)	
	161,879	
Hardware	2,232	2,264
Provision for hardware	(1,413)	
	819	
Net amount	<u><u>\$ 162,698</u></u>	<u><u>\$ 164,635</u></u>

OTSUKA INFORMATION TECHNOLOGY CORP.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2023

(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	Amount	
Otsuka Information Technology Ltd.	32,760	\$ 161,455	-	-	-	-	-	(1,433)	32,760	100.00 %	160,022	None
EED Corp. (note2)	3,000	27,632	-	-	-	-	-	(238)	3,000	100.00 %	27,394	None
Total		<u>\$ 189,087</u>		<u>-</u>		<u>-</u>		<u>(1,671)</u>			<u>187,416</u>	

Note1 : Other adjustments include the gain from investments using the equity method amounted to \$1,317 thousand and the cumulative translation adjustments amounted to \$(2,988) thousand.

Note2 : Unlink Innovation Information Technology Corp. changed its name to EFD Corp. on August 22, 2023.

OTSUKA INFORMATION TECHNOLOGY CORP.

Statement of changes in property, plant and equipment

For the year ended December 31, 2023

(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, 2023

Item	Description	Amount
Intangible Assets	Software etc.	\$ 14,012
Refundable deposits	Deposits of lease and performance bond, etc.	13,504
Prepaid pension		4,498
Deferred tax assets		3,466
Long-term notes and accounts receivable		3,097
Long-term prepaid expense	Office decoration	792
Restricted deposit	Pledge for line of corporate credit card	500
Total		<u><u>\$ 39,869</u></u>

OTSUKA INFORMATION TECHNOLOGY CORP.

Statement of accounts payables

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Vendor	Description	Amount
SYNNEX TECHNOLOGY INTERNATIONAL CORPORATION	Purchase from non-related-parties	\$ 86,266
SIEMENS INDUSTRY SOFTWARE (TW) CO., LTD.	"	12,614
WEBLINK INTERNATIONAL INC.	"	9,828
Others (note)	"	16,128
Total		<u>\$ 124,836</u>

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

Other payables

Item	Description	Amount
Income tax payable	Corporation income tax payable	\$ 24,537
Employee and director payable	Employees' and directors' remuneration for 2023 in accordance with the Articles	16,858
Sales tax payable		4,470
Others (note)	Payable of labor and health insurance, service fee, etc.	10,167
Total		<u>\$ 56,032</u>

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

Otsuka Information Technology Corp.
Statement of lease liabilities
December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Description</u>	<u>Leas term</u>	<u>Discount rate</u>	<u>Ending Balance</u>	<u>Note</u>
Lease Liabilities - Current					
	Buildings	2019.07~2028.04	2%	\$ 12,180	
	Transportation equipment	2021.04~2024.03	2%	103	
				<u>\$ 12,283</u>	
Lease Liabilities - Non - Current					
	Buildings	2020.07~2028.04	2%	<u>\$ 35,750</u>	

Otsuka Information Technology Corp.
Current contract liabilities

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Client - A	Sales to non - related parties	\$ 1,685
Client - B	"	1,536
Client - C	"	1,194
Client - D	"	1,120
Others (note)	"	9,286
		<u>\$ 14,821</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
For the year ended December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Sales revenue:	
Software	\$ 1,456,325
Hardware	29,711
Less: Sales returns and discounts	<u>(1,556)</u>
Net sales revenue	1,484,480
Net service revenue	<u>105,184</u>
Total	<u><u>\$ 1,589,664</u></u>

Statement of operating costs

<u>Item</u>	<u>Amount</u>
Inventories on January 1, 2023	\$ 155,025
Add: Purchases	1,052,508
Losses on inventory valuation and obsolete inventories	(2,195)
Less: Inventories on December 31, 2023	(164,424)
Self-use and transferred to expense	<u>(32)</u>
Cost of goods sold	1,040,882
Service costs	<u>19,366</u>
Operating costs	<u><u>\$ 1,060,248</u></u>

Otsuka Information Technology Corp.

Statement of selling, administrative, research and development expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Salaries	\$ 165,437	29,125	10,322
Depreciation	13,703	1,947	774
Insurance	13,044	2,185	890
Service	-	3,899	-
Miscellaneous expense	2,863	4,104	36
Amortization	956	251	1,838
Others (note)	<u>34,945</u>	<u>4,738</u>	<u>1,743</u>
Total	<u><u>\$ 230,948</u></u>	<u><u>46,249</u></u>	<u><u>15,603</u></u>

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

Otsuka Information Technology Corp.



Chairman: Hironobu Tsurumi

