

# Annual Report 2014

ATEN INTERNATIONAL CO., LTD  
Stock Code : 6277



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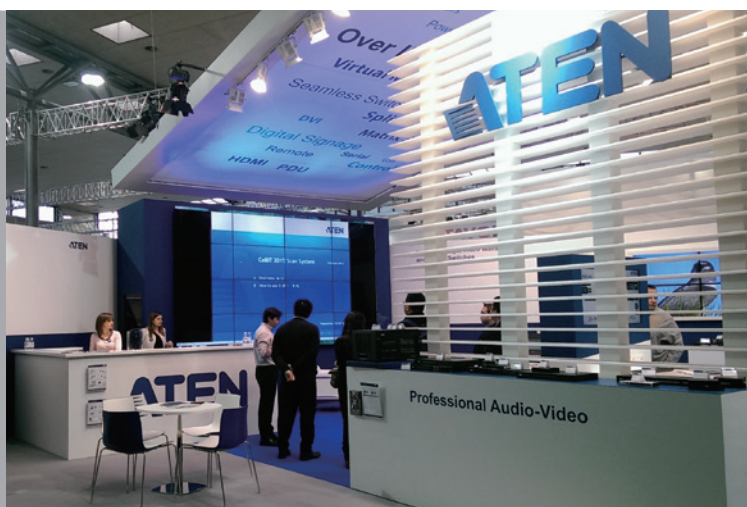
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## About ATEN

For over 35 years ATEN International Co., Ltd. (TAIEX: 6277) has been the world's leading manufacturer of connectivity and access management solutions. Offering integrated IT Infrastructure Access Management, Professional Audio/Video and Energy Intelligence Power & Cooling Distribution Systems. ATEN solutions streamline the management of electronics in home, office, commercial, industrial and enterprise environments with a portfolio of 320+ products distributed worldwide. ATEN has 400+ issued patents and an international R&D team that produces a steady stream of innovative solutions every year. ATEN's consolidated sales for 2014 came to NT\$4,898 million. Headquartered in Taiwan, ATEN International Co., Ltd. has subsidiaries in China, Japan, Korea, Belgium, the U.S., the U.K. and Russia; with R&D centers in Taiwan, China and Canada.

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## Report to Shareholders

Dear Shareholders,

Thanks to the combined efforts of all ATEN employees, both in Taiwan and overseas, ATEN posted impressive earnings performance in FY2014, with consolidated sales revenue rising to a record high. Consolidated net sales revenue for FY2014 (whole-year) was NT\$4,898 million, 7.15% up on FY2013. ATEN's operating margin for the full year was NT\$2,878 million, giving a gross profit margin of 58.76%, and representing an increase of 8.52% compared to FY2013. Net income before tax in FY2014 was NT\$1,053 million, giving an annual growth rate of 12.07%. However, because of a reduction in the available tax credit for investment in new equipment, and an increase in the tax rates applying to business groups, net profit in FY2014 was only NT\$777 million, although this still represented an annual increase of 2.7% compared to FY2013. ATEN's after-tax earnings per share (EPS) in FY2014 were NT\$6.37 per share.

In recent years, ATEN has successfully expanded the scope of its operations from a single product line to the provision of integrated, multi-product solutions, and the company is continuing to develop new applications. In the IT Infrastructure Access Management Solutions segment, ATEN has responded to the trend towards digitalized control by launching a new DVI (digital video interface) remote management signal extender that provides multicast streaming and real-time image control; using CAT-5 cabling and a standard TCP/IP network, this enables the remote controller to access particular computers, and it also supports one-to-one (signal extender mode), one-to-many (partition mode), many-to-one (switching mode) and many-to-many (matrix mode) management functionality. This new device expands the scope of IT infrastructure product applications from conventional data center applications to include media post-production centers, control and monitoring, retailing, healthcare systems, security operations centers, educational facilities and government agencies. By making effective use of ATEN's unique hardware/software integration management technology and of the competitive advantage provided by ATEN's flexible customization capability, while also benefiting from market trends such as the widespread growth in process automation, the increase in the number of commercial and specialist users, more rigorous separation of internal networks from the public internet on the part of corporate customers, etc., ATEN has continued to grow its market share across all market segments. In the Professional Audio & Video Product Solution segment, ATEN has responded to the recent trend towards enhanced audiovisual interface and audiovisual signal quality, to the growing market for digital signage and digital advertising, to the rising demand for long-distance transmission and to the growth of HDBaseT, HDMI and 4k2k multimedia display, by rolling out new HDMI matrix switch solutions, HDBaseT audiovisual products, HDMI and

DVI video extenders, etc. ATEN's seamless switching functionality and frequency multiplier technology facilitate unified management of different video input formats, and provide continuous, instantaneous, stable signal transmission, ensuring that audiovisual signal switching does not result in "black screen" or interference; signals from different signal sources can be flexibly converted to the optimal resolution for that particular display, while also providing real-time, uninterrupted video content with the best possible presentation. ATEN's devices can be flexibly integrated with a wide range of different audiovisual facilities, and they substantially enhance the precision and timeliness of audiovisual transmission for applications such as TV walls, transport control centers and exhibition venues, etc. The competitive advantage that ATEN enjoys as a result of having the multiple different products lines outlined above makes it possible for ATEN to provide integrated, cross-product-line solutions, offering "one-stop" solutions to customers' needs. ATEN is continuing to expand the range of applications for its products to include new industry sectors, such as industrial controllers and production automation, the gaming industry, electricity generation facilities, security control centers, etc., opening up a wide range of new business opportunities.

As regards ATEN's product strategy, in the corporate applications segment, besides continuing to develop new products in the IT Infrastructure Access Management, Professional Audio & Video Products and Green Energy Business segments (all of which offer high growth potential), ATEN will also be building on its strength in these three areas by further integrating these product lines to develop unique cross-product-line integrated solutions to meet the full range of customers' needs with a single solution. By developing products and solutions for a wider range of industry sectors, ATEN will be able to develop even more extensive business opportunities. In the consumer products segment, ATEN will focus on tailoring its products to the latest technology trends, emphasizing the provision of a first-rate user experience for end-users, and working both to develop outstanding new products and further enhance existing products.

With regard to product development planning, in the Professional Audio & Video Product segment, participation in the HDBaseT Alliance is helping ATEN to secure technology certification and develop the control system market; ATEN will also be launching higher-end modularized matrix solutions, focusing on the TV wall, large-scale conference center and control center markets, and developing new "smart" control systems. In the IT Infrastructure Access Management Solutions segment, ATEN is





Kevin Chen, Chairman  
and President

carefully monitoring the development of cloud computing and digital convergence, and is taking users' needs as the starting point for utilizing ATEN's unique technology to create high-value, cutting-edge products, while in the Green Energy management solutions segment ATEN will be working to differentiate its products from those of rival firms and boost its market competitiveness, focusing on the development of power distribution unit (PDU) products that are both innovative and competitive on cost.

In the area of administrative and operational management, ATEN will continue to develop global markets and provide customers with the best possible service. Specific measures will include planning the establishment of a global e-commerce platform, and strengthening the four major functions – product marketing, after-sales service, distribution management and sales promotion – of ATEN's overseas sales subsidiaries. The global e-commerce platform will provide end-users of ATEN products throughout the world with a convenient method for accessing the company's products, and will establish a channel for direct communication with consumers; the strengthening of the capabilities of ATEN's overseas sales subsidiaries will help ATEN to put down firm roots in overseas markets and contribute to ATEN's development as a truly international brand. In addition, ATEN will be using its new online customer management system to communicate in real time with customers throughout the world using intuitive controls and support for a wider range of languages. As regards ATEN's overseas expansion strategy, the company will be establishing overseas business locations in carefully selected countries with large economies or significant growth potential, and will collaborate on sales development through the integration of their operations with those of regional logistics centers, thereby strengthening ATEN's overall operational capabilities.

ATEN has for many years now attached considerable importance to sustainable operation, and has continued to take concrete action in this regard. With regard to corporate governance, ATEN received an A++ rating (the highest possible rating) in 2013 Information Disclosure and Transparency Ranking System. As regards the care that ATEN demonstrates for its employees, ATEN has been awarded a Gold Medal in the "Best Places to Work" awards organized by the Labor Affairs Department, New Taipei City. As part of its corporate social responsibility activities, ATEN has been collaborating with the First Social Welfare Foundation, using ATEN's expertise in the signal management field to assist with the Foundation's "Dual-key Mouse Upgrading Plan" to make computer use

easier for people with disabilities. This new type of mouse began to be used by people suffering from Motor Neuron Disease in October 2014, and has been very well received. For the last two years, ATEN has been raising money for a program initiated by the Syin-Lu Social Welfare Foundation to help disabled people get out and about and participate more in social activities. In August 2014, ATEN was ranked first in the medium-sized companies section of CommonWealth magazine's Corporate Citizenship Awards list of the best corporate citizens in Taiwan. These activities and awards are a reflection of ATEN's commitment to sustainable, responsible business operation.

In the current era of rapid evolution of information technology and of the Internet, besides continuing to grow its core business and develop innovative new products and technologies, ATEN is also constantly monitoring political and economic developments, both domestic and international. Through its involvement in industry associations, attendance at trade fairs and exhibitions, and participation in conferences and seminars, ATEN is able to stay up-to-date with the latest industry news and keep pace with market trends. This in turn makes it possible for ATEN to respond appropriately to changes in the legal and regulatory environment and in the overall business environment, while also taking concrete steps to combat intellectual property piracy so as to protect ATEN's rights in relation to the sale of its patented products.

ATEN's impressive sales performance, financial performance and CSR achievements in FY2014 reflected the much-valued support that ATEN has received from customers, investors, shareholders and the general public. In the future, ATEN will remain faithful to the company's customer-centric corporate philosophy, continuing to focus on the development of innovative new technologies, and providing first-class service. We will be building ATEN into a world-leading provider of connector and management solutions, while continuing to build corporate value and benefit our shareholders.

#### Chairman and President

## II. Company Profile

Date of Incorporation : July 6th, 1979

### Milestones

### Key Milestones in the Company History

1979	<ul style="list-style-type: none"> <li>Initial establishment and registration of the Company as HOZN Automation Co. Ltd.</li> </ul>
1982	<ul style="list-style-type: none"> <li>Introduced the first product – a central control series for home appliances to monitor and operate security sensors, lighting and power switches remotely.</li> </ul>
1984	<ul style="list-style-type: none"> <li>Introduced DATA Switch BOX products.</li> </ul>
1986	<ul style="list-style-type: none"> <li>Introduced MP series Auto Switch and Converter Series.</li> </ul>
1987	<ul style="list-style-type: none"> <li>Introduced INDATA industrial Computer Series.</li> </ul>
1988	<ul style="list-style-type: none"> <li>HOZN Automation Co. Ltd. renamed as ATEN International Co. Ltd.</li> <li>Started manufacturing of power supplies for computers.</li> </ul>
1991	<ul style="list-style-type: none"> <li>Introduced ATEN Brand Products.</li> <li>Introduced ATEN ASIC CHIP.</li> </ul>
1992	<ul style="list-style-type: none"> <li>Launched world's smallest printer buffer.</li> <li>Launched the first ATEN product AS251P.</li> <li>Launched AS-248 product series, printer switch - controlled via LAN.</li> </ul>
1996	<ul style="list-style-type: none"> <li>Obtained the ISO-9002 quality certification.</li> <li>Established U.S. subsidiary "ATEN TECHNOLOGY INC."</li> </ul>
1999	<ul style="list-style-type: none"> <li>Registered as a public company.</li> <li>Invested in Topmost International Co., Ltd., a British Cayman Islands entity.</li> <li>Invested in Expand International Co., Ltd, a Niue entity, through subsidiary Topmost International Co., Ltd.</li> </ul>
2000	<ul style="list-style-type: none"> <li>CS182/124/1016 received "Taiwan Excellence" award from the Ministry of Economic Affairs.</li> <li>Developed the first 4-port USB 2.0 hub, and received the world's first USB 2.0 hub certification. USB Association uses ATEN's creation as USB testing standard.</li> <li>Moved the Company's headquarters to 3rd floor, No. 125 Section 2, Datung Road, Sijhih City, Taipei, R.O.C.</li> <li>Established Belgium subsidiary "ATEN INFOTECH N.V."</li> </ul>
2001	<ul style="list-style-type: none"> <li>CS428/9138 Matrix KVM Switch received "Taiwan Excellence" award from Ministry of Economic Affairs.</li> <li>Construction of new factory in Sijhih was completed and factory commenced operations.</li> </ul>
2002	<ul style="list-style-type: none"> <li>ACS1714 and ACS1808 received "Taiwan Excellence" award from the Ministry of Economic Affairs.</li> <li>Obtained the ISO-9001 quality certification.</li> <li>GreTai Securities Market approved the registration of the Company's shares under the classification of "Emerging Stock".</li> </ul>
2003	<ul style="list-style-type: none"> <li>Listed in the Taiwan Stock Exchange.</li> <li>CEO Mr. Kevin Chen was recognized through the 2003 "Golden Merchant Award" given by the Ministry of Economic Affairs.</li> </ul>
2004	<ul style="list-style-type: none"> <li>ATEN received "Industrial Technology Advancement" award from the Ministry of Economic Affairs.</li> <li>The Company was conferred the 2nd "Golden Root Award" by the Taiwan Industrial Technology Association.</li> <li>Established Japan subsidiary "ATEN JAPAN Co., Ltd."</li> </ul>
2005	<ul style="list-style-type: none"> <li>KM0432 received "Taiwan Excellence" award from the Ministry of Economic Affairs.</li> <li>Acquired "Wellsyn Technology Inc." and obtained the key IPMI technology, enabling ATEN to enter the embedded solutions market.</li> <li>Launched the first wireless KVM solution – KW1000.</li> </ul>
2006	<ul style="list-style-type: none"> <li>KL1116, KM0832 and KA9233 received "2006 Good Design Product Mark Award" (GD-Mark Award) from the Ministry of Economics.</li> <li>ATEN Named One of Asia's Best 200 under a Billion by Forbes.</li> <li>SMART magazine chose ATEN's CEO for inclusion in its "Three CEOs who will be Making Waves Over the Next Three Years."</li> <li>KL1116, KN2116 and CS1774 received "Taiwan Excellence" award from the Ministry of Economic Affairs.</li> <li>Awarded ISO-14001 certification.</li> <li>Established ATEN Europe Ltd.</li> <li>Established U.K. subsidiary "ATEN UK Ltd."</li> <li>Established New Jersey - U.S. subsidiary "ATEN New Jersey Inc."</li> <li>Established ATEN US Holdings Inc.</li> </ul>
2007	<ul style="list-style-type: none"> <li>ATEN received "2007 Taiwan's Excellence in Corporate Social Responsibility" award from Common Wealth magazine.</li> <li>Established Korea subsidiary "ATEN ADVANCE CO.,LTD.", later renamed "ATEN KOREA CO., LTD." in 2009.</li> <li>KH98, KL9108 / KL9116, CS52 Series and CS62DU &amp; CS62D received "Taiwan Excellence" award from the Ministry of Economic Affairs.</li> <li>ATEN Opened New R&amp;D Headquarters, Expanded its R&amp;D Team Scale.</li> <li>The KVM Switches CS62D / CS62DU and CS52 Series received "2006 Good Design Product Mark Award" (GD-Mark Award) from the Ministry of Economics.</li> <li>Launched world's first KVM Switch with IPMI-enabled function – KH98.</li> <li>The product KVM Switch KL9116 was given the "iF China Award".</li> <li>Launched world's first DVI cable KVM Switch with audio - CS62DU / CS62D.</li> <li>Launched world's first 19-inch CAT5 Dual Rail Integrated LCD KVM Switch - KL1508 / KL1516.</li> <li>Established Foremost International Co., Ltd.</li> <li>Established Beijing - China subsidiary "ATEN China Co., Ltd."</li> </ul>

## Milestones

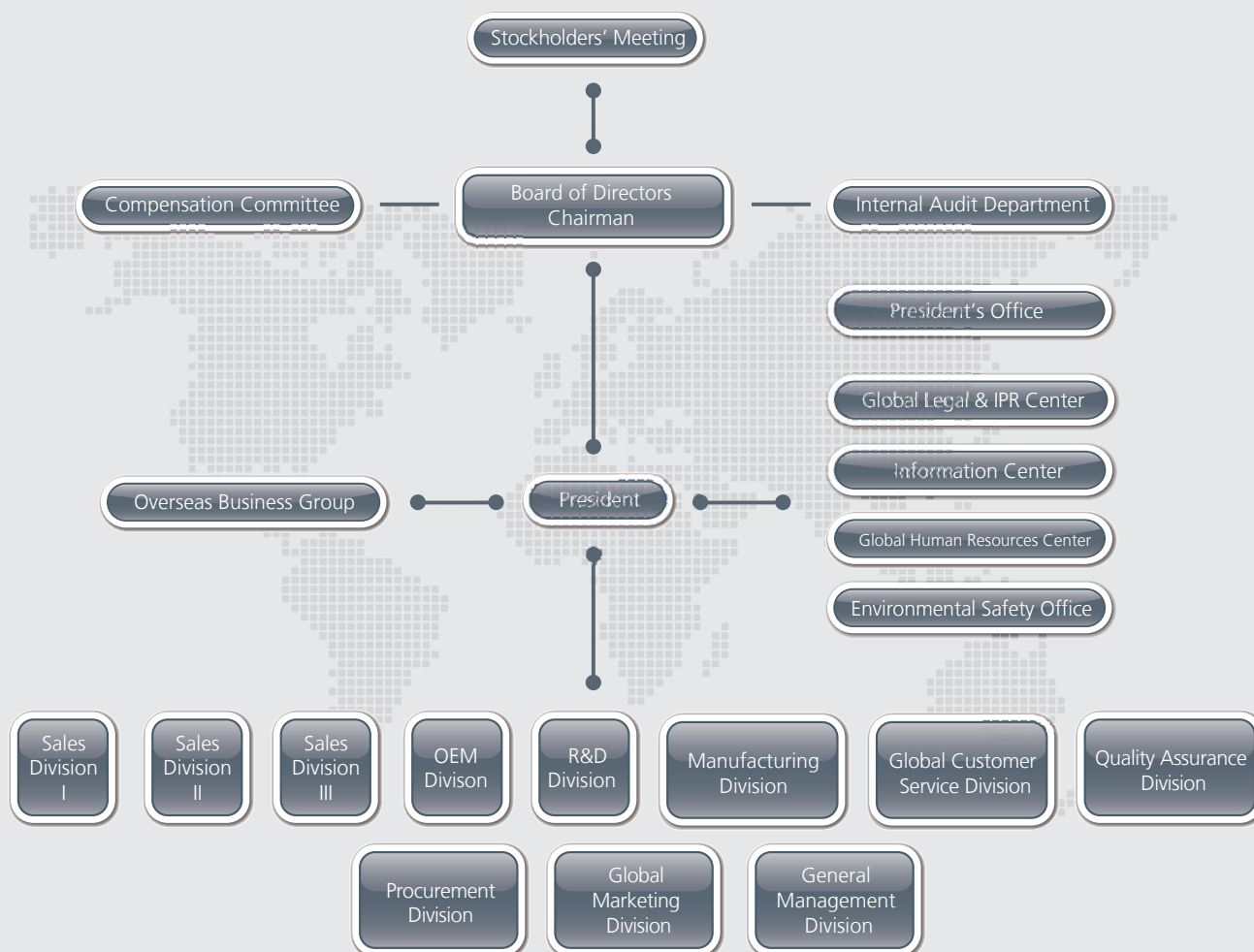
## Key Milestones in the Company History

2008	<ul style="list-style-type: none"> <li>• KE8220, CL5708 / CL5716 and CS1782 / CS1784 received "Taiwan Excellence" award from the Ministry of Economic Affairs.</li> <li>• Launched the first USB KVM Switch for Notebooks – CS661.</li> <li>• Promote enterprise core value – Integrity, Caring, Ambition and Novelty.</li> <li>• Established manufacturing factory in China "ATEN Foremost Co., Ltd".</li> </ul>
2009	<ul style="list-style-type: none"> <li>• HDMI KVMP CS1792/CS1794 received "2009 Good Design Product Mark Award" (GD-Mark Award) from the Ministry of Economics.</li> <li>• Cat 5 video/audio splitter VS1504/1508 received "Taiwan Excellence" award from the Ministry of Economic Affairs.</li> <li>• ATEN's global patent portfolio grew to 668 patents and patent applications, of which 244 patents have already been granted. This puts ATEN in 86th place in the 2008 rankings of the Top 100 companies and research institutions in Taiwan with the largest number of patents, ahead of leading hi-tech enterprises such as TSMC and Lite-On.</li> <li>• KN4140v won Computex 2009 "Best Choice Award" and Japan "Interop Tokyo Best Show Award".</li> <li>• ATEN Chairman Mr. Kevin Chen received an award from the King of Belgium in recognition of ATEN's outstanding contribution to business development and the company's technological achievements.</li> <li>• ATEN received the "National Innovation and Creation Award" from the Ministry of Economic Affairs.</li> <li>• Manager Today magazine ranked ATEN Chairman Mr. Kevin Chen as one of the 100 most outstanding managers in Taiwan.</li> <li>• ATEN received the "2009 Taiwan's Excellence in Corporate Social Responsibility" award from Common Wealth magazine.</li> <li>• ATEN built a new European Operations Center in Belgium as ATEN logistics center in Europe to expand business opportunities throughout the continent.</li> </ul>
2010	<ul style="list-style-type: none"> <li>• CE790, KM0932, PN7212 / PN7320 and CS1792 / CS1794 received "Taiwan Excellence" award from the Ministry of Economic Affairs.</li> <li>• Announced the launch of VanCryst™ video products line to provide professional audio and video solutions to different industries.</li> <li>• KL3116T received the "2010 Computex Taipei Design and Innovation Award."</li> <li>• ATEN received the "2010 Taiwan Superior Brands Award" from the Bureau of Foreign Trade, Ministry of Economic Affairs.</li> <li>• Subsidiary in Korea moved to an office building in Geumcheon-gu, Seoul with the establishment of a customer service center to step up local support services and strengthen its vantage as a market leader.</li> <li>• ATEN received the "2010 Taiwan's Excellence in Corporate Social Responsibility" award from Common Wealth magazine.</li> <li>• Established Moscow office in Russia.</li> </ul>
2011	<ul style="list-style-type: none"> <li>• CM0264 received the "Taiwan Excellence" award from the Ministry of Economic Affairs.</li> <li>• Japan subsidiary moved to a new building in Tokyo to integrate sales, marketing, technical support/ customer service, warehousing and logistics business services.</li> <li>• VM0808T won Computex 2011 "Best Choice Award."</li> </ul>
2012	<ul style="list-style-type: none"> <li>• Announced the launch of NRGence™, a brand new "green energy" line of eco PDUs (Power Distribution Units), eco Sensors, and energy boxes. With the core concept of "Energy Intelligence", a complete green data center solution designed to optimize energy efficiency.</li> <li>• ATEN released the first "ATEN Corporate Social Responsibility Report" which honestly unveils ATEN's accomplishments with regards to the status and programs on Corporate Social Responsibility.</li> <li>• ATEN received the "2012 Taiwan's Excellence in Corporate Social Responsibility" award from Common Wealth magazine.</li> <li>• ATEN won the 2012 Taiwan National Invention and Creation Award with its patented "Industrial Operation Console" technology issued by the Ministry of Taiwan's Economic Affairs.</li> <li>• ATEN collaborated with National Taiwan University of Science and Technology to develop the "iListen", a software helping hearing-impaired people, has won both the 2012 Red Dot Communication Design Award and the 2012 Samsung Apps Contest championship.</li> </ul>
2013	<ul style="list-style-type: none"> <li>• VM0808H and EC1000 received the "Taiwan Excellence" award from the Ministry of Economic Affairs.</li> <li>• EC2004 energy box won Computex 2013 "Best Choice Award" gold medal.</li> <li>• KL1516Ai Over IP LCD KVM won Computex 2013 "d&amp;i Award."</li> <li>• ATEN released 2012 "ATEN Corporate Social Responsibility Report"</li> <li>• ATEN received the "2013 Taiwan's Excellence in Corporate Social Responsibility" award from Common Wealth magazine, placing 3rd among top 50.</li> </ul>
2014	<ul style="list-style-type: none"> <li>• VE892 and CCVSR received the "Taiwan Excellence" award from the Ministry of Economic Affairs.</li> <li>• ATEN released 2013 "ATEN Corporate Social Responsibility Report"</li> <li>• ATEN received a rating of A++ (the highest level) in 2013 Information Disclosure and Transparency Ranking conducted by the Taiwan Stock Exchange (TSE) and the Taipei Exchange (GreTai Securities Market)</li> <li>• Received CommonWealth magazine's "Excellence in Corporate Social Responsibility" award (ranking 1st in the Medium-sized Enterprises section)</li> <li>• Received a Gold Medal in New Taipei City Government's "Awards for Best Companies to Work For"</li> <li>• Received awards as one of the "Top 10 Outstanding Enterprises" and "Top 10 Enterprises for Innovation and R&amp;D" in the 16th Golden Peak Awards</li> <li>• Received the Corporate Award for Standardization in the 15th National Standardization Awards organized by the Bureau of Standards, Metrology &amp; Inspection, Ministry of Economic Affairs</li> </ul>

## III. Corporate Governance Report

### Company Organization

#### (1) Organization Chart



#### (2) Responsibilities of Individual Divisions and Departments

Unit	Responsibilities
President Office	Business plan implementation and integration; overall business strategy planning for ATEN and its subsidiaries.
Global Legal & IPR Center	Contract review and management, IP strategy and other legal matters.
Information Center	<ul style="list-style-type: none"> <li>• MIS system planning, deployment and management.</li> <li>• Information system program development and maintenance.</li> <li>• Database and information security maintenance and management.</li> <li>• Software and hardware equipment appraisal, deployment and troubleshooting.</li> <li>• Provision of training and guidance for IT personnel.</li> <li>• Document flow management, and data maintenance and management.</li> </ul>

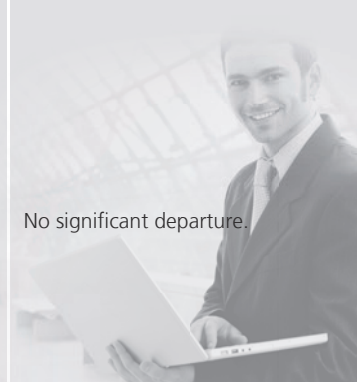


Unit	Responsibilities
Global Human Resources Center	<ul style="list-style-type: none"> <li>• Formulation of human resources strategy; personnel system establishment and promotion.</li> <li>• Recruitment, appointments and dismissals, training, compensation, performance review, promotion and transfer, incentives and punishments, etc.</li> <li>• Implementation and management of employee relationship operations (including labor-management consultative meetings, guidance, etc.)</li> <li>• Industry-wide human resources analysis and formulation of response strategies.</li> </ul>
Internal Audit Department	Internal control systems and implementation of auditing operations for ATEN and its subsidiaries.
Environmental Safety Office	<ul style="list-style-type: none"> <li>• Formulation of occupational injury prevention plans and emergency response plans, and provision of guidance to relevant departments with regard to plan implementation.</li> <li>• Employee health examination planning and employee health management.</li> <li>• Other matters relating to health, safety and environmental management.</li> </ul>
Overseas Business Group	Supervision of overseas subsidiaries.
Sales Division I	Market development for East Asian and Pan-Asian markets.
Sales Division II	Market development for Russia and Eastern European markets.
Sales Division III	Market development for Australia, New Zealand, and South Africa markets.
OEM Division	OEM business development.
R&D Division	Hardware and software product design and development, industrial design, coordination of global R&D resources, upgrading of the R&D environment and R&D capability planning.
Manufacturing Division	Production and production process planning, continuing improvement, and strengthening of production technology capabilities.
Quality Assurance Division	Handling of quality assurance, quality system, import/export and payments and receipts management, etc.
Procurement Division	<ul style="list-style-type: none"> <li>• Purchasing of raw materials and components.</li> <li>• Identification of potential new suppliers, and supplier appraisal.</li> <li>• Purchasing monitoring and documentation management.</li> <li>• Production facility goods inward and billing operations.</li> </ul>
Global Marketing Division	<ul style="list-style-type: none"> <li>• Corporate image building, product marketing and brand development.</li> <li>• Brand and product strategy planning, market trends analysis and distribution channel strategy planning.</li> </ul>
Global Customer Service Division	Customer service, RMA maintainance, e-support platform, technique support, technique training and verification and solution consultation and execution.
General Management Division	<ul style="list-style-type: none"> <li>• General affairs, fixed asset purchasing, etc.</li> <li>• Cash flow management and financing planning, bank transactions, receipts and expenses, and short- and long-term investment management and consultation.</li> <li>• Compilation of managerial reports, compilation and analysis of financial statements, budget planning and analysis, tax and transfer pricing planning and implementation, and provision of advisory and planning support for accounting issues of subsidiaries.</li> <li>• Information disclosure, investor relations management, matters relating to board meetings and shareholders' meetings, and capital market operations.</li> <li>• Overall planing and implementing general affairs of subsidiaries.</li> </ul>

## Corporate Governance

Item	Status			Any Departure of such Implementation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	YES	NO	Summary	
<b>1</b> Has the Company formulated and disclosed corporate governance principles in accordance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	■		The Company has formulated Corporate Governance Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and has disclosed these Corporate Governance Principles for the benefit of related parties on the Market Observation Post System (MOPS) and on the Company's official website: <a href="http://www.aten.com.tw/">http://www.aten.com.tw/</a> .	No significant departure.
<b>2</b> Shareholder structure and shareholders' rights  (A) Has the Company formulated internal operating procedures for handling shareholder suggestions, complaints, disputes and lawsuits, and are such matters handled in accordance with these internal operating procedures?		■	Internal operating procedures are under discussion.	Internal operating procedures are under discussion.
(B) Maintenance of the list of major shareholders who exercise effective control over the Company, including details of who has final ownership over these major shareholders.	■		Handled by the Company's shareholder affairs personnel.	No significant departure.
(C) Establishment by the Company of risk control methods and firewalls with respect to affiliates.	■		The Company has drawn up Operational Procedures for Affiliates and Affiliate Transactions, Procedures for the Management of Subsidiaries, along with other relevant procedures and regulations, and has implemented them properly, thereby ensuring effective risk control and firewall function operation with respect to affiliates.	No significant departure.
(D) Has the Company formulated internal rules that prohibit Company personnel from using market information that is not yet in the public domain for the purpose of buying or selling securities?	■		The Company has formulated Operational Procedures for the Management of Important Internal Information and the Prevention of Insider Trading, and prohibits Company personnel from using market information that is not yet in the public domain for the purpose of buying or selling securities; the rules in question have been disclosed for the benefit of related parties on the Company's official website: <a href="http://www.aten.com.tw/">http://www.aten.com.tw/</a>	No significant departure.

Item	Status			Any Departure of such Implementation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	YES	NO	Summary	
<b>3 Organization and responsibilities of the Board of Directors</b>  (A) Has the Board of Directors formulated a diversity policy regarding its composition, and is this diversity policy being implemented?	■		The Company has formulated Corporate Governance Principles, which specify a diversity policy according to which the Company should ensure that the Board of Directors includes members with different professional backgrounds, of different genders, and with different work experience. Currently, one member of the Board is a woman, and all members have varying professional backgrounds in finance, accounting, etc.	No significant departure.
(B) In addition to the compensation committee and audit committee that are required by law, has the Company voluntarily established any other type of functional committee?	■		On April 24, 2012, the Company's Board of Directors approved a proposal to establish a corporate social responsibility (CSR) committee, to exercise oversight over the formulation of the Company's CSR and sustainable development strategies and goals. The Company's Chairman will serve as Chair of the CSR committee, and will appoint eight senior managers (selected in accordance with the key objectives of the Company's CSR promotion strategy) to serve as committee members. Adopting a committee meeting model, the CSR committee will formulate annual objectives for every aspect of the Company's CSR activities and will oversee the achievement of these objectives; the CSR committee will report regularly to the Board of Directors.	No significant departure.
(C) Has the Company formulated Board of Directors performance appraisal rules and appraisal methods, and is performance appraisal implemented on a regular basis every year?	■		The Company has formulated Rules Governing the Calculation and Disbursement of Directors' and Supervisors' Compensation, and performance appraisal is implemented regularly every year.	No significant departure.
(D) Regular appraisal of the independence of the Company auditor.	■		Board of directors regularly evaluates the independence of external auditors.	No significant departure.



Item	Status			Any Departure of such Implementation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	YES	NO	Summary	
<b>4</b> Has the Company established channels for communication with stakeholders, and has the Company established a dedicated section for stakeholders on its corporate website, and does the Company respond appropriately to stakeholders' concerns regarding the Company's CSR activities?	■		The Company has established channels for communication with stakeholders via its corporate website, providing customers, consumers, investors, suppliers and other stakeholders with methods for communicating with the Company, so as to be able to gain a better understanding of stakeholders' expectations and needs; the Company also provides appropriate response mechanisms for handling issues of concern to stakeholders. A dedicated stakeholders' section on the Company's website will be established before the end of 2015.	No significant departure.
<b>5</b> Has the Company appointed a dedicated shareholder affairs agent to handle shareholder affairs?	■		The Company has appointed CTBC transfer agency division to handle shareholder affairs on the Company's behalf.	No significant departure.
<b>6</b> Information Disclosure  (A) Establishment of a Company website, and disclosure of financial and corporate governance information.  (B) Other methods of disclosure adopted by the Company.	■  ■		The Company already discloses relevant information on its website.  The Company has appointed dedicated personnel to be responsible for the collection and disclosure of relevant information, and has established a spokesperson system. The information disclosed at investor presentations is also disclosed on the Company website.	No significant departure.
<b>7</b> Any other important information that may help to clarify the operation of the Company's corporate governance mechanisms:	■		(A) Employees' rights: ATEN implements protection of employees' rights in accordance with the provisions of the Labor Standards Law and ATEN's own internal regulations.	No significant departure.



Item	Status			Any Departure of such Implementation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	YES	NO	Summary	
			<p>(B)Concern for employees: ATEN is committed to providing its employees with a safe, healthy working environment. Besides providing employees with annual health examinations, ATEN has also established a Medical Office, with a full-time Occupational Health Nurse, and has retained the services of a doctor who visits the production facility twice a week for a total of 4 hours to provide consulting services.</p> <p>(C)Investor relations: Besides making public announcements of the company's important operational and financial information on the Market Observation Post System (MOPS) as required by law, ATEN has also established an Investor Relations Contact Window to handle matters relating to disclosure and investor relations, etc., thereby enhancing overall transparency. The ATEN corporate website also includes an Investor Relations section where information relating to corporate governance, company finances and operations is posted for the reference of investors.</p> <p>(D)Relations with suppliers and related parties: In accordance with company regulations, purchasing agreements are signed with suppliers to ensure that both parties' legal rights are protected. Following customers' and national regulation, ATEN would not use and produce items which are forbidden by law.</p> <p>(E)Development and training for directors, supervisors and managers: Besides encouraging directors and supervisors to undergo training programs provided by relevant organizations, ATEN also proactively arranges lectures, held after the conclusion of board meetings, at which specially invited experts discuss issues relating to corporate governance. Directors' and supervisors' record of attendance at board meetings is made public on MOPS, as are the development and training activities undertaken by directors and supervisors. Details of the development and training activities undertaken by ATEN's directors, supervisors and managers in FY2014 are shown in the appended table.</p>	

Item	Status			Any Departure of such Implementation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	YES	NO	Summary	
			<p>(F)Risk management policy and risk measurement criteria implementation status: ATEN has formulated a risk management policy and risk assessment criteria, and has drawn up relevant systems and control mechanisms with respect to the major types of operational risk, including financial and accounting controls, and risk evaluation and control measures for sales operations, production operations, computerized data management etc., with the aim of strengthening overall risk control capability.</p> <p>(G)Customer feedback strategy implementation status: Through global customer satisfaction survey once a year, after-sales service satisfaction survey once a week, quality control, and audit system, ATEN collects customers' responses, analyzes demand, upgrade service quality, and provide excellent solutions. ATEN has also established communication channels like e-support platform into its corporate website and eService APP, to make it easy for customers to submit queries and comments.</p> <p>(H)Purchasing of insurance for directors and supervisors: Starting from FY2008, ATEN has purchased liability insurance on behalf of its directors and supervisors.</p>	
<p>8 If the Company has implemented a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows:</p>	■		<p>The Company has implemented a self corporate governance evaluation and disclosed on MOPS for reference.</p>	No significant departure.

## Continuing Education/Training of Directors and Supervisors in 2014

Title	Name	Date	Host	Training Title	Duration
Institutional Director Representative	Susan Lin	Oct. 23	Accounting Research and Development Foundation	Legal Issues Relating to Corporate Lobbying	6
Director	Nicolas Lin	Jun. 17	Taiwan Securities & Futures Institute	Presentation on Compliance Issues Relating to Stock Trading by the Employees of Listed Companies	3
Supervisor	Chen-Lin Kuo	May 28	Taiwan Securities & Futures Institute	Key Measures and Regulations Relating to the Bringing of Corporate Financial Information into Line with IFRS Requirements	3
Supervisor	Shiu-Ta Liao	Jul. 25	Taiwan Securities & Futures Institute	Presentation on Compliance Issues Relating to Stock Trading by the Employees of Listed Companies	3
Director (Resigned)	Lung-Chi Tsai	Jul. 10	Taiwan Securities & Futures Institute	Presentation on Compliance Issues Relating to Stock Trading by the Employees of Listed Companies	3

## Continuing Education/Training of Management in 2014

Title	Name	Date	Host	Training Title	Duration
CFO	Stephen Chen	Jul. 25	Taiwan Securities & Futures Institute	Hands-on Training in Using Financial Indicators for Annual Budget Preparation and Budget Control	6
		Nov. 26		What Accounting Managers Need to Know About the Types of Abnormal Transaction that May Appear in Financial Statements and the Associated Legal Responsibility	3
		Nov.27		Practical Issues Relating to Corporate Financial Planning and Dealings with Banks (Financing Decision-making)	6

## IV. Operational Highlights



### Business Activities

#### (1). Scope of Business

##### A Main Activities

- Designing, manufacturing and selling of IT infrastructure access management solution products.
- Designing, manufacturing and selling of professional A/V products.
- Designing, manufacturing and selling of intelligence energy management solution products.
- Designing, manufacturing and selling of various types of resource sharing devices.
- Designing, manufacturing and selling of interface converters, extenders and splitters.

##### B Major Product Lines and Contributions to Total Sales

( Unit : NT\$ thousands )

Item \ Year	2013		2014	
	Amount	Ratio (%)	Amount	Ratio (%)
IT Infrastructure Access Management Solution Products	3,065,481	67.06%	3,294,065	67.25%
Video products	626,267	13.70%	710,954	14.52%
Other products	879,264	19.24%	892,916	18.23%
Total	4,571,012	100.00%	4,897,935	100.00%

##### C Products and Services Provided by the Company

Since its establishment in 1979, ATEN has dedicated itself to the development of different types of connector, controller and management devices, in line with our vision of "Simply Better Connections" and our goal of creating value for industry and for society as a whole. Thanks to many years of hard work, ATEN is now able to provide a comprehensive range of "total solutions" that encompass IT Infrastructure Access Management Solutions, Professional Audio & Video Product Solutions, and Green Energy Solutions.

In the IT Infrastructure Access Management Solutions segment, ATEN provides comprehensive solutions that help customers to manage PCs, servers, networking equipment, data storage devices, power splitters and other IT equipment more efficiently. Besides our core KVM switch (for simultaneous control of multiple computers from a single or multiple sets of keyboard, video monitor and mouse) product line, ATEN also offers LCD KVM switches, multi-port matrix switch products and video extenders. ATEN is thus able to provide total solutions for the remote, centralized management of large control rooms and data centers. ATEN's IP based KVM, Over-IP PDU and IP based serial signal management devices are integrated using centralized management software with freeze screen management function; ATEN's solutions are both powerful and easy to use.

Since 2008, ATEN has been developing its VanCryst professional audio/video systems product line. The VanCryst product range includes video switches, video splitters, video extenders and video converters that support a variety of different interfaces. For large-scale medium- and high-end audio and video applications, the VanCryst range offers multi-port matrix switches and long-range extenders. With superb image quality enhancement function and easy-to-use remote management software, ATEN's VanCryst products constitute a simple, innovative solution.

In addition, over the past few years ATEN has been working actively to secure participation in international certification and technology alliances, so as to ensure that ATEN products provide a high level of compatibility with other world-leading brands, thereby helping ATEN itself to confirm its position as a leading player in the global professional audio/video solutions market. Having rolled out a series of high-end, modularized matrix solutions and control systems, ATEN has become one of only a handful of Taiwanese companies to establish itself within the high-end professional audio/video solutions segment, competing on an equal footing with leading international corporations.

In 2012, ATEN launched its NRGence™ "green energy" product line, with "Energy Intelligence" as its core vision. NRGence comprises a series of environmentally-friendly control room solutions that help to optimize energy usage.

Other ATEN product lines include USB hubs, USB extenders, and many different types of interface converters, extenders, splitters, switches, etc.



## ① New Products and Services Currently Being Developed

Integration and applications of IT Infrastructure Management solutions for Data Center.	<ul style="list-style-type: none"> <li>(1)Development of integrated over-IP networking products.</li> <li>(2)Development of Over-IP high –definition matrix KVM products</li> <li>(3)Deepening and broadening the development of high-end CAT5 multi-platform, multi-user and multi-port matrix KVM products.</li> <li>(4)Strengthening the depth and breadth of ATEN’s development of multi-interface KVM products.</li> <li>(5)Development and Integration of crystal display KVM products.</li> <li>(6)Development and Security reinforcement of control room environment, server, and virtual server management software.</li> </ul>
Development of Prosumer KVM Series products. Integration and applications of New SOHO peripheral products and video game peripheral products.	<ul style="list-style-type: none"> <li>(1)Development of high-definition, high-resolution, high-audio-quality Prosumer KVM products.</li> <li>(2)Deepening and broadening the development of Prosumer matrix KVM products.</li> <li>(3)Development of USB 3.0/3.1 products.</li> <li>(4)Development of USB and Bluetooth products.</li> <li>(5)Development of game controller switch products.</li> </ul>
Audio& Video Broadcasting series product integration and applications.	<ul style="list-style-type: none"> <li>(1)Development of high-definition, long-range video transmission products.</li> <li>(2)Development of fiber optic interface products.</li> </ul>
Wireless Audio& Video series product integration and applications.	Development of wireless technology applications and products.
Industrial Control and Data Communication series product integration and applications.	Development of products suited to the challenging environmental conditions that characterize industrial control environments, and development of remote management solutions.
“Smart” centralized control of audio/video devices and other products.	<ul style="list-style-type: none"> <li>(1)Development of centralized control boxes.</li> <li>(2)Development of user interface software for control applications.</li> <li>(3)Development of design integration software tools.</li> </ul>
PE series electric power and green energy integration and applications.	<ul style="list-style-type: none"> <li>(1)Development of new-generation intelligence PDU and “green energy” sensors.</li> <li>(2)Undertaking R&amp;D work relating to the efficient use of energy.</li> <li>(3)Undertaking R&amp;D work relating to “green data center” overall cooling, ventilation, electric power and energy efficiency.</li> </ul>
EC series electric power and green energy integration and applications.	Development of data center environment monitoring and measurement tools for improving energy conservation.

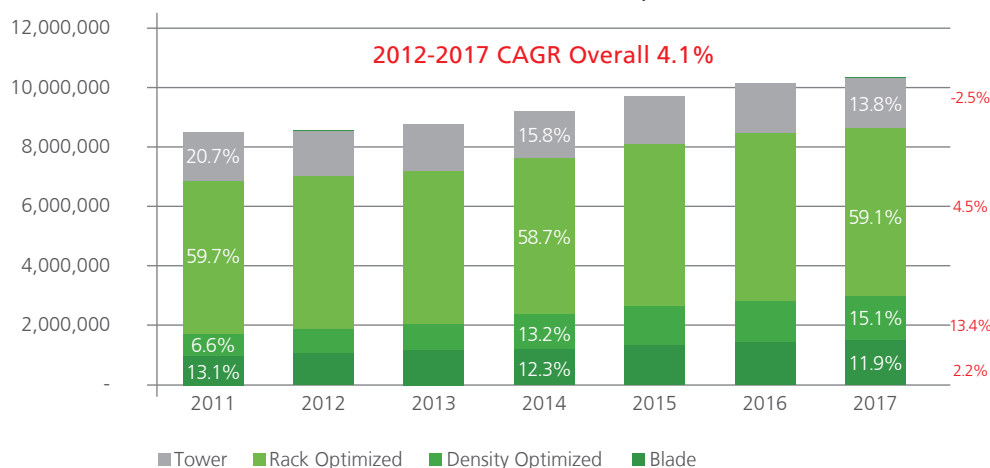
## (2). An Overview of the Industry

### A The Current Status and Future Development of the Industry

As regards the current state of the IT infrastructure management industry, with the steady increase in computer and Internet usage, IT infrastructure has tended to become larger and more complex, leading to the emergence of an entire industry dedicated to meeting IT infrastructure management needs. From the point of view of the end user, the number of alternative products available is limited, so market demand has continued to grow steadily. The key factors affecting market growth can be summarized as follows:

- Convenience** : KVM products make it easy and convenient for IT managers to implement centralized control of multiple PCs and servers. KVM products facilitate the sharing of resources, help to save space, are easy to operate and reduce management costs, making for improved work efficiency.
- A global market** : With business enterprises continuing to expand their global networks and establish new sites overseas, KVM products can be used to resolve issues affecting servers and related equipment on a real-time basis.
- Continuing investment in IT hardware** : Companies all over the world continue to deploy new IT hardware; KVM products facilitate efficient management of corporate IT infrastructure.
- The growth in the server market and the integration of server platforms** : KVM products can be used to manage large numbers of servers. With the continued growth of the server market and the trend for companies to multiple entry-level servers instead of on powerful but very expensive sever, KVM products provide a way for firms to connect these multiple cost-effective servers, and facilitate more efficient server management.
- Economic growth in Asia and in other emerging markets** : The strong economic growth in Asia and in emerging markets in other parts of the world has led to a steady increase in demand for data management solutions both in the private sector and in government. KVM products can help both government agencies and business enterprises to implement efficient data management; as a result, demand for KVM products has been growing rapidly in Asia and in emerging economies elsewhere.
- Demand deriving from the growth of the Internet** : The emergence of the Internet has made it possible for IT personnel to manage servers remotely from any location. At the same time, falling product prices have made medium-sized enterprises more willing to purchase over-IP KVM products, which in turn has created higher profit margins for KVM product vendors.
- Low-price personal computers** : The prices of personal computers have been dropping fast following the Moore's law. Nowadays it is common for a person to own more than one computer, which indirectly boosts the demands for SOHO KVM switch. The A/V interface also shifts gradually from VGA analog interface to DVI/HDMI digital interface.
- Emergence of cloud computing**: Cloud computing provides a brand new computational framework and enables users to enjoy convenient services anytime and anywhere. The emergence of cloud computing service is a major trend in recent years along with maturing software, hardware and transmission technology. The cloud computing infrastructure is essentially a large data center, which will have high demands for remote control products.
- The Growing Importance of Information Security**: With the dramatic growth of the Internet, exchanging information has become steadily more convenient. However, from the point of view of IT managers, protecting data security has become much more challenging. The restricted connectivity characteristic of KVM switch products means that adopting KVM devices can substantially enhance information security, preventing unnecessary online connections and reducing the risk of data leaks.
- Demand for isolation of Intranets from the Internet**: Due to information security considerations, government agencies increasingly need to run two sets of servers in order to ensure that their internal networks are isolated from the Internet; this trend has stimulated demand for new KVM applications.

Worldwide Server 2012-2017 Shipment Forecast



Source : IDC,2014Feb

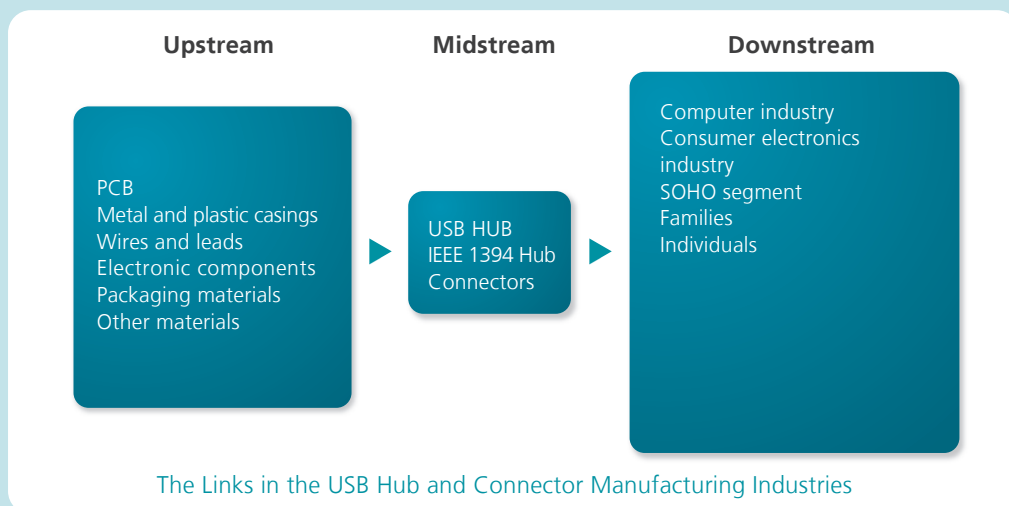
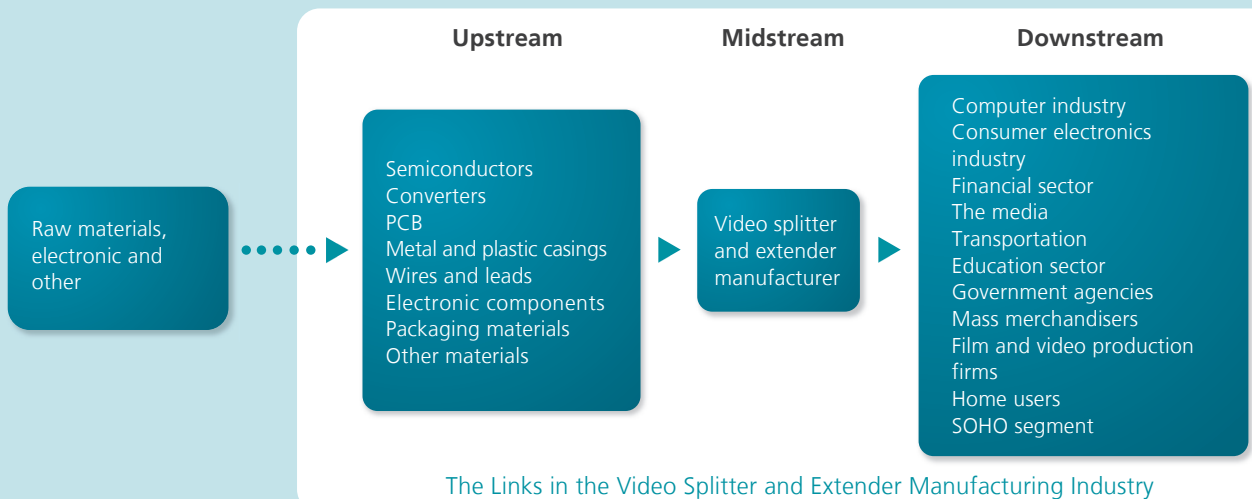
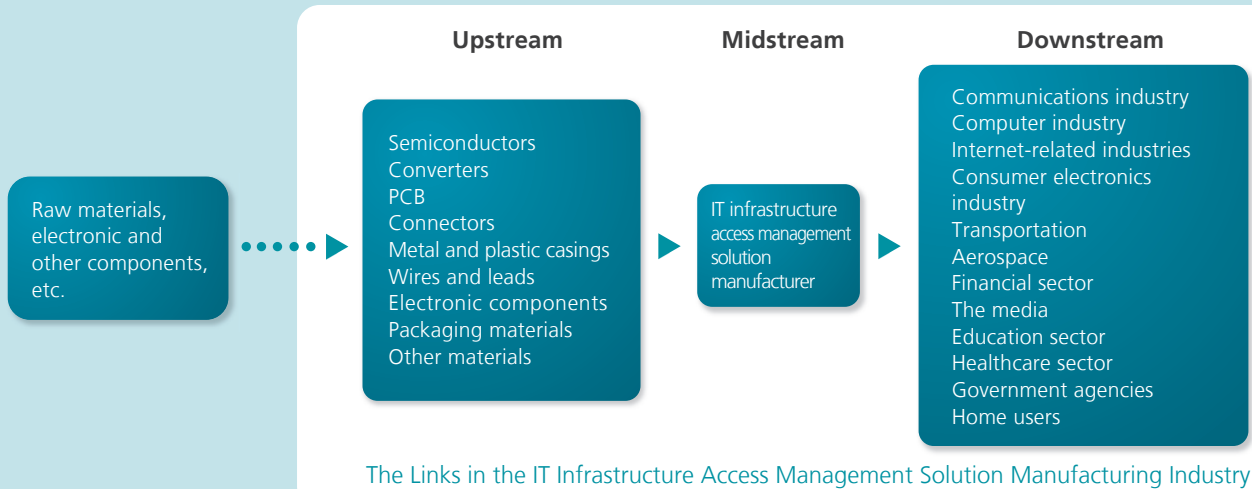
The professional Audio/Video equipment market is a new market that ATEN has been avidly developing since 2008. According to market research reports, the industry will maintain steady growth at compound annual growth rate of 10% even though it has seen robust market growth. For emerging markets in particular, the growth rate is expected to reach more than 15%. The major growth trends are as follows:

- a. The growth of profession AV applications : Demand for professional audiovisual equipment for different applications and environments has been rising across a wide range of industries and sectors. Examples include public information systems for public transport operators, display systems for financial institutions, video-conferencing systems for all kinds of business enterprises, display systems for exhibition venues, medical imaging and public information systems for hospitals and clinics, display systems for sporting events, monitoring and information management systems for industrial environments, teaching systems for academic institutions, special systems for research institutes, and home movie theater systems. The adoption of professional audiovisual equipment can lead to dramatic improvements in efficiency; this trend has created significant new business opportunities for manufacturers of video products, such as ATEN.
- b. The growth of digital advertising : With the growth of the Internet, digital signage has come to play an increasingly important role in the advertising industry. This trend has created new opportunities for video products.
- c. Digitization of A/V contents and interface : The digitization of A/V contents and interface greatly enhances the quality of images and sound, and at the same time, increases user demands. As a result, A/V equipment suppliers are under the pressure to replace the recoding, processing, storage, transmission and playing components every year, which however opens an excellent window of opportunity for new players to enter the market.
- d. The dramatic improvement in video and audio quality: Digitalization has been followed by a steady improvement in the quality of both audio and video. Video image resolution has evolved from SDTV to HDTV, Full HD, 3D, and now 4k2k (Ultra-HD), while audio quality has seen a progression from 2.1 systems to 5.1 and now to 7.1. The rapid pace of change has created significant business opportunities, in terms of demand for upgrading of existing audio/video equipment.
- e. The global video wall market has continued to post double-digit annual growth rates. The Asia Pacific is the biggest regional market, and is the region forecast to have the highest growth in the future. China is the single biggest market within the Asia Pacific region, accounting for nearly 40% of the total regional market, and demand for video wall applications in China will constitute an important driver of growth for ATEN's professional audio/video product line in the future.
- f. Besides their use in control centers, video walls are now also widely used for the display of public information. Within the Asia Pacific region, the biggest segments within the video wall market are, in order: public information display, control centers, corporate / exhibition use, commercial display, and broadcasting. Video walls are already in widespread use in many aspects of our daily lives, and can be seen around us in airports, public spaces, shopping malls, etc.

The continuing evolution of the IT and electronics industry and of its peripheral industries has helped to drive the development of the global economy as a whole. ATEN's products and solutions have an extremely wide range of applications, including the communications sector, the computer industry, the Internet sector, consumer electronics, transportation and logistics, aerospace, the financial sector, the media, education, healthcare, government administration and defense, and the residential sector. The existence of this huge market is the main reason why the industry to which ATEN belongs has been able to maintain double-digit compound annual growth rates year after year.

## **B The Links between the Up-, Mid- and Downstream Segments of the Industry Supply Chain**

ATEN is engaged in the development, manufacturing and sale of It infrastructure access management solution products, professional audio/video products, green energy products and related products. Within the IT hardware industry as a whole, ATEN is located in the midstream segment. The upstream segment comprises suppliers of raw materials and components, including semiconductors, converters, connectors, PCB, metal and plastic casings, packaging materials etc. With its positioning in the midstream segment, ATEN provides KVM switches, video splitters and converters, USB hubs, IEEE 1394 hubs, and cross-platform converters and extenders to meet the different needs of customers in various different fields. The downstream segment includes the communications industry, the computer industry, Internet-related industries, consumer electronics, transportation, aerospace, the financial sector, the media, education, healthcare, government administration, military applications, and home users. The relationship between the up-, mid- and downstream segments are shown in the figures below.





## ● The Development Trend of Products

### a. High-end products as the main source of earnings

High-end products enjoy higher profit margins because technical and other barriers limit the number of players in this segment. In the future, ATEN's high-end product lines will constitute the most important source of profits for the company.

### b. Developing ATEN's "VanCryst" professional audiovisual product line

ATEN has leveraged the outstanding video technology that the company has built up over the last three decades to develop first-class specialist video solutions, expanding ATEN's target market to include not only control room applications but a much wider range of potential applications and customers. It is anticipated that, over the next few years, the new VanCryst product line will become a major revenue source for ATEN, alongside the company's existing high-end product lines.

### c. Marketing focus

Whether in the high-end, mid-range or entry-level segments, manufacturers will be allocating more marketing resources to strengthen the distribution of their products. Whereas in the past product specifications and functions were the main focus of competition, in the future companies will be focusing more on intensive marketing, promotion and technical support.

### d. Developing a wider range of distribution channels

For a variety of reasons – including changes in consumer purchasing behavior, the growth of the Internet, the expansion of the target market, etc. – the competition in IT hardware distribution has grown steadily more intense. At the same time, a wider range of distribution channels has emerged.

### e. Integrating networking and communications into product development strategy

With the rapid pace of change in information technology and networking, Internet and communications technology will be closely integrated into future product development strategies. ATEN will be working actively to keep pace with new trends in this area, and to achieve efficient integration of information security technology, etc.

### f. ATEN will be working actively to grow its market share in the entry-level and mid-range product segments, while continue to develop the core technologies that underlie the company's development of high-end products. We will continue to make our products' user interfaces more user-friendly, and to strengthen product compatibility and stability, which will contribute to improved profitability.

### g. Developing emerging markets

In the IT infrastructure access management solution industry, the rapidly growing emerging markets have a vital role to play in every manufacturer's global expansion plans. Currently, the fastest growth is being seen in the Asian and European markets. In the future, both long-established manufacturers and new entrants will need to focus heavily on developing the emerging markets, concentrating resources on these markets to grow market share.

### h. Stepping up the promotion of smart power distribution units

In high-end applications, such as large data center, smart power distribution unit is also an important subsystem component in addition to the remote KVM management system, particularly under the current trend of energy saving and carbon reduction. ATEN's capability to provide those two important subsystems will be its competitive edge in the future.

### i. Expanding into the industrial controller and production automation application segments

IT infrastructure access management solution products on the market are comprehensive in conventional IT applications, be it in the arena of SOHO, SMB, enterprise or data center. But they also have enormous potential in more specialized fields, such as industrial control and production automation. The capability to provide complete product line and custom-made service will be a huge advantage for launching into those new fields of application.

### j. New demand in today's mobile era

In the period since the global financial crisis of 2008, innovation efforts in the information and communications technology (ICT) sector have mainly been concentrated in the mobile segment. Mobile applications have already evolved from simple communications tools into the business sphere and now into personal entertainment. New products and services are appearing all the time, creating new business opportunities; the biggest single challenge facing the IT sector today is to keep pace with this major trend towards mobility. As a leading provider of multi-computer management solutions, ATEN has allocated considerable resources towards exploiting this important trend.

### k. Using ATEN's unique sales model to develop new business opportunities

Responding to the emergence of new types of market demand, ATEN has stepped up the integration of the three main product categories in which the company enjoys significant competitive advantages (KVM, professional audio/video solutions, and green energy solutions) to introduce unique cross-product-line integrated solutions that can meet all of a customer's needs in one solution. These solutions can be tailored to meet the usage scenario needs of different industries, with an ability to create large-scale, diversified, hybrid solutions that reflects ATEN's solid, flexible solution integration capabilities.

## ● The Competition for the Products

Compared to other computer product industry, the competitive situation for IT infrastructure access management solution market is rather stable. ATEN's main competitors in the KVM switch market include Avocent, Raritan and Belkin. The leading vendors, which possess extensive high-end KVM switch product technology, have tended to focus on the enterprise and networking segments of the market, while the smaller firms product mainly mid-range and entry-level products. Intense competition and the continued expansion of the leading vendors have created a situation where the top three vendors hold combined global market share of over 70%. The remainder is divided between a multitude of smaller vendors. The most important change of KVM competitors is that Avocent became a wholly-owned subsidiary of Emerson Electric Corporation in 2009.

### (3). A Review of the Company's Technology and its Research and Development Work

#### A R&D Expenditures

( Unit : NT\$ thousands)

Year	2013	2014	Jan. to Mar. 2015
Amount	386,893	389,545	102,347
Percentage of Sales	8.46%	7.95%	8.7%

#### B Technology and Products Successfully Developed during the most Recent Fiscal Year

ATEN has always attached great emphasis to research and development, allocating a sizeable budget to R&D each year. A dedicated R&D division has overall responsibility for R&D operations, working actively to develop new products for the company and help it to strengthen and diversify its product line. ATEN's core technologies – including iKVM and wireless transfer – have been successfully integrated into all of the company's product lines. Some of the key achievements in R&D include:

- Integration and applications of IT Infrastructure Management solutions for Data Center.
- Development of Prosumer KVM Series products. Integration and applications of New SOHO peripheral products and video game peripheral products.
- Audio& Video Broadcasting series product integration and applications.
- Wireless Audio& Video series product integration and applications.
- Industrial Control and Data Communication series product integration and applications.
- "Smart" centralized control of audio/video devices and other products.
- Development, integration and application of Intelligence Power Distribution Units (eco PDU) and Green Energy products (eco Sensors).

### (4). Long- and Short-term Business Development Plans

#### A Short-term plans

##### ( a ) Marketing

- In the enterprise-class segment, while continuing to develop IT Infrastructure Access Management Solutions, Professional Audio & Video Solutions and Green Energy Solutions (all of which have high growth potential), and stepping up the integration of these three main product lines to gain maximum benefit from the areas in which ATEN enjoys competitive advantage, ATEN is also introducing unique cross-product-line integrated solutions that can meet all of a customer's needs in one solution, and which can be used to develop new industry sectors, thereby creating even bigger business opportunities. In the consumer product segment, ATEN will be responding to new trends in technology development, focusing on the user experience and aggressively developing new products and improved versions of existing products.
- ATEN will be using its membership of the HDBaseT alliance to secure technology certification and expand into the control system market. The company will continue to roll out more advanced modularized matrix solutions, focusing on the video wall, large-scale conference center and control center markets, and developing new "smart" control systems for the Professional Audio & Video Solutions segment. In the IT Infrastructure Access Management Solutions segment, ATEN will continue to monitor new trends in the development of cloud computing, control technologies and audio/video digitalization, and will be creating an even wider range of high-value remote control management devices and solutions.
- ATEN will be adopting different sales strategies and distribution strategies to achieve segmentation between the high-end market, mid-range/low-end market, and professional audiovisual equipment market. In the high-end segment, the emphasis will be on enhancing product knowledge and technical service provision. The mid-range and low-end markets, ATEN will be working actively to increase the breadth and depth of its distribution channels, while in the professional audiovisual equipment market ATEN will be attending more exhibitions and trade fairs, while also working to develop new distribution channels.

- ATEN is working to strengthen its collaboration with agents and distributors in different regional markets, with the aim of building a reputation as a first-class supplier for international system integrators and leading global brands, thereby achieving both an increase in ATEN's market share and an improvement in the quality of ATEN's customer portfolio.
- ATEN's sales development initiatives will be accompanied by the integration of regional logistics centers, meeting customers' needs for flexible, prompt distribution. In addition, ATEN will be expanding its network of overseas after-sales service facilities, to further enhance the overall level of after-sales service provision.

#### **( b ) Production strategy**

- Strengthening ATEN's TQM quality assurance system, and enhancing the level of customer satisfaction with the quality aspect of PLCS (Product Life Cycle Service).
- Improving production processes through further automation, thereby reducing product lead-time, cutting costs, and enhancing overall competitiveness.
- Implementation of a new employee education system to shorten the learning curve when volume production of new products begins.
- In line with the principle of comparative advantage, ATEN will be utilizing an international division of labor in its production activities, striving for flexible, efficient coordination of its Taiwan-based and China-based production capacity; this will enable ATEN both to reduce its production costs and spread risk more effectively.

#### **( c ) New product R&D strategy**

- ATEN will be stepping up development of new products in the Applied Video for SI segment.
- Strengthening both the depth and breadth of ATEN's over-IP product development activities.
- Developing new, modular, multi-platform, many-to-many, multi-port high-end products.
- Stepping up ATEN's wireless (IEEE 802.11 series, BlueTooth, UPnP etc.) application technology research.
- Make headway into industrial control applications based on existing core technology.
- Develop energy-saving applications with targets set on medium and high-end enterprise customers.
- Develop new star products in line with market demands.
- ATEN remains committed to helping protect the environment, and has been working actively to develop new "green data center" products. Recently, ATEN launched its new NRGence™ range of smart energy products. These "green energy solutions" for data centers make it possible for users to upgrade their existing IT resources rapidly, cheaply and easily to obtain real-time control of power management and achieve effective energy conservation.

#### **( d ) Management strategy**

- Achieving the right balance between R&D, marketing, manufacturing and administration.
- Establishment and maintenance of comprehensive back-up systems to minimize loss in the event of natural or man-made disasters.
- Comprehensive employee welfare planning to care for ATEN employees and their dependents; this will also help to attract outstanding human talent to join the company.
- Development of globalized e-enablement systems to integrate group resources and enhance overall operational efficiency.
- Implementing ongoing process improvement to enhance overall managerial efficiency.
- Emphasizing effective implementation of the internal control system, giving due weight to both the pursuit of earnings growth and the prevention of improper activity.
- Planning the establishment of a globalized logistics architecture, reducing operating costs and operational risk, improving inventory turnover and responding rapidly to changes in the market environment and in customer needs.



## **B Long-term plans**

### **( a ) Marketing strategy**

- ATEN will be focusing its attention on important market trends, emphasizing product innovation and working actively to develop core technologies for specialist applications to support the company's development as a provider of comprehensive "total solutions." In addition, ATEN will continue to strengthen its product customization capabilities, expanding both the depth and breadth of the industries and applications that its products support, and providing the most competitive product and service quality to meet customers' needs and expectations.
- ATEN will be establishing a new customer relationship management (CRM) system, strengthening its relationships with its sales partners, and working actively to develop the bid market, with the aim of increasing ATEN's market share across all regional markets.
- ATEN will be expanding its ODM/OEM business, striving to keep its finger on the pulse of the market, and helping to guide the development and adoption of innovative new technologies.
- With regard to branded marketing, ATEN will be working actively to establish a global multi-agent network, so as to expand sales of ATEN's own-brand products and achieve a more balanced distribution of sales between own-brand and contract manufacturing.
- ATEN is planning the establishment of a global e-commerce platform to give end-users all over the world easy and convenient access to ATEN products, and to create new channels for communication with consumers.
- ATEN will be fleshing out its network of overseas after-sales service centers, striving for comprehensive globalization and the ability to provide localized support services that will help to maximize brand value.
- Providing efficient, timely online and on-site service in all regions 24 hours a day.

### **( b ) Production strategy**

- Systematic, efficient expansion of production lines, to ensure that ATEN has sufficient production capacity to support the company's growth plans.
- Working closely with partner companies to plan materials supply systems, shorten procurement time and reduce inventories.
- Cultivate middle managers to strengthen the company's ability to instruct production line employees in the use of new production technology.
- Development of flexible manufacturing to enhance ATEN's ability to undertake small-volume production of a wide range of different product types, reduce unit production cost, and strengthen the company's overall competitiveness.
- Ensuring that the TQM (Total Quality Management) and JIT (Just In Time) concepts are deeply embedded in the company's operations; this will be supported by the purchasing of new production line automation equipment to enhance production efficiency and improve quality.

### **( c ) New product R&D strategy**

- Ongoing development of core video technologies.
- Development and deployment of embedded software.
- Aggressive development of new ASIC materials.
- Introduction of new wireless and fiber-optic interface products.
- An ongoing drive to develop new, higher-end products.
- Applying for patents (for ATEN's independently developed technologies) both in Taiwan and overseas, to build ATEN's competitive advantage for the future.
- Development of green data center with respect to the overall efficiency of cooling, air volume, power and energy. Application extension from data center to green building and energy-saving.



#### ( d ) Management strategy

- Utilizing continuous improvement of internal management processes and of production efficiency to achieve an enhancement of overall organizational efficiency a reduction of costs and expenses, thereby enhancing ATEN's earnings performance and creating maximum value for society, customers, employees and shareholders.
- Ongoing efforts to acquire cutting-edge technologies from external sources, while continuing to build up the capabilities of ATEN's own in-house R&D personnel.
- Implementing steady, ongoing expansion of global operations and service facilities, with the aim of building a more comprehensive global network.
- Provision of employee career planning support, profit sharing, and community welfare activities.
- Effective product positioning. ATEN will not allow its position as market leader to result in complacency; the company will continue to strive for innovation and growth.

## Market and Sales Overview

### (1) Market Analysis

#### A Shipment Destinations for Products

( Unit : % )

Shipment Destinations	2013	2014
Americas	34	32
Asia	36	35
Europe	23	24
Other regions	3	4
Domestic sales	4	5

#### B Market Share

When seeking to calculate market share, it can be difficult to find an objective basis for comparison. However, judging from the market data that ATEN has been able to collect, it appears that ATEN's share of the global consumer KVM switch market, by shipment volume, is around 60%; ATEN has for many years been the leading player in this market segment. In the enterprise-class KVM switch and network application KVM switch segment, ATEN has market share (by shipment volume) of nearly 20%, making ATEN the third largest player in this market segment, but still with plenty of room for further growth.

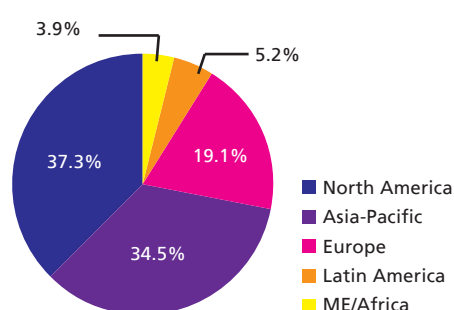
#### ● The Outlook for Market Supply and Demand and Growth

Judging from the current state of the global IT infrastructure access management solution market, data center central management solution still constitute the KVM market mainstream, and represent the main driver of growth. In the past, North America was by far the largest market for data center central management solution. However, with the rapid pace of development of the Internet and the advances that have been achieved in technology, there has recently been significant growth in demand for KVM switches in Asia and Europe, particularly from government agencies and financial institutions. With the consumer and enterprise-class KVM markets more or less saturated, demand for replacement of existing KVM switches is derived mainly from the upgrading of interface specifications. There has been a gradual shift away from analog VGA interface towards DVI (Digital Visual Interface) or DisplayPort interface, which can provide users with better, more stable image quality.

Traditionally, the main source of demand for KVM switch vendors has been for the use of KVM switches in control rooms and data centers, where they are used in server connection and management solutions. This market segment will continue to grow steadily over the next few years, but the growth will be relatively slow. Given the expected trends in terms of technology development and markets, there are two areas where stronger growth is likely to be seen. From the point of view of individual technology users, the dawning of the mobile era has brought pronounced demand for multiple-device management. At the same time, there is also clear demand for operational technology management solutions among telecommunications operators, financial institutions, factories, business enterprises and other organizations. In targeting these two potential growth areas, ATEN has already allocated considerable resources towards technology and product development, and will be rolling out a series of related products and solutions.

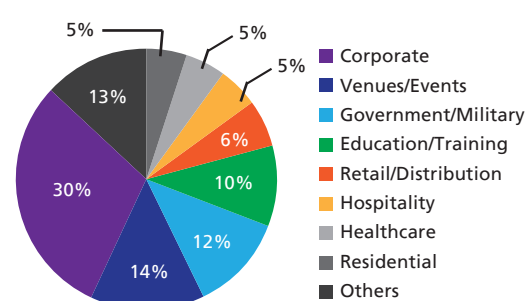
Data compiled by leading market research firm Infocomm shows that the global Professional Audio/Video equipment market is an extremely large one, and covers a very wide range of different product and applications. Examination of the shares of the total global Professional Audio/Video equipment market held by individual regions (Table 1) shows that the North American market is the largest regional market, accounting for 37.3% of the total global market, followed by the Asia region with 34.5%. As regards the shares of the market held by different types of customer (Table 2), corporate customers account for the largest share of the overall Professional Audio/Video market with 30% of the total, followed by exhibition venues and performance halls, governmental and military organizations, and educational and healthcare institutions. Infocomm forecasts that, over the period 2014 – 2016, the global Professional Audio/Video equipment market will expand at a compound average annual growth rate (CAGR) of 12%.

**Table 1 :**  
**Global Pro-AV Market by Region (2014)**



Source : Infocomm report 2014

**Table 2 :**  
**Global Pro-AV Market by Customers (2014)**



Source : Infocomm report 2014

#### **D The Company's Competitive Niche**

- An outstanding R&D team whose constant innovation and technological breakthroughs enable ATEN to enjoy the advantage of being the market leader.
- The ability to offer total solutions for remote management, backed up by a comprehensive high-end, mid-range and entry-level product line, enabling ATEN to meet the needs of different customers and different market segments.
- First-class international marketing personnel, superior distribution channels and a comprehensive global marketing network, enabling ATEN to respond rapidly to changes in market demand.
- A strong brand; ATEN products are renowned for their high quality and reliability.
- An effective IP strategy that makes it difficult for new entrants to challenge ATEN's leading position in the market.
- A dominant position as the leading manufacturer of mid-range and entry-level KVM products.

#### **E Positive and Negative Factors for the Future Development, and the Company's Response to Such Factors.**

##### **( a ) Positive factors**

- ATEN has been developing its KVM product line for over 10 years, and the "ATEN" brand enjoys a first-class reputation throughout the global market.
- ATEN has won numerous major awards, and has established a strong international brand.
- A systematically-developed global sales network covering all major regions, providing a solid foundation for future revenue growth.
- Steadily expanding product application scope, with a gradual expansion from KVM products towards A/V and intelligent PDU product lines, creating the foundation needed to drive revenue and earnings growth in the future.
- First-class, highly-experienced R&D and production technology teams.

- High-end core technology capabilities that include IC design, hardware, monitoring software/firmware, video networked communications, etc., and effective use of patents to maintain competitive advantage.
- A business philosophy based on integrity and practical, down-to-earth management.
- Ongoing corporate social responsibility (CSR) initiatives that are helping to strengthen the company's public image.
- Harmonious collaborative relationships with partner companies.
- Ongoing cultivation and recruitment of outstanding human talent.
- Sound financial underpinnings.

#### ( b ) Negative factors

- Uneven economic growth between regions.
- Exchange rate fluctuations.
- The emergence of new competitors.
- Consumers' lack of product knowledge.
- Piracy and intellectual property violations.

#### ( c ) Measures that can be adopted to address the negative factors

- A policy of working steadily to develop the global market as a whole will ensure that the company is protected from market fluctuations in any one regional market; ATEN will not be excessively dependent on any one given market. At the same time, by developing products for new industries and new applications, ATEN can spread risk and minimize the impact of the business cycle in individual industries.
- Having the finance and accounting department implement ongoing monitoring of exchange rate fluctuations in all receivables currencies, to strengthen the company's ability to forecast price trends, while using financial tools to implement effective hedging against exchange risk.
- In response to the continuing increase in the number of competitor firms in the medium- and low-end segment of the KVM market, ATEN will be leveraging its first-class product development and R&D capabilities to achieve a higher level of differentiation and enhanced product quality, thereby avoiding being dragged into vicious price competition. Providing efficient maintenance and repair service, and superior customer service in general, will also help ATEN to differentiate itself from price-slashing competitors. ATEN will also be taking legal action against firms that violate ATEN's trademarks and patents, to protect the company's interests.
- By marketing "solutions" rather than products, and by making effective use of other marketing and promotional techniques, ATEN can make it easier for potential customers – including system integrators, ordinary business enterprises, government agencies and individual consumers – to gain a greater understanding of KVM products, while spreading awareness of the benefits that KVM devices offer in terms of being energy-saving, environmentally-friendly, space-saving, and enhancing overall control room performance.
- Efforts can be made to step up investigation of the pirating of ATEN products, with concrete measures being taken to protect ATEN's exclusive rights to the sale of its patented products.

## (2) Suppliers and Customers that Have Accounted for 10% or More of ATEN's Total Purchasing or Total Sales during Either of the Last Two Years

### Ⓐ Suppliers that have accounted for 10% or more of ATEN's total consolidated purchasing during either of the last two years:

( Unit : NT\$ thousands)

2013			2014		
Name	Amount	Percentage of total annual purchasing (%)	Name	Amount	Percentage of total annual purchasing (%)
NA			NA		
Total Purchasing	1,493,911	-	Total Purchasing	1,476,337	-

The Company's consolidated suppliers(excluding ATEN manufacturing subsidiaries) scattered around the world. There is no single supplier that has accounted for 10% or more of ATEN's total consolidated purchasing during either of the last two year.



**B Customers that have accounted for 10% or more of ATEN's total consolidated sales during either of the last two years:**

( Unit : NT\$ thousands )

2013			2014		
Name	Amount	Percentage of total annual sales (%)	Name	Amount	Percentage of total annual sales (%)
NA			NA		
Total Net Sales	4,571,012	-	Total Net Sales	4,897,935	-

The Company's consolidated customers(excluding ATEN subsidiaries) scattered around the world. There is no single customer that has accounted for 10% or more of ATEN's total consolidated customer during either of the last two year.

**(3) Production Volume and Production Value for the Last Two Years**

( Units : pieces / NT\$ thousands )

Product Line \ Year	2013			2014		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
IT Infrastructure Access Management Solution Products	1,226,372	1,134,837	1,055,877	1,322,954	1,162,237	1,032,924
Video Products	348,364	326,677	151,762	346,020	306,166	175,232
Other	1,529,122	1,512,896	172,430	1,681,306	1,450,163	165,549
Total	3,103,858	2,974,410	1,380,069	3,350,280	2,918,566	1,373,705

#### (4) Sales Volume and Value for the Last Two Years

( Units : pieces / NT\$ thousands )

Product Line \ Year	2013				2014			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
IT Infrastructure Access Management Solution Products	53,804	129,740	1,027,731	2,935,741	55,775	169,596	1,089,527	3,124,469
Video Products	12,558	19,755	370,151	606,512	14,606	22,045	377,929	688,909
Other	158,921	44,306	1,895,047	834,958	103,311	34,670	1,782,348	858,246
Total	225,283	193,801	3,292,929	4,377,211	173,692	226,311	3,249,804	4,671,624

## Employees

The number of ATEN group employees, their average years of service, average age and education levels

Year		2013	2014	As of March 31, 2015
Numbers of employees	Managerial and sales personnel	847	858	833
	R&D personnel	235	237	235
	Production line workers	508	536	556
	Total	1,590	1,631	1,624
Average age		33.52	33.56	33.99
Average length of service		4.06	4.83	4.86
Education	Ph.D.	0.4%	0.4%	0.4%
	Masters	11.5%	12.0%	11.7%
	Bachelor's Degree	34.9%	37.1%	36.8%
	Senior High School	20.5%	16.7%	16.9%
	Below Senior High School	32.7%	33.8%	34.2%

## V. Financial Information

### Abbreviated Consolidated Balance Sheet and Income Statement for the last 5 years

#### Abbreviated Consolidated Balance Sheet - IFRS

( Unit: NT\$ thousands )

Item		2014	2013	2012
Current assets		3,155,232	2,871,572	2,234,370
Property, plant and equipment		2,075,749	2,102,103	2,120,865
Goodwill		2,756	2,756	47,060
Other assets		465,822	457,551	456,388
Total assets		5,699,559	5,433,982	4,858,683
Current liabilities	Before distribution	1,678,125	1,587,050	1,409,272
	After distribution	Note 2	2,197,250	1,814,973
Non-Current liabilities		467,506	465,548	447,856
Total liabilities	Before distribution	2,145,631	2,052,598	1,857,128
	After distribution	Note 2	2,662,798	2,262,829
Total Equity attributable to shareholders of the parent company	Before distribution	3,460,048	3,292,690	2,918,686
	After distribution	Note 2	2,695,334	2,524,431
Common Stock		1,194,711	1,194,711	1,194,711
Capital Surplus		333,360	333,120	316,963
Retained Earnings	Before distribution	1,923,703	1,764,310	1,426,924
	After distribution	Note 2	1,166,954	1,032,669
Other equity		8,274	549	(19,912)
Treasury stock		--	--	--
Non-controlling interests	Before distribution	93,880	88,694	82,869
	After distribution	Note 2	75,850	71,423
Total equity	Before distribution	3,553,928	3,381,384	3,001,555
	After distribution	Note 2	2,771,184	2,595,854

Notes: 1. Data for 2012 – 2014 has all been audited by a certified public accountant.

Notes: 2. Pending for shareholders' meeting resolution.



► **Abbreviated Consolidated Balance Sheet – ROC GAAP**

( Unit: NT\$ thousands )

Item		2012	2011	2010
Current assets		2,294,298	2,139,851	1,897,203
Long-term investments		66,349	104,433	96,709
Fixed assets		1,716,850	1,800,712	1,791,948
Intangible assets		48,915	56,223	75,078
Other assets		668,924	626,474	660,459
Total assets		4,795,336	4,727,693	4,521,397
Current liabilities	Before distribution	1,393,370	1,377,554	1,258,548
	After distribution	987,669	947,627	768,715
Long-term liabilities		151,734	159,466	172,679
Other liabilities		216,745	195,212	139,138
Total liabilities	Before distribution	1,761,849	1,732,232	1,570,365
	After distribution	1,356,148	1,302,305	1,080,532
Common Stock		1,194,711	1,194,711	1,194,711
Capital Surplus		325,628	325,735	319,288
Retained Earnings	Before distribution	1,462,287	1,400,363	1,374,357
	After distribution	1,068,032	982,214	884,524
Unrealized loss on financial instruments		(4,565)	(6,309)	(2,825)
Cumulative foreign currency translation adjustments		(30,825)	(15,478)	(26,384)
Unrealized gain on revaluation (long-term investments under equity method)		17,186	17,186	17,186
Treasury stock		0	0	0
Net loss not recognized as pension cost		(14,886)	(9,979)	0
Non-controlling interests	Before distribution	83,951	89,232	74,699
	After distribution	72,505	77,454	74,699
Shareholders' equity	Before distribution	3,033,487	2,995,461	2,951,032
	After distribution	2,627,786	2,565,534	2,461,199

Notes: 1.Data for 2010 – 2012 has all been audited by a certified public accountant.

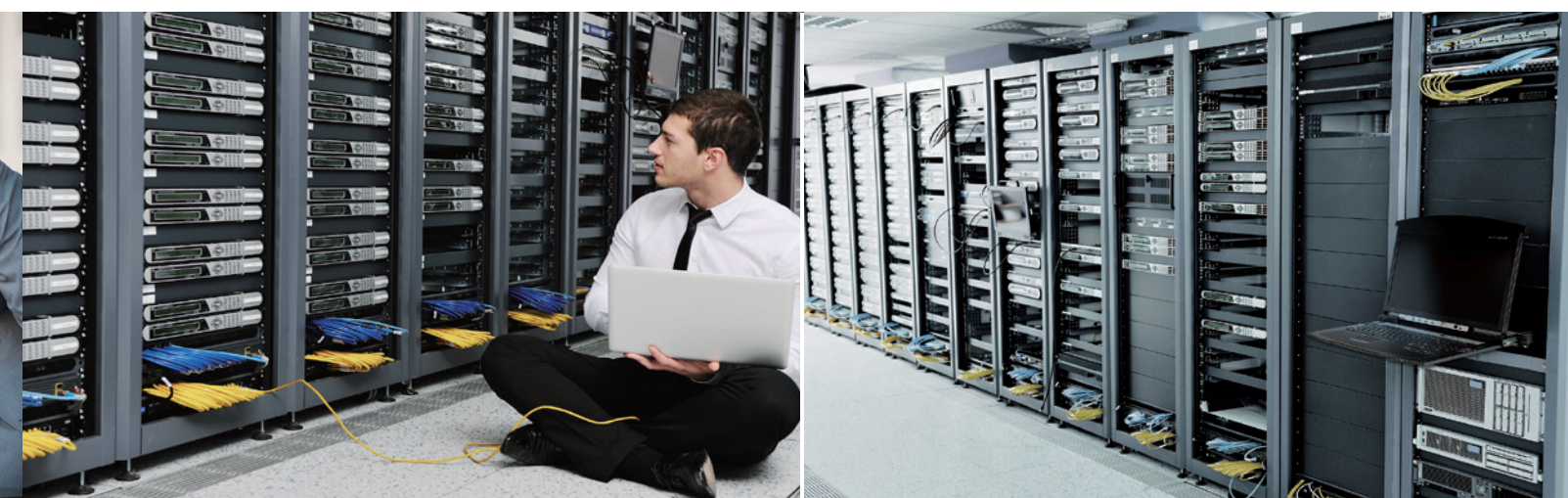


#### ► Abbreviated Consolidated Income Statement - IFRS

( Unit: NT\$ thousands )

Item	2014	2013	2012
Net Sales	4,897,935	4,571,012	4,275,862
Gross profit	2,877,840	2,651,810	2,452,716
Operating profit	1,012,933	900,529	483,823
Non operating income and expenses	39,857	38,903	150,042
Net income before tax	1,052,790	939,432	633,865
Income from Continuing Operations	776,632	756,205	484,659
Income (Loss) from Discontinued Operations	-	-	-
Net income	776,632	756,205	484,659
Other comprehensive income (loss), net of tax	5,872	13,178	(20,556)
Total comprehensive income	782,504	769,383	464,103
Net income attributable to shareholders of the parent company	760,474	741,273	478,840
Net income attributable to non controlling interests	16,158	14,932	5,819
Total comprehensive income attributable to shareholders of the parent company	764,474	752,102	459,500
Total comprehensive income attributable to non controlling interests	18,030	17,281	4,603
EPS (NT\$)	6.37	6.20	4.01

Notes: 1.The data for 2012 – 2014 has all been audited by a certified public accountant.



#### ► Abbreviated Consolidated Income Statement – ROC GAAP

( Unit: NT\$ thousands )

Item		2012	2011	2010
Net Sales		4,275,862	4,403,940	4,214,144
Gross profit		2,452,716	2,439,134	2,249,573
Net Gross profit		2,452,716	2,439,134	2,249,573
Operating income		482,900	684,115	634,572
Non-operating Income and Gain		189,194	82,016	102,592
Non-operating Expense and Loss		39,045	64,612	108,932
Continuing Operating Income before Tax		633,049	701,519	636,771
Continuing Operating Income after Tax		487,219	531,088	580,622
Income (Loss) from Discontinued Operations		-	-	-
Cumulative Effect of Change in Account Principles		-	-	-
Net Income		487,219	531,088	580,622
Net Income attributable to	Shareholders of the parent company	481,776	515,839	572,640
	Non controlling interests	5,443	15,249	7,982
EPS (NT\$)		4.03	4.32	4.79

Notes: 1.The data for 2010 – 2012 has all been audited by a certified public accountant.

## Consolidated Financial Ratios - IFRS

Item		2014	2013	2012
Financial structure	Debt ratio (%)	38	38	38
	Ratio of Long-term fund to Property, plant and equipment asset (%)	194	183	163
Liquidity Ratios	Current ratio (%)	188	181	159
	Quick ratio (%)	140	129	108
	Times interest earned (times)	70	66	40
Operating ratios	Receivables turnover (turns)	8.40	8.95	8.37
	Receivables turnover days	43	41	44
	Inventory turnover (turns)	2.83	2.87	2.83
	Payables turnover (turns)	4.94	5.02	4.81
	Inventory turnover days	129	127	129
	Property, plant and equipment asset turnover (turns)	2.34	2.16	1.99
	Total assets turnover (turns)	0.88	0.89	0.89
Profitability ratios	Return on assets (%)	14.18	14.93	10.33
	Return on equity (%)	22.40	23.69	16.24
	Pre-tax Income to Paid-in Capital Ratio (%)	88.12	78.63	53.06
	Profit ratio (%)	15.86	16.54	11.33
	Earnings per share (NT\$)	6.37	6.20	4.01
Cash flow	Cash flow ratio (%)	54	21	37
	Cash flow adequacy ratio (%)	104	84	108
	Cash flow reinvestment ratio (%)	6.50	-1.6	2.21
Leverage	Degree of operating leverage	1.92	2.01	3.00
	Degree of financial leverage	1	1	1

## Consolidated Financial Ratios – ROC GAAP

Item			2012	2011	2010
Financial structure	Debt ratio (%)		37	37	35
	Ratio of Long-term fund to fixed asset (%)		198	186	182
Liquidity Ratios	Current ratio (%)		165	155	151
	Quick ratio (%)		220	213	209
	Times interest earned (times)		40	43	51
Operating ratios	Receivables turnover (turns)		8.37	8.11	7.86
	Receivables turnover days		44	45	46
	Inventory turnover (turns)		2.83	3.14	3.65
	Inventory turnover days		129	116	100
	Payables turnover (turns)		5.14	4.61	4.84
	Fixed asset turnover (turns)		2.43	2.45	2.35
	Total assets turnover (turns)		0.90	0.95	0.93
Profitability ratios	Return on assets (%)		10.52	11.79	13.82
	Return on equity (%)		16.16	17.86	20.36
	As share of paid-in capital (%)	Operating profit	40.42	57.26	53.12
		Net income before tax	52.99	58.72	53.30
	Profit ratio (%)		11.39	12.06	13.78
	Earnings per share (NT\$)		4.03	4.32	4.79
Cash flow	Cash flow ratio (%)		36	54	53
	Cash flow adequacy ratio (%)		88	81	93
	Cash flow reinvestment ratio (%)		1.95	6.73	8.03
Leverage	Degree of operating leverage		3.00	2.63	2.44
	Degree of financial leverage		1	1	1

## VI. Analysis of Risk Management

### 1. The effect upon the company's profit (loss) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future

#### (1) The effect of interest rate fluctuations

( Unit : NT\$ thousands )

Item \ Year	2014	2013
Interest Income	2,626	3,503
Interest Expense	15,248	14,499
Net Income	776,632	756,205
(Interest Income-Interest Expense) / Net Income	-1.63%	-1.45%

ATEN has consistently maintained a healthy financial structure, with dedicated personnel responsible for close interaction with ATEN's banks. The company makes effective use of a range of financial tools to reduce the risk associated with interest rate fluctuations. For the last two years, ATEN's net interest income amounted to less than 2.0% of the company's consolidated net income; the impact of interest rate fluctuations on the company has thus been very limited.

#### (2) The effect of exchange rate fluctuations

- Ⓐ ATEN's products are heavily oriented towards the export market, with exports accounting for over 90% of total sales in 2013 and 2014. Prices for export sales are normally calculated in U.S. dollars, and as imported materials account for only a small share of total materials costs, ATEN does not benefit from the "natural hedging" effect. Exchange rate fluctuations can thus have a significant impact on the company's operations. The impact of exchange rate loss on the company's consolidated sales revenue and profits in 2013 and 2014 are outlined below :

( Unit : NT\$ thousands )

Item	2014	2013
Gain on foreign Exchange, Net (1)	17,176	10,386
Net Income before Tax (2)	1,052,790	939,432
Net Income (3)	4,897,935	4,571,012
(1)/(2)	1.63%	1.11%
(1)/(3)	0.35%	0.23%



## **B The response measures to be taken**

- (a) Careful recording the exchange rate at the time which receivables and payments are made into the account, and using forward contracts for hedging purposes. ATEN maintains close contacts with its banks, and collects information relating to exchange rate movements, enabling the company to keep its finger on the pulse of exchange rate movements, thereby avoiding, or at least minimizing, exchange rate risk.
- (b) In accordance with ATEN's Procedures for the Acquisition and Disposal of Assets, the company reviews its foreign exchange positions twice a month. ATEN is constantly monitoring market fluctuations, so as to be able to adjust its hedging strategy as necessary.

### **(3) The effect of changes in the inflation rate**

ATEN constantly monitors market price movements, and maintains close relations with both suppliers and customers. As a result, in 2013 and 2014, ATEN has not suffered any serious impact from inflation.

## **2. The company's policy regarding high-risk investments, highly leveraged investments, loan to other parties, endorsement, guarantees, and derivatives transactions; the main reasons for the profit/losses generated thereby; and response measures to be taken in the future.**

- (1) The Company did not engage in high-risk, high-leverage investment or make loans to others in 2014.
- (2) The great majority of the Company's business transactions are denominated in foreign currency. To hedge against exchange rate risk, the Company engaged in forward exchange transactions with banks with good credit ratings for hedging purpose so as to minimize our exchange rate exposure.

## **3. R&D work to be carried out in the future, and future expenditures expected for R&D work.**

( Unit : NT\$ thousands )

<b>R&amp;D Plans</b>	<b>Current Progress</b>	<b>Further Expenditure Required</b>	<b>Expected completion schedule</b>
Integration and applications of IT Infrastructure Management solutions for Data Center.	Ongoing	96,000	4Q, 2015
Development of Prosumer KVM Series products. Integration and applications of New SOHO peripheral products and video game peripheral products.	Ongoing	39,800	3Q, 2015
KVM ASIC	Ongoing	6,000	2Q, 2015
Audio& Video Broadcasting series product integration and applications	Ongoing	89,000	3Q, 2015
Wireless Audio& Video series product integration and applications	Ongoing	26,000	3Q, 2015
Industrial Control and Data Communication series product integration and applications	Ongoing	30,000	4Q, 2015
"Smart" centralized control of audio/video devices and other products	Ongoing	35,200	3Q, 2015
PE series electric power and green energy integration and applications	Ongoing	37,000	3Q, 2015
EC series electric power and green energy integration and applications	Ongoing	11,000	3Q, 2015



#### **4. Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response**

ATEN undertakes ongoing monitoring of the political and economic situation both in Taiwan and overseas, and of changes in the legal and regulatory environment, and takes appropriate measures in response as necessary. The changes in government policy in Taiwan (and overseas) in the last few years, and the changes in the legal environment, have not had any significant impact on the company's financial health.

#### **5. Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response**

ATEN specializes in the development, manufacturing and sale of network management and computer peripheral devices. The company uses its participation in exhibitions, trade shows and conferences to obtain information about the industry of which it is part and to keep up-to-date with the latest market news. Today, when the pace of change in technology is so rapid, demand for computer networking and monitoring equipment is rising steadily, which has helped to boost demand for ATEN's KVM switches and industrial controller products. ATEN's outstanding technology and high competitiveness, coupled with a business development strategy that emphasizes innovation, will help ATEN to achieve even more impressive results in the future.

#### **6. Effect on the company's crisis management of changes in the company's corporation image, and measures to be taken in the future**

In line with ATEN's core values – Integrity, Caring, Ambition, Novelty (ICAN) – the company is constantly striving for improvement in areas that are of concern to our stakeholders (including shareholders, employees, customers, suppliers, governments, local communities, etc.). Besides continuing to seek a high level of profitability in our core business areas so as to benefit both our shareholders and our employees, we also value the supply chains to which we are connected, and strive to set a good example in terms of encouraging a change in attitudes towards environmental protection and human rights. ATEN is also allocating company resources to support education and to help senior citizens and disadvantaged groups. The commitment and enthusiasm of the ATEN Volunteering Group helps to spread our love and concern for others.

In August 2014, ATEN was awarded CommonWealth magazine's Excellence in Corporate Social Responsibility award (ranking 1st in the Medium-sized Enterprises section). This was the sixth time since the Excellence in Corporate Social Responsibility awards were launched eight years ago that ATEN has ranked in the Top Ten in the Medium-sized Enterprises section, and it is also ATEN's highest every placing. This public recognition of ATEN's achievements will encourage us in our efforts to be a model of outstanding social responsibility. Besides continuing to advocate and promote socially-responsible corporate behavior, ATEN will also make sustainable development a key goal in every aspect of our business operations, striving to grow in harmony with the wider global community.

**7. Expected benefits and possible risk associated with any merger and acquisitions, and mitigation measures being or to be taken**

ATEN has not undertaken any merger or acquisition activity in 2014, or in 2015 (up until the present time).

**8. Expected benefits and possible risk associated with any plant expansion and mitigation measures being or to be taken**

Not applicable.

**9. Risk associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken**

ATEN's consolidated suppliers and customers (excluding ATEN subsidiaries) scatter around the world. No single supplier and customer accounted for 10% or more of total consolidated purchases and sales, respectively. There is therefore no serious risk due to excessive customer concentration.

**10. 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 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken.**

Not applicable.

**11. Effects of, risks relating to and response to changes in control over the Company.**

Not applicable.

**12. Litigious and non-litigious matters. List major litigious or administrative disputes that :  
(1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the price of the company's securities.**

(1) The Company had filed patent infringement suits against Yi Feng Technology Co., Ltd (Yi-Feng), Wei qi Technology Co., Ltd (Wei-qi), Heoya Technology Corp., Ltd (Heoya) and Zi qun Technology Co., Ltd (Zi-qun). As of December 31, 2014 and 2013, the Company had pledged cash and negotiable certificate of deposits amounting to \$105,700 and \$105,400, respectively. The Company had filed an appeal against Wei-qi and Yi-Feng to the Supreme Court; however, the motions were handed over to the Intellectual Property Court, and the case is currently in progress. The Company filed a lawsuit against Heoya to the Taipei District Court and Intellectual Property Court however, the case had been dismissed. Therefore, the Company filed an appeal to the Supreme Court. As of May 8, 2015, except for the case that has already been decided, the rests are still in progress.

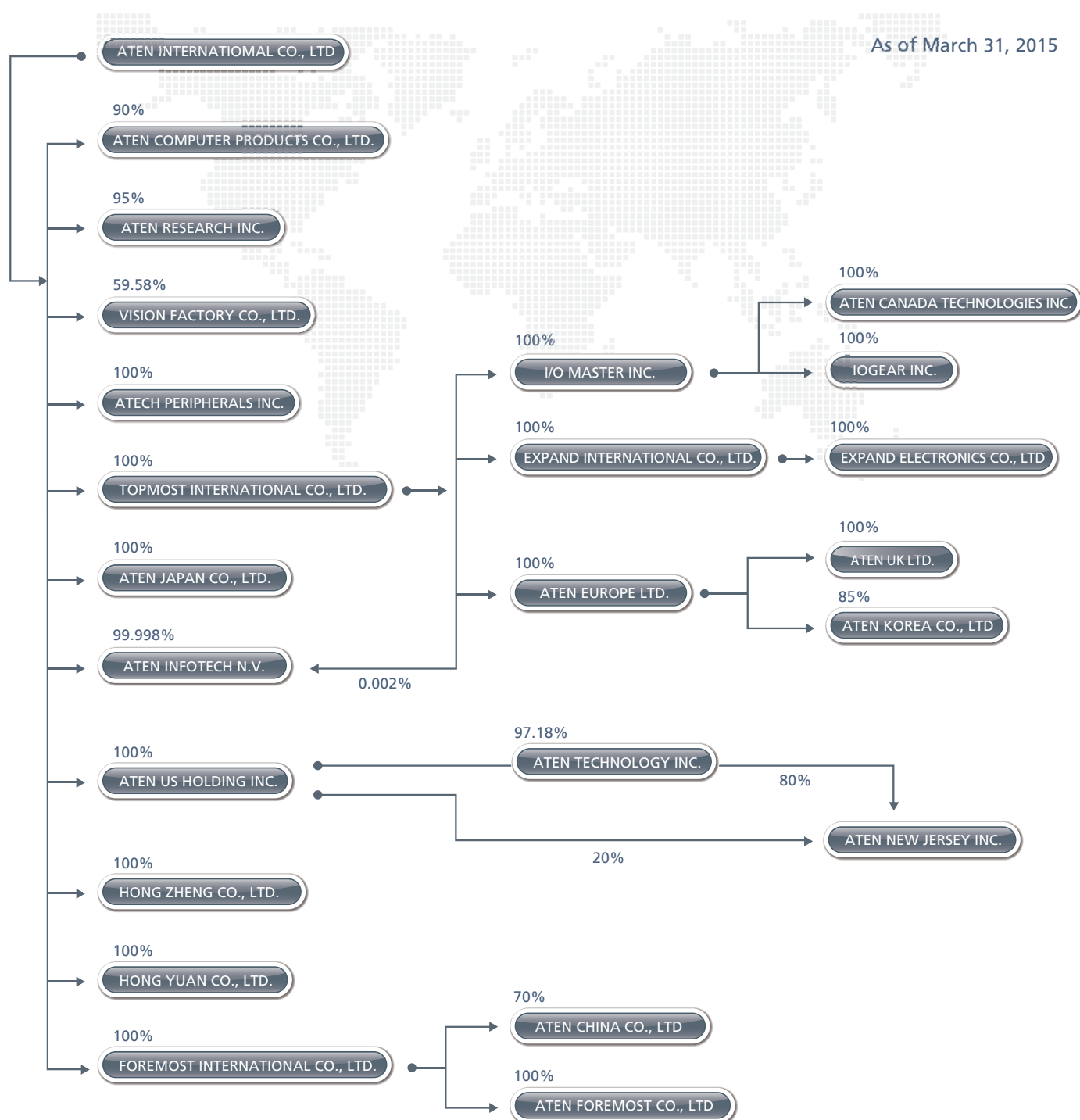
(2) In 2014, the Company has filed patent infringement suits against Uniclass Technology Co., Ltd, Electronic Technology Co., Ltd. Of Dongguan Uniclass, Airlink 101, Pheobe Micro Inc, Broadtech International Co., Ltd, d/b/a Linkskey and Black Box Corporation on Eastern District of Taxes. As of December 31, 2014, the said cases are still in progress. Certain plaintiffs have transferred the motions to the Central District of California. As of December 31, 2014, both parties are still waiting for the opening of the trials.

**13. Other important risks, and mitigation measures being or to be taken**

None.

# VII. Affiliated Enterprises

## 1. Organization Chart of Affiliated Enterprises



## 2. Basic Information of Affiliated Enterprises

As of March 31, 2015

Name	Date of Establishment	Address	Paid-in capital	Major businesses or products
ATEN COMPUTER PRODUCTS CO., LTD.	1990.10	870 MUNGKORN RD. BANGKOK 10100, THAILAND	12,000,000 baht	Trading of electronic peripheral products
ATEN RESEARCH INC	1990.09	19641 Da Vinci, Foothill Ranch, CA 92610	US\$598,000	Trading of electronic peripheral products
VISION FACTORY CO., LTD	1970.12	No.15, Ln. 30, Xinjiang N. Rd., Sijhih Dist., New Taipei City, Taiwan 221, ROC	NT\$108,624,000	Special printing
ATECH PERIPHERALS INC.	1999.06	6F., No.133, Sec. 2, Datung Rd., Sijhih District., New Taipei City 221, Taiwan	NT\$15,000,000	Trading of electronic peripheral products
TOPMOST INTERNATIONAL CO., LTD.	1999.07	Scotia Centre, 4th Floor, P.O. Box2804, George Town, Grand Cayman, Cayman Islands.	US\$700,000	General investment
EXPAND INTERNATIONAL CO., LTD.	1999.07	Suite 11, Level 2 Niamall, Saleufi Samoa	US\$689,965	General investment
ATEN TECHNOLOGY, INC.	1996.03	19641 Da Vinci, Foothill Ranch, CA 92610	US\$2,749,562.5	Trading of electronic peripheral products
ATEN INFOTECH N.V.	2000.11	Mijnwerkerslaan 34, 3550 Heusden-Zolder, BELGIUM	EUR\$1,250,000	Trading of electronic peripheral products
ATEN JAPAN CO., LTD	2004.03	ATEN Bldg. 8-4, Minami-senju 3-chome, Arakawa-ku, Tokyo 116-0003 Japan	¥80,000,000	Trading of electronic peripheral products
ATEN EUROPE LTD.	2006.05	229 BERWICK AVENUE, SLOUGH, BERKSHIRE, SL1 4QT	GBP\$1,069,000	General investment
ATEN UK LTD.	2006.05	466 Malton Avenue, Slough, SL1 4QU, U.K.	GBP\$650,000	Trading of electronic peripheral products
ATEN US HOLDING INC..	2006.11	2711 CENTERVILLE ROAD SUITE400,WILMINGTON,DELAWARE 19808	US\$3,380,000	General investment
ATEN NEW JERSEY INC.	2006.08	155 Pierce Street, Somerset, NJ 08873, U.S.A.	US\$800,000	Trading of electronic peripheral products
ATEN KOREA CO., LTD	2007.03	153-801 B-dong 303 ho, 60-5 Gabeul Grate Valley, Gasan-dong, Geumcheon-gu, Seoul, Korea	Won\$1,200,000,000	Trading of electronic peripheral products
FOREMOST INTERNATIONAL CO., LTD.	2007.04	St James Court, Suite 308, St Denis Street, Port Louis, Republic of Mauritius	US\$2,180,500	General investment
ATEN CHINA CO., LTD	2007.11	18/F, Tower A, Horizon International Tower, No. 6, Zhichun Road, Haidian District Beijing, China 100088	RMB\$12,000,000	Trading of electronic peripheral products
ATEN FOREMOST CO., LTD	2008.01	No.5 Luotian Industrial Park, Songgang Street Baoan District Shenzhen China	HK\$7,500,000	Manufacturing
I/O MASTER INC.	1999.03	OFFSHORE CHAMBERS, P.O. BOX217, APIA, SAMOA	US\$ 1,000,000	General investment
ATEN CANADA TECHNOLOGIES INC.	1998.09	#180-13091 VanierPlace, Richmond,B. C.V6V 2J1,CANADA	CAD\$ 100	Research development
IOGEAR INC.	2001. 03	19641 Da Vinci, Foothill Ranch, CA 92610	US\$ 100	Trading of electronic peripheral products
EXPAND ELECTRONICS CO., LTD	2011.11	Building 184, Yanluo Road, Luotian Community, Songgang Subdistrict, Bao'an District, Shenzhen	RMB\$ 15,000,000	Manufacturing
HONG ZHENG CO., LTD.	2011.7	6F., No.137, Sec. 2, Datung Rd., Sijhih District., New Taipei City 221, Taiwan	NT\$ 16,000,000	General investment
HONG YUAN CO., LTD.	2011.7	6F., No.137, Sec. 2, Datung Rd., Sijhih District., New Taipei City 221, Taiwan	NT\$ 16,000,000	General investment

### 3. Operational Performance of Affiliated Enterprises

as of Dec. 31, 2014; Unit: NT\$ thousands

Company Name	Capital	Total Assets	Total Liabilities	Stockholders' Equity	Net Sales	Operating Income	Net Income	EPS (NT\$)
ATEN COMPUTER PRODUCTS CO., LTD.	14,113	11,522	610	10,913	0	-116	-103	-0.34
ATEN RESEARCH INC.	16,309	609	0	609	0	-76	-101	-33.67
VISION FACTORY CO., LTD	108,624	200,849	110,075	90,774	124,226	-2,145	-1,429	-0.13
ATECH PERIPHERALS INC.	15,479	83,716	39,116	44,600	207,918	28,211	23,497	15.66
TOPMOST INTERNATIONAL CO., LTD	22,183	528,060	0	528,060	0	-155	57,036	81.48
EXPAND INTERNATIONAL CO., LTD	21,383	309,079	13,226	295,852	0	-28	4,960	7.19
ATEN TECHNOLOGY, INC.	87,993	562,728	480,183	82,545	1,224,143	39,168	29,043	10.56
ATEN INFOTECH N.V.	54,197	397,803	222,886	174,917	780,509	108,015	70,366	1,206.06
ATEN JAPAN CO., LTD .	25,105	203,045	102,720	100,325	287,148	43,495	25,787	16,116.85
ATEN EUROPE LTD .	67,279	200,839	287	200,552	0	-788	50,775	47.50
ATEN UK LTD	37,922	61,708	42,464	19,244	117,265	3,717	3,211	4.94
ATEN US HOLDING INC.	107,872	88,816	548	88,268	0	-63	29,217	8.64
ATEN NEW JERSEY INC.	26,118	130,835	87,260	43,574	378,874	19,957	14,422	18.03
ATEN KOREA CO., LTD	34,811	250,180	95,565	154,615	314,475	68,297	52,292	435.77
FOREMOST INTERNATIONAL CO., LTD	69,730	170,350	0	170,350	0	-2,558	25,162	11.54
ATEN CHINA CO., LTD	56,924	216,915	116,310	100,604	594,684	35,294	27,729	Note
ATEN FOREMOST CO., LTD	29,315	110,715	55,933	54,782	242,774	10,610	8,502	Note
I/O MASTER INC.	9,782	27,832	0	27,832	0	-32	3,559	5.08
ATEN CANADA TECHNOLOGIES INC.	3	33,868	6,456	27,413	19,635	786	3,592	Note
EXPAND ELECTRONICS CO., LTD	67,184	236,193	131,545	104,649	764,518	12,996	12,230	Note
HONG ZHENG CO., LTD.	16,000	46,489	0	46,489	0	-67	6,315	3.95
HONG YUAN CO., LTD .	16,000	46,927	0	46,927	0	-47	8,812	5.51
IOGEAR INC.	3	3	0	3	0	0	0	0

Note: Limited Company



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